

# 2019

Stock abbreviation COOEC  
Stock code 600583

# Annual Report

Offshore Oil Engineering Co., Ltd.







← Engineering design

## Contents

- 001 Important Notices
- 002 Address from the Chairman
- 005 Definitions
- 006 Company Profile and Primary Financial Indexes
- 010 Summary of Company Business

- 020 Discussion and Analysis on Operation
- 051 Important Matters
- 070 Ordinary Share Changes and Shareholders
- 075 Particulars about Preferred Shares
- 076 Directors, Supervisors, Senior Managers and Employees

↓ Onshore construction



↑ Offshore installation

- 082 Corporate Governance
- 089 Relevant Condition of Corporate Bonds
- 090 Financial Report
- 208 List of Documents for Further Reference

COOEC

Welcome to COOEC

→ Submarine pipeline laying



# Important Notices

- I. The Company's Board of Directors, Board of Supervisors and directors, supervisors and senior managers guarantee the contents of the annual report are true, accurate and complete, without false records, misleading statements or major omissions, and assume joint and several liabilities.
- II. All directors of the Company attended the board meeting.
- III. BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) has issued a standard unqualified audit report to the Company.
- IV. Yu Yi, the principal of the Company, Li Peng, the principal of accounting, and Yao Baoqin, the principal of accounting agency (accountant in charge) state: authenticity, accuracy and completeness of financial statements in annual reports are secured.
- V. The profit-sharing plan or the plan of transferring public accumulation fund to capital stock during the report period deliberated and approved by the Board of Directors

The Company plans to distribute cash dividends of RMB 0.60 (tax inclusive) for each 10 shares to all shareholders, without distributing stock dividends and utilizing capital reserves to increase capital stock, on the basis of year-end total capital stock of 4,421,354,800 shares in 2019. The total cash dividends of about RMB 265 million will be allocated this time, accounting for 949.92% of the combined net profit realized in 2019, and the unallocated profits will be carried forward to subsequent years.

This distribution plan needs to be submitted to the shareholders meeting of 2019 for deliberation and approval.

## VI. Risk statement for forward-looking statements

☒ Applicable " " ☐ Inapplicable "

Forward-looking statements, such as Section IV in the annual report involving operation plans and objectives, are not regarded as the actual commitment to investors who should be alert to investment risks.

## VII. Is there any situation relating to non-operating funds occupation by the controlling shareholders and their related parties?

No

## VIII. Is there any situation relating to tendering external guarantee in violation of violating decision-making procedures?

No

## IX. Serious risks warnings

The Report analyzed the general risks to which the Company is exposed, for raising attention of investors. See analysis details in (IV) Potential Risks in Section IV Discussion and Analysis on Operation.

## X. Others

" ☐ Applicable " ☒ Inapplicable "

## Address from the Chairman



Chairman and Secretary of the  
Party Committee | Yu Yi

Adhere to national strategies, focus on customers, pursue high-quality development, and build an internationally first-class energy engineering company with Chinese characteristics

Development orientation of the Company

Dear shareholders,

On behalf of the board of directors and the top management, I will now deliver to you the annual report of Offshore Oil Engineering Co., Ltd. of 2019. I will report the performance and development of our company in 2019, and brief you about the development trends and main tasks of our company in 2020.

### In 2019, we overcame numerous difficulties and achieved our business objectives

2019 is the most challenging year for the production and operations of our company in nearly 20 years of development since its listing. The international crude oil price fluctuated at a low level, and the offshore oil engineering industry recovered slowly. Meanwhile, our company faced heavy production tasks, tight project duration, a significant proportion of deep-water projects and high technical difficulty and complexity. In particular, the poor operations of a few overseas projects brought great pressure to the operations of our company.

Confronted with complicated internal and external environments and the test of production and operations, the board of directors and the top management of our company led the staff to uphold the spirit of "Iron Army of Offshore Oil Engineering" and work together to overcome existing hardships with great conscientiousness and dedication. Our company made continuous efforts in terms of strategic guidance, market development, production, operations, cost reduction and benefit increase, and basically achieved the tasks and objectives set at the beginning of the year.

We deeply thought about and systematically sorted out the deficiencies of our company in operations management, reform and development, redefined the development orientation, optimized the development strategy, and reached the consensus on development. The amount of newly signed contracts for market development is 19.882 billion yuan, a year-on-year increase of 13%. The total amount of outstanding orders in hand is about

24.8 billion yuan. The market development maintained a good momentum. We reasonably allocated resources, strengthened project management, overcame project difficulties, and ensured that several key projects, including Lingshui 17-2, Liuhua 16-2 and Liuhua 29-1, were promoted as planned. We made every effort to reduce costs and increase benefits, reversed the situation of operations in the third and fourth quarters, and made profits in the year.

In 2019, our company made an operating income of 14.710 billion yuan, with a net profit of 28 million yuan attributable to shareholders of the listed company. As of the end of 2019, the total assets are 31.857 billion yuan, the net assets attributable to shareholders of the listed company are 22.661 billion yuan, and the ratio of liabilities to assets is 28.83%.

In order to share the fruits of development with shareholders, the board of directors recommends a dividend payment of 0.06 yuan per share (including tax) for 2019, with a total amount of up to 265 million yuan.

### In 2020, our company will focus on scientific and reasonable epidemic prevention, devote every effort to safeguard production, and promote the high-quality development of our company

In early 2020, the novel coronavirus epidemic hit the world, and the international crude oil price fluctuated sharply, bringing impact and uncertainty to the development of the offshore oil and gas engineering industry that our company is engaged in.

However, the development of our company also faces



↓ Panorama for Construction of Qingdao Site



important opportunities. China National Offshore Oil Corporation is implementing the "seven-year action plan" to increase domestic oil and gas reserves and production. As a critical year for the implementation of the "seven-year action plan", 2020 will witness the completion and operation of ten offshore oil and gas fields, including Lihua 16-2, Lihua 29-1, Lvda 16-3/21-2. Accordingly, our company expects a significant increase in the completed workload compared with that in 2019. Among the expected workload, the onshore workload will reach a new record high, and the offshore installation workload will also see a certain increase, so our production tasks will be arduous. At the same time, there will be still pressure on cost control, and we will also face challenges in project management. Our company will focus on the following tasks and strive to achieve high-quality development.

Firstly, we will accomplish the prevention and control of novel coronavirus epidemic and the resumption of work and production to ensure the normal operation order of our company. Secondly, we will continue seizing opportunities in market development and maintain a steady growth in orders. Thirdly, we will make all efforts to ensure the completion and operation of the ten offshore projects, making more contributions to China's energy security. Fourthly, we will comprehensively deepen reform, optimize the operations management mechanism, complete the top-level design of the "Grand Design", form a joint force for the "Grand Design", promote the reform of separation management from operations in the procurement field, strengthen the building of the talent team, and continuously improve the management efficiency and operational efficiency of

our company. Fifthly, we will continue strengthening cost reduction and benefit increase, comprehensively control costs, and strive to improve the efficiency of the production organization and the labor productivity of all employees. Sixthly, we will continue strengthening party building and give full play to the role of party building in promoting production and operations. In addition, we will strictly prevent and control risks, continue strengthening the risk management and control of overseas projects, further consolidate infrastructure such as business, law, and internal control, and enhance our comprehensive risk prevention and control capabilities.

In 2020, our company will rise to difficulties and challenges, remain true to our original aspiration, keep in mind our mission, and carry forward the spirit of petroleum. With fearless courage, regretless efforts and the combat effectiveness worthy of the title of "Iron Army of Offshore Oil Engineering", we will win the campaign of production and operation in the year of 2020 and strive to create greater value for our shareholders and the society.

Finally, on behalf of the board of directors and the top management, I would like to express my heartfelt thanks to the employees for their hard work for the development of our company! I sincerely thank all shareholders and friends from all walks of life for their help and support!

Chairman and Secretary of  
the Party Committee

Yu Yi

A handwritten signature in black ink, appearing to be the name 'Yu Yi' in Chinese characters.







# Definitions

## I. Definitions

In the Report, unless otherwise defined, the following words shall have meanings set forth as follows:

Definitions of common words		
EPCI	Referring to	Engineering design, procurement, construction and installation.
FPSO	Referring to	Floating production storage and offloading.
LNG	Referring to	Liquefied natural gas.
FEED	Referring to	Front end engineering design.
PLET	Referring to	Pipeline end termination.

↓ The P70 ship for the Brazil FPSO Project heads for Brazil



# Company Profile and Primary Financial Indexes

## I. Company information

Company Name in Chinese	海洋石油工程股份有限公司
Company Name in Chinese for Short	海油工程
Company Name in English	OFFSHORE OIL ENGINEERING CO., LTD.
Company Name in English for Short	COOEC
Company Legal Representative	Yu Yi

## II. Contact person and contact information

	Secretary of the Board of Directors
Name	Liu Lianju
Contact Address	No. 199, Haibin 15 Road, Tianjin Port Free Trade Zone
Tel	022-59898808
Fax	022-59898800
E-mail	mingyf@cooec.com.cn

## III. Company basic information

Registered address	Apartment 202-F105, 2/F, Skirt Building, Ligang Plaza, No. 82, West Road 2, Tianjin Pilot Free Trade Zone (Airport Economic Zone)
Zip code of registered address	300308
Business address	No. 199, Haibin 15 Road, Tianjin Port Free Trade Zone
Zip code of company office address	300461
Website of the Company	<a href="https://www.cnoocengineering.com">https://www.cnoocengineering.com</a>
E-mail	mingyf@cooec.com.cn

## IV. Information disclosure and report storage place

Name of the media for information disclosure selected by the Company	China Securities Journal, Shanghai Security News
Website designated by China Securities Regulatory Commission (CSRC) for publishing annual report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Annual report storage place	Board Secretary Office

## V. Company stock briefing

Company stock briefing			
Stock class	Stock exchange	Stock abbreviation	Stock code
A-share	Shanghai Stock Exchange	COOEC	600583

## VI. Other related materials

Accounting firm employed by the Company (in China)	Name	BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership)
	Business address	28F, Maotai Building, Building 3, No. 29 North Third Ring Middle Road, Xicheng District, Beijing
	Name of Signatory Accountant	Cai Xiaoli, Xiu Jun



## VII. Main accounting data and financial indexes of last three years

### (I) Main accounting data

Unit: Yuan Currency: RMB

Main accounting data	2019	2018	Increase and decrease in current period compared with last year (%)	2017
Operating income	14,710,394,330.48	11,052,121,177.54	33.10	10,252,537,178.27
Net profit attributable to the shareholders of the listed company	27,926,761.89	79,778,008.87	-64.99	491,055,511.44
Net profit attributable to the shareholders of the listed company after deducting non-recurring profits/losses	-260,127,897.37	-149,211,028.41	N/A	169,816,985.51
Net cash flow from business activities	-74,807,104.70	376,455,428.85	-119.87	531,374,147.29
	End of 2019	End of 2018	Increase or decrease at end of current period compared with that of last year (%)	End of 2017
Net assets attributable to the shareholders of the listed company	22,660,640,434.49	22,892,941,649.83	-1.01	23,117,079,340.91
Total assets	31,856,542,935.10	30,149,200,569.79	5.66	28,395,956,227.87
Total capital stock at end of the period (shares)	4,421,354,800	4,421,354,800	0	4,421,354,800

### (II) Main financial indexes

Main financial indexes	2019	2018	Increase and decrease in current period compared with last year (%)	2017
Basic earnings per share (EPS) (yuan/share)	0.01	0.02	-50.00	0.11
Diluted EPS (yuan/share)	0.01	0.02	-50.00	0.11
Basic earnings per share after deducting non-recurring profit and loss (yuan/share)	-0.06	-0.03	N/A	0.04
Weighted average rate of return on (common shareholders') equity (%)	0.12	0.35	-0.23	2.13
Weighted average rate of return on (common shareholders') equity after deduction of non-recurring profit and loss (%)	-1.15	-0.65	-0.50	0.73

Main accounting data and financial indexes in the last three years at the end of report period

" ☐ Applicable " "√ Inapplicable"

## VIII. Differences in accounting data under domestic and foreign accounting standards

### (I) Differences in net profits and net assets attributable to shareholders of listed company in financial reports disclosed under international accounting standards and Chinese accounting standards

" ☐ Applicable " "√ Inapplicable"

### (II) Differences in net profits and net assets attributable to shareholders of the listed company in financial reports disclosed under foreign accounting standards and Chinese accounting standards

" ☐ Applicable " "√ Inapplicable"

### (III) Differences between domestic and foreign accounting standards:

" ☐ Applicable " "√ Inapplicable"

## IX. Main financial data by quarters in 2018

Unit: Yuan Currency:RMB

	First quarter (January - March)	Second quarter (April - June)	Third quarter (July - September)	Fourth quarter (October - December)
Operating income	1,793,651,795.06	2,765,764,392.81	3,505,250,926.34	6,645,727,216.27
Net profit attributable to the shareholders of the listed company	-260,991,833.36	-453,104,392.50	78,941,397.21	663,081,590.54
Net profit attributable to the shareholders of the listed company after deducting non-recurring profits/losses	-302,064,791.90	-498,281,093.96	-5,570,004.22	545,787,992.71
Net cash flow from business activities	-47,723,710.00	87,429,892.24	-55,419,309.45	-59,093,977.49

Differences between quarterly data and data in disclosed regular reports

"□ Applicable" "√ Inapplicable"

## X. Items and amount of non-recurring profit and loss

"√ Applicable" "□ Inapplicable"

Unit: Yuan Currency:RMB

Items of non-recurring profit and loss	Amount in 2019	Note (if applicable)	Amount in 2018	Amount in 2017
Profit and loss from disposal of non-current assets	-32,133.67		-2,210,381.13	-2,528,828.62
Tax refund and allowance or exemption approved beyond authority level or without formal written approval, or occasional tax refund and allowance or exemption				
Government subsidies included in the current profit and loss, except those which are closely related to the Company's normal business operations and in compliance with applicable national policies, and to which the Company is continuously entitled on the basis of a certain standard quota or fixed amount	135,529,241.09	It is mainly appropriation for national scientific research projects of 35.77 million yuan and consumption tax refund of 61.16 million yuan	198,410,227.13	138,350,598.34
Fund occupation expense charged from non-financial enterprises and included in the current profit and loss				
Gains generated when the Company's cost of investment into subsidiaries, associates and joint ventures is less than the fair value of the acquiree's identifiable net assets to which the Company should be entitled when it obtains the investment				
Profit and loss from non-monetary assets exchange				
Profit and loss from investment or assets management by others entrusted	147,704,228.94	Income from buying bank financial products	80,005,983.59	87,664,482.19
Provisions for impairment of various assets due to force majeure such as natural disaster				
Profit and loss from debt restructuring				
Corporate restructuring expenses, such as expenditure for staff settlement, integration expenses, etc.				
Profit and loss in excess of the fair value from transactions made at obviously unfair prices				
Current net profit and loss of subsidiaries generated from enterprise merger under the same control from the beginning of period to the merger day				



Items of non-recurring profit and loss	Amount in 2019	Note (if applicable)	Amount in 2018	Amount in 2017
Profit and loss from items irrelevant or relevant to the Company's normal business operations				
Profit and loss from fair value changes generated by the holding of financial assets and liabilities held for trading, and investment income from the disposal of financial assets and liabilities held for trading and financial assets available for sale, except profit and loss from effective hedging operations related to the Company's normal business operations			-43,985,000.00	87,922,809.38
Profit and loss from fair value changes generated by the holding of trading and derivative financial assets and liabilities, and investment income from the disposal of trading and derivative financial assets and liabilities and other creditors' investments, except profit and loss from effective hedging operations related to the Company's normal business operations				/
Reversal of the provision for impairment in accounts receivable for which impairment tests are carried out separately				
Profit and loss from external entrusted loans				
Profit and loss from changes in the fair value of investment real estates to be subsequently measured using fair value measurement model				
Impact of one-off adjustment of current profit and loss made according to the requirements of tax, accounting and other applicable laws and regulations on current profit and loss				
Custody fee income from entrusted operations				
Other non-operating incomes and expenses than the items above	29,548,112.76	It is mainly accounts payable of 23.57 million	9,821,718.39	40,176,314.66
Other profit and loss items in conformity with definition of non-recurring profit and loss	36,105,352.77	It is mainly the unrealized internal trading profit and loss return of 36.11 million yuan of COOEC-Fluor Heavy Industries Co., Ltd.	36,515,210.65	36,546,702.64
Affected minority interest	-657,288.85		-286,812.73	-413,217.48
Affected income tax	-60,142,853.78		-49,281,908.62	-66,480,335.18
Total	288,054,659.26		228,989,037.28	321,238,525.93

## XI. Items measured at fair value

"√ Applicable" " □ Inapplicable"

Unit: Yuan Currency: RMB

Project name	Balance at beginning of period	Balance at end of period	Changes in current period	Affected amount of profit in current period
Other equity instrument investments - ST Lanpec's shares held by the Company	87,428,400.00	110,351,700.00	22,923,300.00	0
Total	87,428,400.00	110,351,700.00	22,923,300.00	0

## XII. Others

" □ Applicable" "√ Inapplicable"

# Summary of Company Business

## I. Major businesses engaged in the report period, business model and industry conditions

### (I) Major businesses

The Company is the only large-scale EPCI company in China which integrates engineering design of offshore oil and natural gas development projects, onshore manufacturing and offshore installation, commissioning, maintenance and LNG projects. It is also one of the biggest general contractors for EPCI (engineering design, procurement, construction and installation) of offshore oil and gas engineering in the Asian-Pacific region.

COOEC has about 7,800 employees, constituting a multi-level and wide-range professional team for general contracting of various projects, and has established the operation procedures and management standards that align with international standards. It owns an ocean engineering manufacturing base with a total area of over 1,200,000 m<sup>2</sup> in Qingdao, Shandong, an ocean engineering equipment manufacturing base with a total area of 575,000 m<sup>2</sup> in Lingang Industrial Area of Binhai

↓ Onshore Construction of Fujian LNG Receiving Terminal and Storage Tank Project



↑ The P70 ship for the Brazil FPSO Project heads for Brazil



# 1.2 million m<sup>2</sup>

It owns an offshore structure construction base with a total area of over 1.2 million m<sup>2</sup> in Qingdao, Shandong



New District, Tianjin, which is under construction, and an ocean engineering manufacturing base with a total area of 2,070,000 m<sup>2</sup> in Zhuhai, Guangdong which is owned by the joint venture of COOEC-Fluor Heavy Industries Co., Ltd. (51% share held by COOEC and 49% held by FLUOR). These bases form a construction base layout pattern facing the international market, which crosses south and north and covers both deep and shallow waters with complementary functions. The Company owns 21 offshore construction ships, including deepwater pipeline laying ship, 7,500 t crane vessels, underwater engineering vessels, deepwater trenching vessels, and 50,000 t semi-submersible type self-propelled vessels, with offshore installation and pipe laying capabilities of leading level in Asia.

Through construction and development over many years, the Company has developed eight major capacities, including engineering design, construction and installation of offshore projects, offshore oil and gas field maintenance, underwater engineering inspection and installation, high-end skid-mounted product manufacturing, offshore project quality inspection and offshore EPCI management. It also has a strong comprehensive capability of oil and gas field construction in conventional waters with depth less than 300m. The Company has independently developed a series of core technologies, such as technologies for the design, construction and installation technologies of 30,000-ton extra-large jackets and modules, comprehensive offshore floating installation, pipe

laying and operation in 1,500 m deep waters, underwater structures installation, submarine pipeline repair and old offshore platform dismantling.

In recent years, the Company has implemented the maritime power policy and “the Belt and Road” initiative, continued its progress of access to the international market, contracted and executed a variety of influential overseas projects including construction of modules for Yamal LNG project in Russia and Australia Ichthys LNG project, and Brazil FPSO EPC project, and its international operation capability has been improved gradually. By accelerating product mix adjustment and industry structure transformation and upgrading, it cultivated and formed a batch of key industries adapting to the main trend of industry development, such as LNG industry (including global LNG module construction, domestic LNG receiving terminal and liquefaction plant projects), deepwater and underwater project industry and FPSO industry, and formed the new growth pole, which remarkably enhanced its comprehensive strength and anti-risk ability and further expanded the space for development.

The Company will continue to unswervingly implement the development strategy, adhere to the concept of serving the national strategy as its own responsibility and customer-oriented concept, and strive to achieve high-quality development and build a world-class energy engineering company with Chinese characteristics.

# 300<sub>m</sub>

Strong comprehensive abilities in oil and gas field engineering construction in traditional waters within 300 m depth

# 21<sub>sets</sub>

21 offshore construction vessels including 7,500 t crane vessel

# 30,000<sup>t</sup>

It has mastered the design, construction and installation technology of 30,000 t super-large jacket and module

# 0.575<sup>million m<sup>2</sup></sup>

Ocean engineering manufacturing base around Tianjin Harbor (under construction)

# 2.07<sup>million m<sup>2</sup></sup>

Ocean engineering manufacturing base of 2.07 million m<sup>2</sup> in Zhuhai, Guangdong under joint capital

# 1,500<sub>m</sub>

1,500 m deep water pipe-laying and operation technology



↓ Onshore Construction of  
Zhejiang LNG Receiving Terminal  
Project Phase II



## (II) Business model

The Company undertakes projects as a general contractor or subcontractor to engage in the construction of offshore oil and gas field projects, LNG, FPSO and offshore wind power projects.

The Company successively provided engineering services to domestic and foreign clients, such as CNOOC Limited, ConocoPhillips, Shell, Saudi Aramco, Petrobras, Husky, Kerr-McGee, Technip, MODEC, AkerSolutions and FLUOR, for offshore oil and gas resource development, and has made its mark in more than 20 countries and regions such as Southeast Asia, the Middle East, Australia, Russia, Brazil, Europe and Africa, in addition to sea areas of China.

## (III) Industry conditions

### 1. The "Seven-Year Action Plan" drove the continuous increase of domestic demands for offshore oil and gas engineering services

In order to implement the instructions and requirements of General Secretary Xi Jinping for increase of reserve and production of domestic oil and gas and ensure the national energy safety, CNOOC implemented the "Seven-Year Action Plan" and continued to expand the oil and gas capital expenditure. According to the public information, CNOOC's capital expenditure was 62.6 billion yuan in 2018, which increased to 80.2 billion yuan in 2019, and its budget in 2020 is 85-95 billion yuan, which will continue to maintain a rapid growth. Correspondingly, it drove the continuous increase of the domestic demands for offshore oil and gas engineering services. The Company seized the opportunity to expand the domestic market and strove to provide the



clients with high-quality and efficient services, with the amount of the contracts signed increased continuously and the market trend continuing to be improved.

**2. The recovery of global offshore oil and gas engineering industry in 2019 was slow, the number of projects increased, but the price level was still low**

According to the prediction of IHS Markit, an international authoritative organization, the global upstream offshore oil and gas exploration and development investment would reach USD 116.0 billion, increasing by 11.5% compared with USD 104.0 billion in 2018, which was the first positive growth in recent five years, reversing the trend of continuous decrease from 2014 to 2018. Meanwhile, the number of projects increased by more than 10%, reaching about 110. By regions, large increases in capital expenditure were in Asia Pacific (19%), Russia (18%), Middle East (13%) and Latin America (9%), and decreases in capital expenditure only occurred in North America. However, in terms of total investment, the global upstream offshore oil and gas exploration and

development investment of USD 116.0 billion in 2019 was not only far from the investment peak of USD 187.0 billion in 2014, but also fell short of the average level of USD 138.0 billion in 2010 and 2011. It can be seen that the average investment scale of the project was at the lowest level in the recent ten years, the project service price was low, and the market competition was still fierce.

## II. Significant changes in main assets of the Company in the report period

“√ Applicable” “ □ Inapplicable”

No great change occurs in long-term equity investment, fixed assets and intangible assets in the report period. The total asset value of projects under construction was RMB 671 million, which showed a year-on-year decrease of RMB 1.710 billion, viz. 71.82%, mainly because that “Offshore Oil 201” was converted from projects under construction to fixed assets after completion of reconstruction.

Wherein: overseas assets amount to RMB 19.12 (unit: 100 million yuan currency: RMB) accounting for 6% of total assets.

↓ Jacket and Pile Installation of Lvda 16-3 Oilfield Development Project





# III. Analysis on core competitiveness

in the report period

“√ Applicable” “□ Inapplicable”



← Night View of Construction of Qingdao Site



## (I) Having the market position as a domestic offshore oil and gas engineering pioneer

The Company is the only large-scale offshore oil and gas projects EPCI company in China, a leading company that represents China's technical level of offshore oil projects and a critical force for offshore oil and gas resource development in China. For decades, over 100 offshore oil and gas projects have been engineered and constructed by the Company relying on its unique position in the domestic market and dominant advantages in financial support, equipment development, research and development, etc.

## (II) It has EPCI contracting capability

**High EPCI contracting capability in conventional waters.** EPCI contracting capability is the core advantage of the Company and, based on years of development and accumulation, the Company has developed a complete set of proven technology, equipment and capability systems for the design, construction, installation and maintenance of offshore oil and gas field projects in waters within a depth of 300 m and is capable of providing turnkey projects and diversified services for the clients, which is the cornerstone on which the Company's survival and development rely. The Company improves the connection efficiency between all links and continuously promotes the improvement of the overall contracting capability by continuously improving the capability of such links as design, procurement, construction and installation. Currently, the Company's general contracting business has gradually expanded to FPSO and LNG projects, and is gradually expanding to overseas offshore platform general contracting projects.

**Relatively complete detailed design capability.** The Company has over 1,000 designers to provide professional services in the areas of feasibility study, conceptual design, FEED, detailed design, processing design, installation design, etc. It possesses mature design capacity for various oil and gas field projects in conventional waters within depth of 300 m. Meanwhile, it actively carries out design capability construction for deepwater oil and gas field projects beyond depth of 300 m, and makes efforts to make breakthroughs in key design technologies of deepwater products such as deepwater floating platform system, deepwater pipelines and risers and subsea systems, thus gradually improving the deepwater design capability.

**Rich experience in offshore oil engineering project management.** The Company has nearly 50 years of domestic oil and gas project construction experience and has constructed over 100 oil and gas field projects. It possesses abundant experience in construction and management of projects in conventional waters within a depth of 300 m. In terms of international project operation, in recent years, the Company has provided engineering services to owners from Russia, Australia, Saudi Arabia, Myanmar, Brunei and Malaysia and accumulated certain international project management and operation experience.

**Mature manufacturing site and extra-large marine structure construction capability.** In the areas such as Binhai New District of Tianjin and Qingdao, the Company has built up construction sites with area of more than 1.4 million m<sup>2</sup>, with annual processing and manufacturing capacity of over 200,000 tons of steel structures, and has construction capacity for 30,000-ton extra-large marine structures such as jacket and module as well as large module construction capacity.

→ Site Construction and Hoisting





← Offshore Installation Site of Wenchang Project

### (III) The modular construction capability has global competitiveness and establishes an international brand

**Modular construction is a name card for the Company's overseas business.** In recent years, relying on its strong onshore construction resources and capabilities, the Company has undertaken and executed a large number of international LNG modular construction projects, including Gorgon LNG modular construction project in Australia, Ichthys LNG modular construction project in Australia and Yamal LNG modular construction project in Russia. The contract amount of Yamal Project is over RMB 10 billion. Through fine management and "integration of design, procurement and construction" control, the Company has achieved high-quality operation and timely delivery of projects, and established its position in the global modular construction market. In 2019, the Company gained LNG module construction contracts of about RMB 5 billion from North America, and continued to develop the modular construction market.

### (IV) The Company has increasing FPSO general contracting capability and gradually becomes a global participant

In recent years, the Company has actively adjusted its product mix according to changes of the market environment, continuously increased its scientific and technological input to the FPSO field relying on independent innovation, made full efforts to enter the new business field of FPSO floating body, and quickly become the first domestic FPSO project general contractor and an important participant in the international FPSO general contracting field. Up to now, the Company has undertaken a number of domestic and foreign FPSO projects such as Brazil FPSO, Shell Penguin FPSO and "Offshore Oil 119" FPSO, and accumulated rich project experience and technical experience in the field of super-large FPSO general contracting management.

### (V) The deepwater capability is developed continuously

**It has fully equipped shallow water and deepwater workboat teams with advanced performance.** The Company owns "Offshore Oil 201", the world's first deepwater pipe-laying crane vessel that has 3,000-m deepwater pipe-laying capacity, 4,000-ton heavy lifting capacity and level III dynamic positioning capacity at the same time, and 21 engineering vessels including the 7,500-ton crane vessel "Bluewhale", 50,000-ton semi-submersible self-propelled vessel, multi-function underwater vessels that can operate in 3,000m deep waters, multi-function deepwater installation vessels and deepwater trenching vessels. Each vessel for main operation features young age and good performance. Besides, the Company has the capability for offshore transportation and installation of 30,000-ton super-large marine structures, and possesses multiple offshore installation technologies like hoisting, DP floating installation, moored floating installation, slippage launching, etc.

**Comprehensive underwater engineering capability and deepwater capability are further improved.** The Company owns such large equipment as 6 DP underwater vessels, 17 underwater robots, one deepwater flexible pipe-laying system and one trenching plough, and is capable of underwater operations in 3,000 m deep waters. It has accumulated the execution experience of tens of underwater engineering projects involving such underwater engineering works as subsea production system installation, handling of mooring system, deepwater flexible pipe laying, seabed trenching and underwater facility inspection and maintenance. Such projects as Liuhua 16-2, Liuhua 29-1 and Lingshui 17-2 currently being executed by the Company are the first batch of large deepwater projects in the true sense in China, and through scientific and technological innovation surrounding the technical demands for these large projects, the Company will break through a number of technical bottlenecks which restrict the development of the deepwater business of the Company and even China, gradually form a series of comprehensive deepwater business capabilities including floating platform, deepwater riser, subsea production system and deep sea pipeline laying, thus making the Company's deepwater capability move a big step forward.





→ Offshore PLET Installation of  
Liuhoa 29-1 Deepwater Project





## List of the Company's Ship Equipment:

No.	Type	Ship name	Means of acquisition	Year of construction	Year of purchase	Investment (RMB 10,000)	Capacity introduction
1	Crane vessel	Binhai 108	Purchased	1979	1979	7,567	Rated lifting capacity: 900 t
2	Pipe-laying crane vessel	Binhai 109	Purchased	1976	1987	5,747	Rated lifting capacity: 318 t; range of pipe diameter: 6-60"; tensioner 67.5 t
3	Pipe-laying crane vessel	Lanjiang	Investment and construction	2001	-	105,222	Rated lifting capacity: 3,800 t; range of pipe diameter: 4.5-48"; tensioner 72.5x2 t
4	Crane vessel	Bluewhale	Purchased	2009	2009	141,730	Rated lifting capacity: 7,500 t
5	Pipe-laying crane vessel	Offshore Oil 201	Investment and construction	2012	-	275,617	Rated lifting capacity: 4,000 t; range of pipe diameter: 6-60"; tensioner 200x2 t
6	Pipe-laying crane vessel	Offshore Oil 202	Investment and construction	2009	-	102,226	Rated lifting capacity: 1,200 t; range of pipe diameter: 4-60"; tensioner 100x2 t
7	Engineering auxiliary vessel	Offshore Oil 221	Investment and construction	2004	-	9,493	Load capacity: 29,000 t
8	Engineering auxiliary vessel	Offshore Oil 222	Investment and construction	2005	-	3,314	Load capacity: 7,000 t
9	Engineering auxiliary vessel	Offshore Oil 223	Investment and construction	2005	-	3,348	Load capacity: 7,000 t
10	Engineering auxiliary vessel	Offshore Oil 228	Investment and construction	2013	-	28,071	Load capacity: 57,784 t
11	Engineering auxiliary vessel	Offshore Oil 229	Investment and construction	2008	-	58,508	Load capacity: 98,000 t
12	Engineering auxiliary vessel	Offshore Oil 278	Investment and construction	2012	-	84,212	Load capacity: 53,500 t
13	Engineering auxiliary vessel	Offshore Oil 225	Purchased	2009	2009	23,965	Load capacity: 17,289 t
14	Engineering auxiliary vessel	Offshore Oil 226	Purchased	2009	2009	24,166	Load capacity: 16,800 t
15	Engineering auxiliary vessel	Offshore Oil 698	Purchased	2009	2009	24,221	Load capacity: 2,940 t; maximum speed: 14.5 sea miles/h; cruising ability: 12,000 sea miles
16	Underwater vessel	Offshore Oil 289	Purchased	2014	2014	94,234	Working moonpool: 7.2x7.2 m; ROV moonpool: 4.8x5.5 m; rated lifting capacity: 250 t
17	Underwater vessel	Offshore Oil 286	Investment and construction	2014	-	93,725	Hoisting capacity of main crane is 400 t (active heave compensation (AHC), with operating depth of 3,000 m); equipped with two working ROVs for 3,000 m depth, with one moonpool capable of supporting deepwater hoisting, umbilical cable/hose/cable laying, saturated diving/ROV/IMR operation.
18	Underwater vessel	Offshore Oil 291	Purchased	2015	2015	111,032	Hoisting capacity of main crane is 250 t (AHC, bollard towing force of 361 t, operating moonpool 7 m x 7 m; equipped with two 150 HP working ROVs; three hoist drums winch for handling of mooring system.
19	Underwater vessel	Offshore Oil 285	Purchased	2016	2017	53,000	Hoisting capacity of main crane is 250 t (AHC); moonpool parameters: 7.2x7.2 m
20	Underwater vessel	Offshore Oil 287	Purchased	2016	2017	53,000	Hoisting capacity of main crane is 250 t (AHC); moonpool parameters: 7.2x7.2 m
21	Underwater vessel	Offshore Oil 295	Investment and construction	2017	-	36,214	Hoisting capacity of main crane is 100 t (AHC; bollard towing force of 90 t); hoisting capacity of gantry crane is 100 t; maximum speed: 14 sea miles/h; cruising ability: 12,000 sea miles



# Discussion and Analysis on Operation



## I. Discussion and analysis on operation

In 2019, the “Seven-Year Action Plan” provided the Company with a historic development opportunity. Since 2018, General Secretary Xi Jinping has issued important instructions on strengthening domestic oil exploration and development and construction of natural gas production, supply, storage and sales system. In order to fully guarantee the increase of reserve and production of domestic oil and gas and ensure national energy safety, CNOOC implemented the “Seven-Year Action Plan” and proposed such objectives as comprehensive promotion and completion of  $2 \times 10^7$  m<sup>3</sup> western oilfield in the South China Sea and  $2 \times 10^7$  m<sup>3</sup> eastern oilfield in the South China Sea by 2025 and crude oil output of  $3.75 \times 10^7$  t by 2025 based on the strategic objective of “ten years of stable output of  $3 \times 10^7$  t” in Bohai Oilfield. The offshore oil and gas expenditure increased gradually with the implementation of the “Seven-Year Action Plan”, a group of large deepwater development projects such as Liuhua and Lingshui were launched successively in the South China Sea, and a group of offshore development projects such as Penglai, Lvda, Qinhuangdao, Nanpu, Bozhong and Jinzhou were launched successively in the Bohai Sea, and correspondingly the workloads of the Company increased quickly.

2019 is the most challenging year for the Company's production and operation in the nearly 20 years' development history since it went public. On one hand, the international crude oil price was low and fluctuating, the recovery of offshore oil engineering industry was slow, the average

investment scale of single projects was at the lowest level in the recent ten years, and the Company's service price was also relatively low. On the other hand, the production tasks of the Company were heavy, the proportion of deepwater projects was relatively large, the construction period was short, the technical difficulty and complexity were high, the offshore installation business and overseas operations were more than those in previous years, and the difficulty of resource allocation and risk control increased. In particular, the 3648 Project in Saudi Arabia had a huge loss, which brought a great pressure to the Company's operation.

In the face of the complex internal and external environment and production and operation pressure, the Company's Board of Directors and management led all the staff to build consensus, seize opportunities, actively respond to the problems, and has carried out a series of fruitful work.

In terms of national energy safety strategy service, the Company resolutely implemented General Secretary Xi Jinping's instructions on the increase of reserve and production of domestic oil and gas, actively served the “Seven-Year Action Plan” of CNOOC for strengthening the increase of reserve and production of domestic oil and gas, carefully arranged the allocation of such resources as sites, ships, technologies, manpower and material resources, and ensured the smooth implementation of the “Seven-Year Action Plan”.



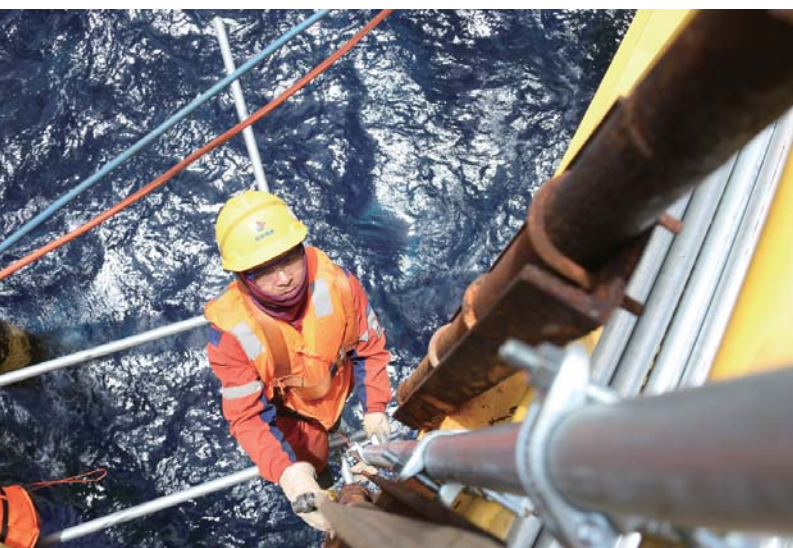


In terms of domestic and foreign market development, the Company seized the opportunities brought by the “Seven-Year Action Plan” and vigorously developed offshore oil and gas field projects and LNG storage tank and receiving terminal projects for domestic markets; it emphasized the principle of quality and benefit, carefully selected overseas projects and properly controlled the risks for foreign markets. The domestic and foreign orders continued to grow throughout the year.

In terms of project operation and management, the Company actively overcame various difficulties, tried every means to promote the project construction with high quality, and ensured that several key projects, including

Lingshui 17-2, Liuhua 16-2 and Liuhua 29-1, proceeded as planned.

In terms of reversing the business situation, the Company repeatedly combed, analyzed and studied the potential of cost reduction and efficiency improvement of all projects, developed a comprehensive and operational cost reduction and efficiency improvement plan, strengthened the communication with owners through focusing on implementation, optimized the project plans, made effective use of inventory raw materials, and made every effort to reduce the costs. On the basis of stabilizing the declining situation of the operating performance in the third quarter, the adverse operating situation was further reversed in the fourth quarter, thus finally achieving a full-year profitability.



← Offshore Installation



## 37

During the report period, the Company achieved the operating income of 14.71 billion yuan, with the net profit attributable to shareholders of the listed company of 28 million yuan. By the end of 2019, the total assets were 31.857 billion yuan, with the net assets attributable to shareholders of the listed company of 22.661 billion yuan, and the asset-liability ratio of 28.83%.

**Main work completed by the Company in 2019:**

(I) 37 projects were operated synchronously throughout the year, and such key projects as FPSO, deepwater and LNG projects were comprehensively promoted

The Company operated 37 projects synchronously, including 30 offshore oil and gas field development projects and 7 onshore construction projects. A batch of new projects such as Penglai, Jinzhou and Caofeidian were commenced. Six projects including Bozhong 34-9 Oilfield Development Project, Comprehensive Adjustment Project of Penglai 19-3 Oilfield 1/3/8/9 Zones and Dongfang 13-2 Project were completed and put into production 83 days in advance, thus contributing values to the clients.

The Company operated 37 projects synchronously, including 30 offshore oil and gas field development projects and 7 onshore construction projects.

→ Panorama for Construction of Qingdao Site

← Onshore Construction of Central Bohai Bay 34-9 Oilfield Development Project







45,000<sub>t</sub>

190<sub>items</sub>

1,500<sub>km</sub>

90<sub>days</sub>

During the construction of P70, 45,000-ton steel was consumed, 1,500-km cables were laid, and more than 190 technical and process innovations were made. The actual construction period is 90 days shorter than that agreed in the contract.





1. 3.5×105 t “Super Offshore Project” FPSO was delivered to Brazil, and the Company’s FPSO construction set a record again

In December 2019, the world’s largest DWT offshore floating production storage and offloading (FPSO) plant P70, independently built and integrated by the Company, was officially shipped from Qingdao Base to the Brazilian Owner, marking the formal delivery of P70 to the Brazilian Owner. It is currently the largest and most technically demanding FPSO project in China that has ever been delivered to a foreign country. P70 has a total length of over 300 m, a total width of about 74 m, the maximum displacement of 350,000 t, steel consumption of 45,000 t in the construction and a cable laying length of about 1,500 km. During the construction period of one and a half years, the Company organized a project team of nearly 1,000 persons to tackle the technical and management difficulties of the project, and successively completed more than 190 technological innovations and process innovations, including underwater installation technology of airbag pump filter; in view of such characteristics of complex management interfaces, various work types and multiple cross-operations of this project, with the help of visualization, digitalization, IoT technology and other advanced technologies, the Company mastered the interface management technology of super-large FPSO projects, realized dynamic and standardized interface management of FPSO projects, and improved project control efficiency and construction efficiency. P70 was completed 90 days earlier than the completed date agreed on in the contract, which was a quarter more efficient than its “sister ship” P67 and set a speed record of building super-large world-class FPSO in China.

← P70 Ship Superstructure  
Construction of Brazil FPSO Project







1200 ~  
1600<sub>m</sub>

Lingshui 17-2 Gasfield Development Project, with a water depth of 1200-1600 m and development mode of "deepwater semi-submersible platform + underwater wellhead" adopted.

## 2. Multiple key deepwater projects such as Lingshui and Liuhua were comprehensively implemented

Lingshui 17-2 deepwater gas field is located in the north waters of Qiongdongnan Basin. It is the first fully self-operated deepwater large gas field in China, with a water depth of 1200-1600 m and development mode of "deepwater semi-submersible platform + underwater wellhead" adopted. The semi-submersible platform of this project is composed of a hull and modules, among which the lower hull weighs 33,498 t and is composed of buoyancy tanks, joints and columns, with a total of 82 sections built in Qingdao, Yantai and other sites. By the end of the report period, in terms of construction, block erection of the first buoyancy tank has been implemented, and production of upper modules of the semi-submersible platform and hoisting of deck structures have been completed; in terms of offshore installation, such key works as pre-survey of 10-inch subsea pipeline routing in the western zone, handling of intersections and layout of anchor piles of the semi-submersible platform have been completed, and the construction of 65 sets of underwater production systems including PLET (underwater pipeline terminal), JUMPER (underwater jumper pipe) and PLR (pig launcher and receiver) has been commenced.



↑ Smooth and Successful Assembly of First Segmented Covering Plate of Lingshui 17-2 Gas Field Development Project



Liuhua 16-2 Oilfield Group Development Project is the first offshore deepwater oilfield development project independently implemented in China. The Company is proposed to construct a 1.5×10<sup>5</sup> DWT FPSO and several sets of underwater production systems for this project. During the report period, it has completed a series of



# 150,000<sub>t</sub>

The Company will construct a FPSO of 150,000 tonnage for the project

works including PLET manufacturing and offshore installation, deepwater subsea pipeline laying, undocking and launching of FPSO hull, onshore prefabrication and hoisting of 14 single upper modules, and installation of single-point anchor system.



↑ FPSO Construction of Liuhua 16-2 Project





Liuhua 29-1 Deepwater Project is located in the eastern part of the South China Sea, with an operating water depth of 520-1,200 m. During the report period, the Company completed the manufacturing and offshore installation of all four sets of PLETs and the laying of two subsea pipelines of about 65 km. The 12-inch PLET was installed successfully in the operating environment with a water depth of 1,120 m, which renewed the water depth record of PLET installation in China.

4<sub>sets</sub> 65<sub>km</sub>

The Company completed the manufacturing and offshore installation of all four sets of PLETs and the laying of two subsea pipelines of about 65 km.



← ↑ PLET Installation and Subsea Pipeline Laying of Liuhua 29-1 Deepwater Project



Shell Penguin FPSO Project is the first cylindrical deepwater floating body project undertaken by the Company, with the upper module weighing about 12,000 t and the hull weighing about 16,000 t. Its cylindrical structure makes the hull construction significantly differ from the previous offshore platform construction, and a large number of confined space

operations and large-scale hoisting operations pose great challenges to the project quality management and safety management. The company continuously strengthened the safety management, continuously optimized the management modes and methods, realized the fusion of safety cultures of multiple participating units, and ensured the safe and orderly construction of the project.







3. Key LNG receiving terminal and storage tank projects were carried out orderly

The LNG Receiving Terminal and Storage Tank Project in Zhangzhou, Fujian was carried out steadily, the construction of the process plant of the receiving terminal was commenced smoothly, and the air pressure increase of the dome of storage tank #1 was completed smoothly. Digital delivery is a major feature of the project. The project team will strive to realize digital delivery in three aspects: digital design, project management informatization and integrity management, which will improve the digital management level of the LNG projects of the Company.

The construction of civil walls and dome concreting were completed in Phase II of the LNG Receiving Terminal Project in Zhejiang, and the key milestone works of air pressure increase of three storage tanks were implemented smoothly. During the implementation of this project, the Company innovatively applied such new technologies as integrated pile forming design and seismic imaging welding technology, and promoted semi-automatic TT welding technology of inner tank wall boards in domestic LNG industry for the first time, which shortened the construction period of the project.





↑ Onshore Construction of Fujian LNG Receiving Terminal and Storage Tank Project

The engineering pile construction of two storage tanks was completed in Phase I of the LNG Receiving Terminal Project in Tangshan, and the subsequent civil works would be further carried out.

#### 4. Offshore installation of the 3648 Project in Saudi Arabia was promoted continuously

The offshore installation of the Saudi Arabia Project is under way, the laying of about 14 km of eight of the

nine sections of subsea pipelines in Saudi waters (a total of about 21 km of pipelines) has been completed, the recovery of old subsea pipelines and sea-bed pretreatment have been completed by DSV vessels (saturated submersible support vessels), and the pre-trenching of landing pipelines and the construction of land pipelines are also under way. During this period, facing a series of problems such as the impacts of the hard rock areas in the trenching areas, the project team of the Company continuously solved the problems and promoted the smooth operation of the site through a series of means such as continuous improvement of management, improvement of technology and input of advanced equipment.

← Onshore Construction of Zhejiang LNG Receiving Terminal Project Phase II







↑ Jacket Loadout of Jinzhou 25-1  
Oilfield Development Project

↓ Subsea Pipeline Laying of  
Liuhua 16-2 Oilfields Project



12

Onshore construction  
of 12 jackets and 5  
modules

5

10

Offshore installation  
of 10 jackets and 7  
modules

7

373

Laying of 373 km subsea  
pipelines

## (II) Onshore construction and offshore installation continued to increase

During the year, the Company completed the onshore construction of 12 jackets and 5 modules, implemented the offshore installation of 10 jackets and 7 modules, and completed the laying of 373 km of subsea pipelines.

The construction business completed 155,500 structural tons of steel processing, increasing by 23% compared with 126,900 structural tons in the same period of the previous year.

15,600 ship days were spent on offshore operations such as installation, increasing by 31% compared with 11,900 ship days in the same period of the previous year.

↓ Offshore Installation of Lvda  
21-2 Oilfield Development Project







← Subsea Pipeline Assembly and Welding

The progress of key projects (as of the end of report period) is listed as follows:

No.	Project name	Cumulative progress
1	LNG Module Construction Project of JGC Fluor BC LNG Joint Venture	0.3%
2	Phase I of LNG Receiving Terminal Project in Tangshan	6%
3	Development Project of Well Area 3 of Penglai 25-6 Oilfield	13%
4	Caofeidian 6-4 Oilfield Development Project	29%
5	Lingshui 17-2 Gasfield Development Project	34%
6	LNG Receiving Terminal and Storage Tank Project in Zhangzhou, Fujian	40%
7	Development Project of Well Area 6-11 of Jinzhou 25-1 Oilfield	46%
8	Dangote Project in Nigeria	58%
9	Liuhua 29-1 Deepwater Project	62%
10	Phase II of LNG Receiving Terminal Project in Ningbo, Zhejiang	67%
11	Liuhua 16-2 Oilfield Group Project	69%
12	Lvda 21-2/Lvda 16-3 Oilfield Area Development Project	73%
13	IK Contract of CRPO3648 Offshore Transportation and Installation Project in Saudi Arabia	46%
	OOK Contract of CRPO3648 Offshore Transportation and Installation Project in Saudi Arabia	80%
14	Adjustment Project of Area 4 of Penglai 19-3 Oilfield/Phase II of Penglai 19-9 Oilfield Development Project	81%
15	Hull Portion of Shell Penguin FPSO Project	90%
	Onshore Construction of Upper Modules of Shell Penguin FPSO Project	34%
16	Nexen LLSW Project	92%
17	Upper Modules of P70 of FPSO Project in Brazil	94%
18	NFA Project in Qatar	98%
19	Comprehensive Adjustment Project of Caofeidian 11-1/11-6 Oilfield	100%
20	Bozhong 34-9 Oilfield Development Project	100%
21	Dongfang 13-2 Oil and Gas Field Development Project	100%

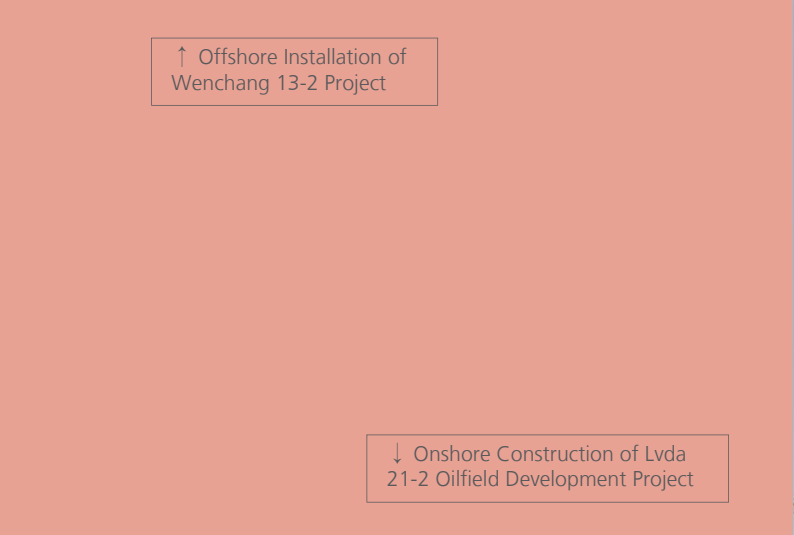


↑ Offshore Installation of  
Wenchang 13-2 Project

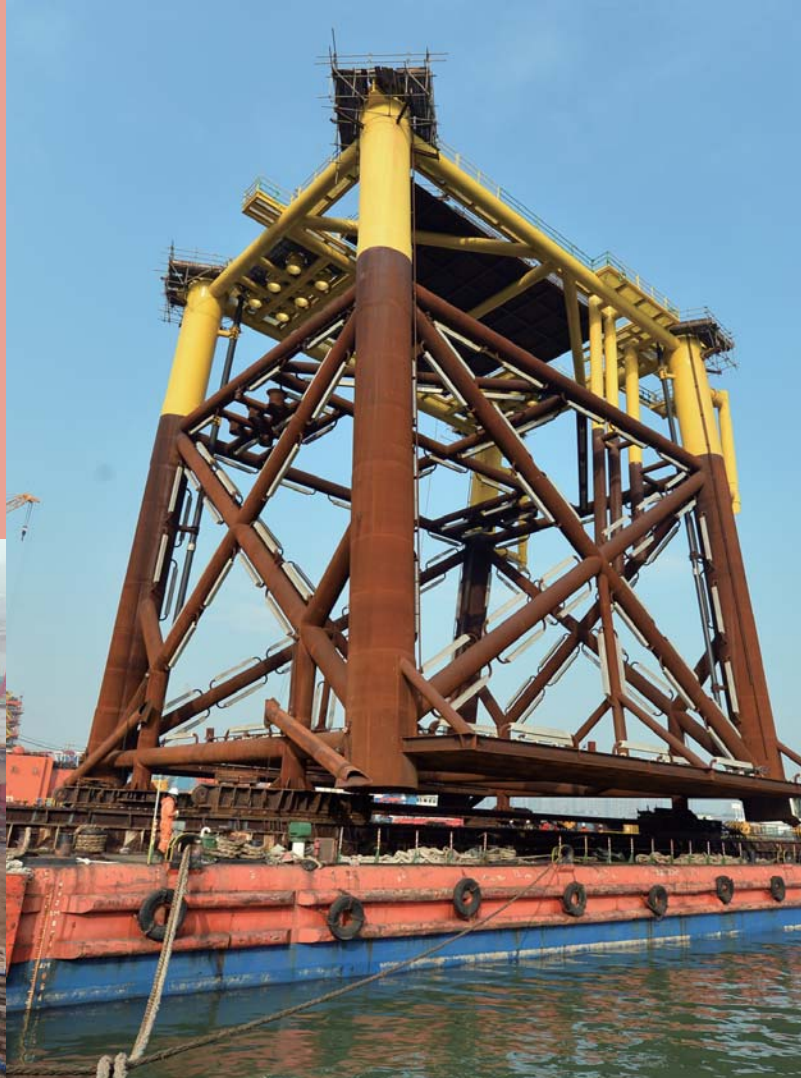


↑ Onshore Superstructure  
Construction of Shell Penguins  
FPSO Project

↓ Jacket Loadout of Central Bohai  
Bay 16-9 Project



↓ Onshore Construction of Lvda  
21-2 Oilfield Development Project





### (III) The domestic and foreign market development maintained a good situation, and the total amount of orders further increased

According to the core competence, operation experience and construction resources, the Company steadily promoted the market development, carefully selected the projects on the principle of quality and benefit in terms of international market development strategy as required by the Board of Directors, and properly controlled the risks. On the basis of controlling the pace and strength, the market development still achieved good results, and the total amount of orders in the last year continued to increase on the basis of a high base. The amount of new contracts signed during the report period was 19.882 billion yuan, increasing by 13% compared with 17.554 billion yuan in the same period of the previous year. It included 10.169 billion yuan of domestic contracts and 9.713 billion yuan of overseas contracts. By the end of the report period, the total amount of orders outstanding on hand was about 24.8 billion yuan.

#### 1. New progress was made in international market development

The Company gave full play to its capability in the field of construction and general contracting and signed two major overseas contracts.

Firstly, it signed a land module construction contract with JGC Fluor BC LNG Joint Venture, with an amount of about 5 billion yuan, which is another large-scale onshore LNG module construction project undertaken by the Company after successful delivery of the Yamal Project in Russia. Through the implementation of the project, the Company will further enhance its capability and influence in the field of LNG modular construction and consolidate its market position in the field of modular construction.

Secondly, it was awarded the contract of Saudi Aramco's Marjan Oilfield Project. The Company provided onshore construction, transportation and offshore installation of some offshore platforms for the Marjan Oilfield Development Project with an amount of about USD 700 million. The implementation of this project will accumulate more project implementation experience in the Middle East region, and improve the Company's capability to allocate international resources and organize and implement international projects.

#### 2. New breakthrough was achieved in domestic market development

Firstly, the Company actively integrated into the construction of the national natural gas production, supply, storage and sales system, continued to make efforts in the LNG engineering market, and signed the contract of Phase I of LNG Receiving Terminal Project in Tangshan. The contract amount of this project is 4.378

↓ Offshore Installation



→ Welding at Site



billion yuan, which is the domestic LNG project with the large contract amount undertaken by the Company so far. The Company will construct four 2×105 m<sup>3</sup> storage tanks as well as relevant supporting works for such areas as terminal, trestle, process and tank truck loading areas.

Secondly, it undertook a number of conventional offshore oil and gas production platform projects such as Caofeidian 6-4, Penglai 25-6, Jinzhou 25-1 and Qinhuangdao 33-1 in domestic waters, and continued to consolidate its market position in conventional offshore oil and gas projects within water depth of 300 m.

#### **(IV) Further defined the development orientation, optimized the Company's development strategy, and built a development consensus**

In 2019, the Company faced complex internal and external environment and production and operation pressure. In order to further control the future development direction, improve the operation and management level, increase the management benefit and guarantee the healthy and sustainable development of the Company, the Board of Directors and management of the Company continuously analyzed, studied and judged the situation, systematically planned the future development orientation and development strategy, built all-staff development consensus and defined the direction for further development.

Firstly, it defined that the Company should build core competitiveness and healthy and sustainable development capability in the overall situation of serving the national energy strategy. It should adjust the development orientation and development strategy at the right time, and actively fulfill the responsibilities and obligations in serving the national energy strategy.

Secondly, it determined the development orientation of "serving the national strategies, keeping customer-centric, insisting on high-quality development, and turning to be the world-leading energy engineering company with Chinese characteristics". "Serving the national strategies" is the responsibility of the Company as a state-owned enterprise; "keeping customer-centric" is the service concept and quality commitment of the Company; "high-quality development" is the internal basis and guarantee for the Company to maintain healthy and sustainable development and achieve

the construction objectives; "Chinese characteristics" means that we must uphold the leadership of the Party; "world-leading" is the internal requirement of the Company's long-term construction and development; "energy engineering" means that the Company will transform from conventional marine engineering service provider to comprehensive energy engineering service provider.

Thirdly, the Company made it clear that "three insistences" must be done in the implementation of its development strategy: (1) Insist on creating the design-focused offshore oil engineering, procurement, construction and installation (EPCI) capability. (2) Insist on promoting the international development of the Company relying on serving the national energy strategy. (3) Insist on giving top priority to serving domestic energy development, expanding the integrated service capacity for energy projects, and continuously improving the integrated service capacity for energy projects including LNG projects and offshore wind power generation projects.

#### **(V) Strengthened independent technological tackling of problems and promoted transformation and application of innovative achievements**

Good benefits were obtained from the domestic application of jacket leg connecting buffers and skirt pile chucks. The domestic application of the research results of pile leg connecting buffers can save elastomer acquisition cost of about 7 million yuan for the float installation of single platform modules and shorten the procurement period by about 4 months compared with overseas procurement. In recent years, this achievement has been promoted and applied in such projects as Wenchang 9-2/9-3, Penglai 19-3, Bozhong 34-9 and Dongfang 13-2 and saved more than 40 million yuan for the Company. The localization of jacket skirt pile chucks has saved about 4.5 million yuan for each jacket installation of the Company.

Digital and intelligent technologies were gradually applied. The simulation center platform built by the Company independently completed the simulation of offshore float installation of Dongfang 13-2 and Bozhong 34-9 projects, and scheme verification, process preview and safety assessment were carried out in advance by using the digital simulation technology, thus providing a strong technical guarantee for offshore installation of the project. The construction of the



intelligent safety system proceeded steadily, the personnel positioning and control system was promoted relying on Liuhua 16-2 Project, and such information as personnel positioning and working hour statistics in Liuhua FPSO cabin were mastered in real time, thus effectively ensuring the operation safety and project management and control.

## (VI) Strengthened party construction in the enterprise and promoted the deep integration of party construction with production and operation

As a state-owned enterprise, the Party Committee of the Company closely followed the work of the operation and management center to plan and promote party construction, and took leading and promoting high-quality development as the starting point and objective of party construction, and carried out a series of works. On one hand, it further promoted the theme education of "staying true to the mission", further investigated all kinds of problems existing in the development and operation management of the Company combining with the enterprise development, developed solutions and rectification plans, conquered problems with quick actions, and guided all staff to recognize their own shortcomings, accelerate the change of concept, improve the understanding and work and promote the high-quality development of the Company. On the other hand, it promoted the integration of party construction with production and operation, gave play to the role of party construction in promoting the production and operation, and took the "three major activities" of the party, labor union and league as the carrier to give play to the role of party organizations in organization, initialization and consolidation efforts in cost reduction and efficiency improvement; the grassroots party branches carried out practical activities surrounding the theme of cost reduction and efficiency improvement, and came up with ideas for cost reduction and efficiency improvement; it set up temporary party branches in such key and difficult projects as Lingshui 17-2, led the project team to tackle the problems and overcome the difficulties, and ensured the orderly progress of the project. Through these effective practices, the party construction work were closely combined with the actual production, and objective sharing, all staff of one mind and mutual promotion were achieved.

## (VII) A series of management achievements were obtained

During the report period, the Company's shares were selected as sample stocks of global benchmark indices of emerging markets of UK FTSE Russell and S&P Dow Jones Indices.

The information disclosure of the Company in 2018-2019 was rated as Class A by Shanghai Stock Exchange.

In "Jiake Cup" International Welding Competition of 2019 "the Belt and Road" and Gold Brick National Skill Development and Technological Innovation Competition, it obtained the best results in history, winning first prizes of five individual events and the group gold medal.

## II. Core businesses in report period

In 2019, the Company achieved operating incomes of RMB 14.710 billion, an increase of 33.10% over the same period of the last year. The net profit attributable to shareholders of the listed company was RMB 28 million, an decrease of 64.99% over the same period of the last year. The decrease of performance was mainly due to the effect of large loss of 3648 Project in Saudi Arabia on the overall benefit of the Company.

### (I) Analysis on major business

#### 1. Change analysis on items relating to profit statement and cash flow statement

Unit: Yuan Current: RMB

Item	Amount in current period	Amount of same period of previous year	Change ratio (%)
Operating income	14,710,394,330.48	11,052,121,177.54	33.10
Operating cost	12,921,911,289.74	10,027,719,520.52	28.86
Sales cost	35,838,837.23	15,631,449.66	129.27
Administration expense	239,128,657.45	293,324,200.39	-18.48
R&D expense	874,350,961.81	669,498,092.27	30.60
Financial expense	-12,788,747.28	-71,384,850.36	N/A
Net cash flow from business activities	-74,807,104.70	376,455,428.85	-119.87
Net cash flow from investment activities	81,620,360.71	-2,961,703,613.63	N/A
Net cash flow from financing activities	-222,046,142.78	-91,925,170.56	N/A
Asset impairment loss	-450,485,251.77	-51,946,445.48	N/A
Investment income	-66,288,499.95	-46,707,457.84	N/A
Non-operating income	4,947,965.35	10,481,437.93	-52.79
Income tax expenses	180,095,526.74	48,943,321.79	267.97
Net profits attributable to shareholders of the parent company	27,926,761.89	79,778,008.87	-64.99

## 2. Income and cost analysis

“√ Applicable” “□ Inapplicable”

During the report period, the Company achieved operating incomes of RMB 14.710 billion, an increase of 33.10% over the same period of the last year. The main reason was that with the rapid growth of the Company's new orders, the overall workload increased compared with the last year. Among them, the steel processing tonnage completed in land construction business increased by 23% compared with the same period of the last year, and the offshore operation ship days increased by 31% compared with the same period of the last year, and the workloads of LNG storage tanks and receiving terminals continued to increase, which led to the corresponding increase in income during current period.

The operating cost was RMB 12.922 billion, an increase of 28.86% over the same period of the last year. The main reason was that the increased workload in current period compared with the same period of the last year and the loss of 3648 Project in Saudi Arabia led to the corresponding increase of the operating cost.

The net profit attributable to shareholders of the parent company was RMB 28 million, an decrease of 64.99% over the same period of the last year. The performance decrease of the current period was mainly due to the loss of the 3648 Project in Saudi Arabia and the effect of provision for impairment on total profit of RMB 757 million, and the low global offshore oil and gas engineering service price also affected the overall profit level correspondingly.

### (1) Major businesses by industries, products and areas

Unit: 100 million yuan Currency: RMB

Major businesses by industries						
Industry	Operating income	Operating cost	Gross profit ratio (%)	Increase and decrease of operating income over that of last year (%)	Increase and decrease of operating cost over that of last year (%)	Increase and decrease of gross profit rate over that of last year (%)
Offshore engineering industry	135.09	118.51	12.27	30.70	25.91	+3.33%
Non offshore engineering industry	11.55	10.59	8.31	79.63	80.41	-0.40%
Major businesses by areas						
Area	Operating income	Operating cost	Gross profit ratio (%)	Increase and decrease of operating income over that of last year (%)	Increase and decrease of operating cost over that of last year (%)	Increase and decrease of gross profit rate over that of last year (%)
Inland	107.89	83.25	22.84	33.94	16.73	+11.38%
Bohai Sea	44.80	33.44	25.36	40.97	24.87	+9.63%
South China Sea	52.63	40.43	23.18	25.73	6.68	+13.88%
East China Sea	1.01	0.97	3.96	-54.71	-62.55	+19.68%
Onshore LNG construction	9.45	8.41	11.01	101.92	108.17	-2.69%
Abroad	38.75	45.85	-18.32	32.48	59.87	-20.27%
Total	146.64	129.10	11.96	33.55	29.10	+3.03%

#### Statement of major businesses by industries, products and areas

Judging from industries, the increase in revenue and cost from the offshore engineering industry was mainly due to the fact that with the continuous promotion of CNOOC's "Seven-Year Action Plan", a group of oil and gas field development projects in the Bohai Sea and the South China sea came to the construction peak, and the workloads of onshore construction and offshore installation completed by the Company within the report period increased quickly, which led to the corresponding increase of the revenue and cost of the offshore engineering industry. The income from non-offshore engineering industry mainly came from the construction income of projects such as onshore LNG storage tank and receiving terminal projects in Zhangzhou, Fujian Zhangzhou and Ningbo, Zhejiang. The significant increase of the project workloads compared with those in the last year led to the corresponding increase of the income, but the overall gross profit ratio was basically equal to that in the last year.

Judging from areas, the revenue from domestic business increased significantly, and the operating income increased by 68% year-on-year. The operating income of the Bohai Sea and the South China Sea increased greatly compared with the last year due to large increase of workloads. Onshore LNG construction revenue was mainly from the construction income of onshore LNG storage tank and receiving terminal projects in Zhangzhou, Fujian and Ningbo, Zhejiang. The fact that the projects came



to the construction peak led to the corresponding increase in the income. Revenue from overseas projects increased by 32 % compared with the last year, but the gross profit ratio decreased by 20%, mainly due to the large loss of 3648 Project in Saudi Arabia, which affected the profit of the overseas projects.

(2) Analysis schedule of production and sales

“ ☐ Applicable ” “ ☒ Inapplicable ”

(3) Analysis schedule of costs

Unit: 100 million yuan

Industry	Cost composition items	By industry				
		Amount in current period	Proportion to the total cost in current period (%)	Amount in the same period of last year	Proportion to the total cost in the same period of last year (%)	Proportion of change in amount in current period compared with that in the same period of last year (%)
Oil and gas engineering	Material costs	24.10	18.65	24.10	24.03	0
	Labor costs	20.71	16.03	21.38	21.32	-3.13
	Depreciation and amortization	9.83	7.61	9.91	9.88	-0.81
	Fuel costs	4.36	3.37	4.60	4.59	-5.22
	Engineering costs	70.22	54.34	40.28	40.17	74.33
	Total	129.22	100.00	100.28	100.00	28.86

Other statements on cost analysis

According to industry features, engineering costs accounted for a high proportion to the cost, mainly including onshore construction sub-contracting cost and vessel sub-contracting cost etc. The Company completed some works in the form of sub-contracting. The quick increase of onshore construction workloads and offshore operation ship days led to the corresponding quick increase of construction sub-contracting cost, vessel sub-contracting cost, vessel berthing and port surcharges.

The cost composition details are shown as follows:

Unit: 100 million yuan

Cost composition items	Cost composition details	Amount in current period	Proportion to the cost in current period (%)	Amount in the same period of last year	Proportion to the cost in the same period of last year (%)	Proportion of change in amount in current period compared with that in the same period of last year (%)
Engineering costs	Onshore construction subcontracting cost	54.49	77.60	32.90	81.68	65.62
	Vessel subcontracting cost	11.47	16.33	5.58	13.85	105.56
	Vessel berthing cost, port surcharges, etc.	4.26	6.07	1.80	4.47	136.67
	Total	70.22	100.00	40.28	100.00	74.33

(4) Information of major sales customers and suppliers

“ ☒ Applicable ” “ ☐ Inapplicable ”

The sales amount of the top five customers was RMB 12.992 billion, accounting for 88.32% of the total annual sales amount, among which the sales amount of the related parties was RMB 10.179 billion, accounting for 69.20% of the total annual sales amount. 100 million yuan 100 million yuan

The purchase amount of the top five suppliers was RMB 1.668 billion, accounting for 15.36% of the total annual purchase amount, among which the sales amount of the related parties was RMB 370 million, accounting for 3.41% of the total annual purchase amount. 100 million yuan 100 million yuan

Other description

The purchase amount of the top five suppliers includes both the amount of material purchase and the amount of business subcontracting.

### 3. Costs

“√ Applicable” “ ☐ Inapplicable”

- (1) Administrative expenses were RMB 239 million, showing a decrease of RMB 54 million over the same period of the last year, viz. 13.68%, mainly due to the following reasons: 1) The Company comprehensively carried out cost reduction and efficiency improvement and fully tapped the potential of cost reduction and efficiency improvement, so the administrative expenses decreased on the whole; 2) The adjustment of the original management personnel structure and the enhance of the allocation of market development personnel led to the decrease of the administrative expenses correspondingly.
- (2) Financial expenses achieved RMB -13 million, showing a year-on-year decrease of RMB 59 million, mainly due to the following reasons: 1) The Company purchased bank financial products through efficient use of surplus funds, the financial scale increased, the deposit base decreased, the interest income decreased by 32 million yuan compared with the same period of the last year, and the financial expenses increased by 32 million yuan; 2) Due to the fluctuation of USD exchange rate, the net exchange income of the current period was 10 million yuan, compared with 38 million yuan in the same period of the last year, which increased the financial expenses by 28 million yuan. All the factors above led to the increase of financial expenses compared with the last year.

### 4. R&D investment

- (1) Table of R&D investment

“√ Applicable” “ ☐ Inapplicable”

Unit: 100 million yuan

Expensing R&D investment in current period	8.74
Capitalized R&D investment in current period	0
Total R&D investment	8.74
Proportion of total R&D investment to operating income (%)	5.94
Number of R&D personnel in the Company	1,386
Proportion of R&D personnel to total number of the Company (%)	18
Proportion of R&D investment capitalization (%)	0

- (2) Description

“√ Applicable” “ ☐ Inapplicable”

The R&D investment in the current period was 874 million yuan, increasing by 205 million yuan compared with 669 million yuan in the same period of the last year, mainly due to the increased R&D investment to meet the technical demands of the production projects.

In 2019, the Company adhered to the concept of “production sets questions for scientific research, and scientific research provides solutions for production”, closely combined with the actual needs of production, centralized the resources for tackling of technological problems, and operated 75 R&D topics throughout the year, including 30 deepwater topics.

The R&D projects obtained some phased achievements: The fixed impressed current cathodic protection system has been developed successively and applied to Weizhou 12-2 Platform, and the popularization of the impressed current system is beneficial to the extension of life service of offshore platforms and the rolling development of oil and gas fields; the research and application of deepwater flexible hose installation technology have obtained achievements, and combining with the upgrading of the equipment capacity of Offshore Oil 201, the vertical laying technology of flexible hoses has been applied to the installation of multiple flexible hoses in Wenchang 9-2/9-3/10-3 Gasfields for laying of 6-inch and 8-inch flexible hoses, thus expanding the flexible hose laying capacity of the Company from 100 m to 1,000 m; the deepwater application search achievements of domestic sacrificial anodes have been applied in the cathodic protection of such underwater production facilities as Lingshui and Lihua; Bohai Bay underwater production system equipment and engineering technology project has formed a complete set of optimized underwater production system design scheme, developed such key domestic equipment as underwater manifolds, underwater distribution units, underwater connectors and safety protection devices, and applied them to Wenchang 10-3 Gasfield development; DP ship based air diving and underwater operation technology research has established a set of system and method mainly applicable to the operations in the Bohai Sea, applied to comprehensive adjustment project of Penglai 19-3 Oilfield 1/3/8/9, and completed nearly 200 persons-time of air diving in DP mode; the topics of “design, manufacturing, testing equipment and technology of deepwater underwater production facilities” and “research and development of work safety and training equipment of deepwater large offshore equipment” have developed sample underwater central manifolds, mastered the structural design technology, machinery and pipeline design technology, control system design technology and corrosion prevention design technology for central manifolds, and developed the FPSO single-point lower turrent installation simulation software.

The Company's R&D investment plays an important role in helping to tackle the technical problems, improve the technical



strength, improve the operation efficiency and reduce the costs.

## 5. Cash flow

“√ Applicable” “ ☐ Inapplicable”

- (1) Net cash inflow from operating activities was RMB -75 million, showing a year-on-year decrease of RMB 451 million, viz. 119.87%. It was mainly because some overseas project of the Company did not reach the project milestone, and thus the receiving time was not due, leading to decrease in cash inflow from operating activities.
- (2) Net cash flow from investment activities was RMB 82 million, showing a year-on-year outflow decrease of RMB 3,043 million, which is mainly because that 1) investment on bank financial products with net withdrawal in current period was RMB 240 million, compared with the net investment of RMB 1,918 million in previous year, showing a year-on-year cash outflow decrease of RMB 2,158 million; 2) the cash paid for purchase and construction of fixed assets, intangible assets, and other long-term assets in current period was decreased by RMB 591 million on a year-on-year basis; 3) cash received from investment income in current period was increased by RMB 67 million on a year-on-year basis; 4) investment for the joint venture COOEC-Fluor Heavy Industries Co., Ltd. in current period was RMB 186 million; 5) the cash outflow resulted from future foreign exchange settlement contract of Offshore Oil Engineering (Qing Dao) Co., Ltd. in previous year was RMB 44 million, while there was no such item in current period, thereby comprehensively decreasing the net cash outflow from investment activities.
- (3) Net cash flow from financing activities was RMB -222 million, showing a year-on-year inflow decrease of RMB 130 million, which is mainly because the entrusted loan of RMB 130 million appropriated by CNOOC was received in previous year, but there was no such item in current period, thereby decreasing the net cash inflow from financing activities.

## (ii) Description of significant profit change due to non-major business

“√ Applicable” “ ☐ Inapplicable”

1. Assets impairment loss was RMB 450 million, showing a year-on-year increase of RMB 399 million, viz. 767.21%. It was mainly because the expected losses caused by the Saudi Arabia 3648 Project and the Dangote Project in Nigeria, totaling RMB 446 million.
2. The investment income were RMB -66 million, showing a year-on-year increase of RMB 20 million, which is mainly because 1) the income from buying financial products in current period was increased by RMB 68 million than that in previous year; 2) the return on investment from future foreign exchange settlement of Offshore Oil Engineering (Qing Dao) Co., Ltd. in previous year was RMB -44 million, but there is no such item in current period; and 3) the loss caused by the joint venture of COOEC-Fluor Heavy Industries Co., Ltd. was exacerbated and increased by RMB 130 million than that in previous year for the loss on investment in proportion of the Company's shares, thereby comprehensively decreasing the income from investment.
3. Non-operating expenses were RMB 4,948,000, showing a year-on-year decrease of RMB 5,533,500, viz. 52.79%, which is mainly because the non-operating expenses caused by asset retirement in previous period were RMB 7,350,100, but there was no related item in current period.
4. Income tax expense was RMB 180 million with a year-on-year increase of RMB 131 million, viz. 267.97%. It is mainly because 1) the income tax was increased due to the total profit increase; and 2) the loss caused by the overseas Saudi Arabia 3648 Project was in the account of the overseas company and will not be subsidized in China, therefore, the deferred income tax assets was not recognized.

## (iii) Analysis of assets and liabilities

“√ Applicable” “ ☐ Inapplicable”

### 1. Assets and liabilities

Unit: Yuan

Item	Amount at the end of current period	Ratio of the amount at the end of current period to total assets (%)	Amount at the end of last period	Ratio of amount at the end of last period to total assets (%)	Change ratio of the amount at the end of current period compared with that at the end of last period (%)
Advance payment	338,402,162.27	1.06	119,263,733.62	0.40	183.74
Interests receivable	2,815,811.42	0.01	4,931,006.22	0.02	-42.90
Other receivables	20,239,204.29	0.06	93,852,565.14	0.31	-78.44
Inventory	5,129,378,265.89	16.10	2,898,116,191.04	9.61	76.99

Item	Amount at the end of current period	Ratio of the amount at the end of current period to total assets (%)	Amount at the end of last period	Ratio of amount at the end of last period to total assets (%)	Change ratio of the amount at the end of current period compared with that at the end of last period (%)
Available-for-sale financial assets	0	0.00	158,099,778.00	0.52	-100.00
Projects under construction	670,874,018.36	2.11	2,381,041,517.05	7.90	-71.82
Liquidation of fixed assets	4,487,115.44	0.01	1,020,127.66	0.00	339.86
Accounts payable	6,862,938,533.84	21.54	3,940,765,468.72	13.07	74.15
Advance receipts	896,841,046.83	2.82	1,966,300,647.30	6.52	-54.39
Employee salary payable	137,424,595.62	0.43	277,872,237.15	0.92	-50.54
Other payables	153,786,659.76	0.48	74,371,583.46	0.25	106.78
Estimated liabilities	265,339,417.06	0.83	105,746,387.29	0.35	150.92
Total assets	31,856,542,935.10	100.00	30,149,200,569.79	100.00	5.66
Total liabilities	9,183,707,123.78	28.83	7,244,760,815.94	24.03	26.76
Net assets attributable to the shareholders of the listed company	22,660,640,434.49	71.13	22,892,941,649.83	75.93	-1.01

Description of changes in items:

- (1) Advance payment increased by RMB 219 million, viz. 183.74% compared with that at the end of last year, mainly because the increase of advance payment made to purchase the materials for production projects resulted in the increase of advance payment accordingly.
- (2) Interests receivable decreased by RMB 2,115,200, viz. 42.90%, compared with that at the end of last year, mainly because the surplus fund was effectively used to buy the bank financial products in current period, enlarging the financing scale and decreasing the deposit base, thus reducing the interests receivable accordingly.
- (3) Other receivables decreased by RMB 74 million, viz. 78.44%, compared with that at the end of last year, mainly because that the insurance indemnity for Wenchang 9-2/9-3 Project, Vessel "Offshore Oil 228" and Vessel "Offshore Oil 202".
- (4) The inventory increased by RMB 2,231 million, viz. 76.99%, compared with that at the end of last year, mainly because of the increased projects that have been completed but unsettled.
- (5) Available-for-sale financial assets decreased by RMB 158 million compared with that at the end of last year, mainly because new financial instrument standards were implemented in current period and the related data has been listed into the investment in other equity instruments.
- (6) Projects under construction decreased by RMB 1,710 million, viz. 71.82%, compared with that at the end of last year, mainly because 1) the investment in the project of Vessel "Offshore Oil 201" under construction was RMB 2,001 million at the beginning of this year, and the improvement was completed and the facility was turned into the fixed assets in current period; 2) the port-surrounding ocean engineering manufacturing base construction project was under construction, and the investment in the project under construction was increased by RMB 142 million; and 3) the Slide No. 5 expansion project of Offshore Oil Engineering (Qing Dao) Co., Ltd. was under construction, and the investment in the project under construction was increased by RMB 105 million.
- (7) Liquidation of fixed assets increased by RMB 3,467,000, viz. 339.86%, compared with that at the end of last year, mainly because Vessel "Binhai 106" was undergoing the scrapping and disposal, and such process has not been completed.
- (8) Accounts payable increased by 2,922 million, viz. 74.15%, compared with that at the end of last year, mainly because the amount of work was increased much compared that in the same period of last year, and the settlements with suppliers were increased.
- (9) Advance receipts decreased by RMB 1,069 million, viz. 54.39%, compared with that at the end of last year, mainly because the large amount of advance payments for new projects were signed in the same period of last year, and the large amount were paid by the owners to the Company in advance, showing a slight decrease in current period compared with the larger base in same period of last year.
- (10) Employee salary payable decreased by RMB 140 million, viz. 50.54%, compared with that at the end of last year, mainly because of the decreased labor cost depending on the production and operation conditions in this year.
- (11) Other payables increased by RMB 79 million, viz. 106.78%, compared with that at the end of last year, mainly because the appropriation for scientific research projects and the fund for party organization works were increased in this year compared



those in previous year.

- (12) Estimated liabilities increased by RMB 160 million, viz. 150.92%, compared those at the end of last year, mainly because the loss caused by Saudi Arabia 3648 Project was included in impairment loss.
- (13) Total assets increased by RMB 1,707 million, viz. 5.66%, compared with that at the end of last year, mainly because of the increased inventory.
- (14) Total liabilities increased by RMB 1,939 million, viz. 26.76%, compared with that at the end of last year, mainly because of the increased accounts payable.
- (15) Net assets attributable to shareholders of listed companies decreased by RMB 232 million, viz. 1.01%, compared with that at the end of last year, mainly because of the combined influences of undistributed profits, surplus reserves, other comprehensive incomes and special reserves. Among them, the undistributed profits decreased by RMB 242 million compared with that at the end of last year due to dividend, current profit and surplus reserves withdrawal, the surplus reserves increased by RMB 49 million compared with that at the end of last year, other comprehensive incomes increased by RMB 21 million in comparison with that at the end of last year, and the special reserves decreased by RMB 61 million compared with that at the end of last year.

## 2. Main restricted assets by the end of the report period

" ☐ Applicable" "☒ Inapplicable"

## 3. Other description:

" ☐ Applicable" "☒ Inapplicable"

## (iv) Analysis on industry business information

" ☐ Applicable" "☒ Inapplicable"

## (v) Investment analysis

### 1. General analysis on foreign equity investment

" ☐ Applicable" "☒ Inapplicable"

#### (1) Significant equity investment

" ☐ Applicable" "☒ Inapplicable"

#### (2) Significant non-equity investment

"☒ Applicable" "☐ Inapplicable"

#### ① Zhuhai Deepwater Ocean Engineering Equipment Manufacturing Base Construction Project

The Base is located at Huangmaohai Work Area, Gaolan Port Economic Zone, Zhuhai and has a total area of 2.07 million m<sup>2</sup> and a shoreline length of 1,349 m. The project is divided into five phases, with the total investment amounting to RMB 1.01 billion.

The Phase I and II have been completed by the Company's subsidiary - Offshore Oil Engineering (Zhuhai) Co., Ltd. and put into operation.

The scope of works in Phase I includes: 1.41 million m<sup>2</sup> of ground treatment, Slide #1, Terminal #1, rear platform and rear revetment of Terminal #1, cutting shop and its auxiliary building, Painting Shop #1, general warehouse, oil depot and chemical warehouse, radioactive source storage, Design Buildings #1 and #2, public power and auxiliary works, etc. The investment in Phase I was RMB 2,692 million.

The approved scope of works in Phase II covers: Terminal #1 (193 m), Terminal #5 (183 m), related public power facilities in final assembly space, expansion of steel storage yard, component workshop and its auxiliary building, pipe painting shop, auxiliary building of painting shop, painting storage yard, general warehouse and its auxiliary, hazardous waste repository, solid waste storage yard, service shop and its auxiliary, Section #1 and advanced outfitting yard, Section #2 and advanced outfitting yard, large equipment storage yard, flaw detection room, the owner's building, other supporting facilities. The investment is estimated to be RMB 1,866 million, and the project is undergoing the final account audit.

Phase III is undertaken by the joint venture, COOEC-Fluor Heavy Industries Co., Ltd., covers an overall floorage of 56,548 m<sup>2</sup>, and mainly consists of Slide #3, Painting Shop #2 and supporting shops, etc. The investment is estimated to be RMB 926 million. As the project is undertaken by the joint venture, the project investment is not included in the Company's annual production and construction plan. As of the end of December 2019, 94.42% of the project has been completed cumulatively, and the suspending works only include the closure of training building construction, network and security & protection system.

② Tianjin Marine Engineering Equipment Manufacturing Base Construction Project, Phase I

Being deliberated and approved by the 7th Meeting of the 6th Board of Directors held by the Company on March 27, 2018, the Company undertakes the construction of a marine engineering equipment manufacturing base at the port-surrounding area in the free trade zone, Binhai New Area, Tianjin (hereinafter to be referred as "Tianjin Marine Engineering Equipment Manufacturing Base Construction Project"). According to the planning, the base has the total area of about 575,000 m<sup>2</sup> (approximately 965 m long and 600 m wide), the total terminal length of 1,631 m and the total investment of RMB around 3,989 million. (For more details, see the Notification on Investing and Constructing the Marine Engineering Equipment Manufacturing Base at the Port-surrounding Area in the Free Trade Zone, Binhai New Area, Tianjin (No.: 2018-011) disclosed by the Company on March 20, 2018)

The Phase I is under contraction, with the investment estimated to be RMB 2,714 million, and is expected to be completed and put into operation on September 2021. The project mainly covers the steel structure intelligent manufacturing center, the mechanical, tube and electrical instrument manufacturing center, the intelligent storage center, painting shop, final assembly space, terminal and some other main production facilities, as well as the supporting facilities for R&D, power and environmental protection. The Phase I, once completed, will substantially meet the demands of the main equipment of the marine engineering manufacturing facility.

As of the end of December 2019, the investment approval and government approval related to the construction of Phase I have been completed as required; the preliminary design, construction drawing design, drawing review and preparation of BoQs have been completed; the earthwork filling & reclamation and site leveling have been completed; and the construction of Bid Sections I & II and terminal works on land has been commenced in succession, with 38.10% completed. The investment in 2019 was RMB 142 million.

The workshop construction and equipment & facility purchase will be handled on schedule in 2020, to promote the project construction vigorously. It is expected that 60% of Phase I works will be completed at the end of 2020.

(3) Financial assets calculated by fair value

"√ Applicable" " □ Inapplicable"

By the end of the report period, the Company holds 17.77 million shares of Lanpec Technologies Limited. ("ST Lanpec Technologies" for short in stock market), at the shareholding proportion of 5.01%, showing no change in the report period.

Unit: 10,000 Yuan

Stock code	Stock for short	Initial investment cost	Shareholding proportion at the beginning of period (%)	Shareholding proportion at the end of period (%)	Book value at end of the period	Profit and loss in the report period	Changes in fair value in report period	Accounting Items	Source of shares
601798	ST Lanpec Technologies	3,668.41	5.01	5.01	11,035.17	0	2,292.33	Investment in other equity instruments	Investment in original issue stock
Total		3,668.41	/	/	11,035.17	0	2,292.33	/	/

(vi) Significant assets and equity offering

" □ Applicable" "√ Inapplicable"

(vii) Analysis of main stock holding and participating companies

"√ Applicable" " □ Inapplicable"

1. Basic information of main holding subsidiaries

Unit: 10,000 Yuan Currency: RMB

No.	Company name	Paid-in capital	Major businesses and products	Total assets	Net assets	Net profit	Shareholding ratio
1	COOEC SUBSEA TECHNOLOGY CO., LTD.	228,561.47	Technical services, submarine pipeline maintenance and other services of offshore oil underwater projects	652,509.14	417,683.92	892.24	100%
2	Offshore Oil Engineering (Qing Dao) Co., Ltd.	300,000.00	Construction, installation, design and maintenance, etc. of offshore oil and gas projects	702,267.09	453,076.08	3,783.85	100%



No.	Company name	Paid-in capital	Major businesses and products	Total assets	Net assets	Net profit	Shareholding ratio
3	Offshore Oil Engineering (Zhuhai) Co., Ltd.	395,000.00	Construction, installation, design and repair of offshore oil and gas projects	382,365.18	371,263.57	-19,967.85	100%
4	COOEC International Engineering Co., Ltd	6,000.00	EPCI contracting and specialized contracting	17,095.61	4,704.53	27.54	100%
5	PT. COOEC Indonesia	195.21	Oil and gas field development and repair service business	8,921.18	8,876.47	80.89	100%
6	COOEC Nigeria Limited	54.88	Contract, design, installation, repair and relevant business of offshore oil and gas filed development projects	61.81	33.02	-	100%
7	COOEC NIGERIA FZE	Inapplicable	Established for implementation of the Nigeria Dangote Project	51,244.68	-17,494.39	-17,668.25	100%
8	A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	114.57	Nondestructive testing and welding testing	1,487.40	1,089.13	23.63	90%
9	Lanhai International Limited	669.81	EPCI contracting of offshore oil projects	686.13	685.92	-0.04	100%
10	COTEC INC.	956.87	EPCI contracting of offshore oil projects	1,647.31	1,194.35	31.30	70%
11	Beijing Gaotai Deep-sea Technologies Co., Ltd.	500.00	Consulting services for deep-sea projects	7,191.14	2,568.92	200.66	70%
12	COOEC International Co., Limited	669.11	EPCI contracting and design, construction and installation, etc. of oil and gas development projects	112,909.76	43,794.35	2,365.38	100%
13	COOEC CANADA COMPANY LTD.	2,067.66	Design, procurement, construction and installation of oil and gas projects	24,658.59	5,549.98	4,376.28	100%
14	COOEC (Thailand) Co., Ltd.	283.04	Project contracting	9,263.47	569.43	71.26	100%
15	COOEC Brasil Offshore Ltda.	314.30	Project contracting	161.93	141.73	-171.42	100%

(1) Analysis on individual subsidiaries with net profit proportion taking up more than 10% of that of the Company:

In 2019, Offshore Oil Engineering (Qing Dao) Co., Ltd. gained the operating income of RMB 3,026 million, with operating profit of RMB 42 million and net profit of RMB 38 million, accounting for more than 10% of the combined net profit of the Company. It was mainly because of the large income scale. However, the net profit decreased slightly by RMB 60 million due to relatively low project gross profit in current period, showing a year-on-year decrease of 37%.

In 2019, COOEC CANADA COMPANY LTD. gained the operating income of RMB 600 million, with operating profit of RMB 60 million and net profit of RMB 44 million, accounting for more than 10% of the combined net profit of the Company. It was mainly because Nexen LLSW undertaken by the company in 2018 has stepped into the peak workload in this year, leading to a large increase of net profit from RMB -1,087,900 in the same period of previous year.

In 2019, COOEC International Co., Limited. gained the operating income of RMB 262 million, with operating profit of RMB 24 million and net profit of RMB 24 million, accounting for more than 10% of the combined net profit of the Company. It was mainly because the projects under construction suffered losses in last year, and the projects run normally in this year, resulting in the net profit greater than that in the same period of previous year.

In 2019, COOEC Subsea Technology Co., Ltd. gained the operating income of RMB 2,115 million, with net profit of RMB 9 million, accounting for more than 10% of the combined net profit of the Company. It was mainly because the net profit decreased due to the relatively low project gross profit in current period, showing a year-on-year decrease of 71% from RMB 31 million in previous period.

In 2019, Offshore Oil Engineering (Zhuhai) Co., Ltd. gained the operating income of RMB -180 million, the operating profit of RMB -187 million and the net profit of RMB -200 million, with the loss increased by RMB 141 million compared with that in the same period of last year, largely affecting the combined net profit. This is mainly because the joint

venture COOEC-Fluor Heavy Industries Co., Ltd. (for which the Company holds 51% of its shares) suffered the declined workload and low order prices, exacerbating the loss. In 2019, COOEC-Fluor Heavy Industries Co., Ltd. faced with the loss of RMB 505,980,200 in 2019, and thus the Company suffered the loss on investment in proportion of its shareholding. It is expected that COOEC-Fluor Heavy Industries Co., Ltd. will undergo a rapid growth in the workload and its operation conditions will be improved accordingly in 2020.

- (2) Analysis on large performance fluctuation of individual subsidiaries which causes significant impacts on net profits of the Company:

The analysis of performance fluctuation of Offshore Oil Engineering (Qing Dao) Co., Ltd. is the same as above.

The analysis of performance fluctuation of COOEC CANADA COMPANY LTD. is the same as above.

The analysis of performance fluctuation of COOEC International Co., Limited. is the same as above.

The analysis of performance fluctuation of COOEC SUBSEA TECHNOLOGY CO., LTD. is the same as above.

The analysis of performance fluctuation of Offshore Oil Engineering (Zhuhai) Co., Ltd. is the same as above.

In 2019, COOEC NIGERIA FZE gained the operating income of RMB 622 million, the operating profit of RMB -177 million, and the net profit of RMB -177 million with a year-on-year decrease of RMB 178 million, largely affecting the combined net profit. This is mainly because of the loss of RMB 174 million caused by Nigeria Dangote Project which is being undertaken by the Company.

- (3) Acquisition and disposal of subsidiaries in report period:

N/A.

## 2. Basic conditions of the Company's major shareholding enterprises in the report period

Company name	Registered capital (10,000 Yuan)	Registration time	Business scope	Actual capital contribution (10,000 Yuan)	Shareholding ratio
CNOOC Finance Co., Ltd.	400,000	June 2002	Taking deposit, loan, financial leasing, etc. of member organizations	7,067.14	1.77%
Lanpec Technologies Limited	35,453	December 2008	Oil drilling machineries, refining chemical equipment, offshore and desert oil equipment and engineering, and refining chemical, etc.	3,668.41	5.01%

## 3. Conditions of key joint ventures

COOEC-Fluor Heavy Industries Co., Ltd. is a key joint venture held by the wholly-owned subsidiary Offshore Oil Engineering (Zhuhai) Co., Ltd. For its basic information, please refer to the information of related joint ventures disclosed in financial notes "IX. Rights and Interests in Other Entities" of the Report.

### (viii) Structured entity controlled by the Company

☐ Applicable ☒ Inapplicable

## III. Discussion and analysis on the company's future development

### (i) Industry structure and tendency

☒ Applicable ☐ Inapplicable

1. The "Seven-Year Action Plan" drives the sustainable growth of capital expenditure for offshore oil and gas fields in China, and brings the historical opportunities for the development of the Company

China National Offshore Oil Corporation is vigorously implementing the "Seven-Year Action Plan" and promoting the strategic deployment of "four leap-overs", leading to the sustainable growth of capital expenditure for offshore oil and gas fields in China. According to the public information, CNOOC's capital expenditure was 62.6 billion yuan in 2018, which increased to 80.2 billion yuan in 2019, and its budget in 2020 is 85-95 billion yuan. Since 2018, a large number of oil and gas field development projects have been launched in the South China Sea and Bohai Sea in China, forming a large demand for energy engineering construction. Under the circumstance, the Company undergoes increasing orders and rapidly increasing workload. It is expected that the Company will receive a future increase of orders from Chinese enterprises or organizations in 2020. It is an important opportunity for sustainable development of the Company.

2. The LNG industry in China maintains rapid development and brings more opportunities for the Company's clean energy industry

In recent years, as China speeds up promoting the energy consumption structural transformation to clean and low-carbon





← Chairman Yu Yi makes the annual work report

energy and China's demand for natural gas and some other clean energy is increasing, a huge demand of LNG storage tank and receiving station projects was spawned, the number of LNG storage tank and receiving station projects was increased markedly, and the scale of single-structure construction project was also enlarged. Taking the projects undertaken by the Company as an example, the average contract amount was around RMB 300 million for Tianjin Phase I LNG Project, Guangxi LNG Storage and Receiving Station Project in 2016; the contract amount exceeded RMB 1 billion for both Fujian Zhangzhou LNG Project and Zhejiang Ningbo Phase II LNG Project in 2018; and the contract amount exceeded RMB 4 billion for Tangshan LNG Project in 2019. China is strengthening the construction of natural gas production, supply and distribution system, and it is expected that the LNG industry will remain rapid development in China. The Company will continue to seize the market opportunities to achieve the healthy and sustainable development of LNG business.

**3. The global offshore oil and gas engineering market is supposed to be picking up, but at this critical moment, under the impact of COVID-19 and slump of international oil price, the Company faces uncertainties**

In 2019, the global consulting giant HIS predicted that the offshore oil and gas exploitation and development market would be recovering from 2019 to 2023. The capital expenditure for global offshore oil and gas exploitation and development was estimated to be USD 11.60 billion in 2019, a turning point compared with the downtrend in 2018, USD 13.30 billion in 2020, and USD 16.50 billion in 2023, at the annual combined growth rate of 7.3%.

At this critical moment for recovery, COVID-19 suddenly hit the whole world at the beginning of 2020, overshadowing the global economic growth and oil & gas demands, resulting in global financial market volatility, and leading to the international crude oil price fluctuation. Besides, on March 6, 2020, OPEC (Organization of Petroleum Exporting Countries) failed to reach an agreement with non-OPEC producers, led by Russia, about the production of crude oil after March 2020, resulting in a breakdown in talk of supply cuts agreement. People are worried that the crude oil price war will begin, therefore the international oil price appears severe fluctuation, bringing uncertainty for the development of oil & gas industries and offshore oil & gas engineering industry.

**(ii) The Company's development strategy**

☒ Applicable " ☐ Inapplicable "

The Company is committed to "serving the national strategies, keeping customer-centric, insisting on high-quality development, and turning to be the world-leading energy engineering company with Chinese characteristics".

For development, the Company sticks to the "1235" concept, i.e., "taking the design-led EPCI capacity construction as the only core, with the operation management capacity construction and the technical leading capacity construction as two bases, following the international, deep and new-industrial development directions, and focusing on five aspects including talent, market, cost, risk control and information construction".

**(iii) Business plan**

☒ Applicable " ☐ Inapplicable "

It is expected that the Company's workload will be increased further in 2020 compared with that in 2019; the steel throughput will be about 280,000 tons in 2020, increased by 79% on a year-on-year basis; the ship operation days will be around 20,000 days, increased by 28% on a year-on-year basis (the final workload may vary depending on the actual conditions). The large increase of land construction workload benefits from the large-scale land construction of Lingshui Project. The LNG Module Construction Project of JGC Fluor BC LNG Joint Venture, Marjan Project in Middle East and Lufeng Project in China were launched and contributed to the growth of construction business.

In 2020, the Company's income is expected to increase by more than 40% than that of 2019. It will try to control the proportion of operating costs to operating income below 91%, and the proportion of three expenses (selling expenses, management expenses including R&D expense and financial expenses) to operating income below 5%.

Regardless of the obvious workload growth, it is still challenging for cost control and project management. The Company will strengthen project management, allocate resources reasonably, take effective measures to improve the work efficiency and continue to reduce costs and improve efficiency on one hand; and control the risks strictly, improve the risk management & control capacity and project operation capacity from the aspects of systems, procedures and policies, and make every effort to realize the operation goals on the other hand.

Main work arrangement of 2020:

- (1) Preventing and controlling COVID-19 outbreak, actively promoting work resumption, and ensuring the normal operation activities of the Company

The Company resolutely implements the decisions and deployments of the Party Central Committee, responds immediately according to the unified arrangements of CNOOC, and takes the epidemic prevention and control as the most important task. The Company formed the epidemic prevention and control leading team and office the first time, formulated and issued COOEC COVID-19 Prevention and Control Scheme, and fully launched the prevention and control. The Company's management level takes the lead, commands and guides all units and departments to improvement the awareness and put the responsibilities in place, and ensures subsidiaries and branches in Tianjin, Qingdao and Shenzhen, onshore sites, offshore ships and overseas project teams carry out the prevention and control in the round. There is no confirmed case in the Company. Based on the prevention and control, the Company actively promotes the work resumption, constantly solve difficulties and creates conditions for work resumption. The Company's return to work (RTW) ratio reached 90% on the third Monday of February (i.e., February 17), and 100% at the end of February. Although the schedule and progress of some projects have been affected under the impact of the force majeure of the outbreak, in general, such impact is controllable, and the Company will catch up the schedule by expediting.

- (2) Ensuring the ten offshore projects are completed and put into operation, and contributing more to China's energy security

As 2020 is a crucial year for implementation of the "Seven-Year Action Plan", the Company's production tasks will be more arduous than in 2019. The Company will fully promote the ten offshore projects including Lihua 16-2, Lihua 29-1, Lvda 16-3/21-2, Bozhong 19-6 and Qinhuangdao 33-1 to be completed and put into operation. At present, the special leading team and working team are formed to perform overall management over these project from major resource arrangement, communication and coordination with Party A, and works related to project progress and quality safety goal realization, ensuring the clients' offshore oil and gas fields can be put into production on schedule, and making the best effort to increase the oil & gas reserves, put the oil & gas fields into production and guarantee the national energy security in China.

- (3) Continuing to improve the deepwater project operation capacity and the international project operation capacity

The Company will operate large-scale deepwater projects well, such as Lingshui and Lihua, to exercise its business capacity of the design, construction, offshore installation and project management and the collaborative capacity among various sections by concentrating dominant resources, strengthen project progress control, strictly ensure the project quality and improve its management level of deepwater projects. The Company will regard the Saudi Arabia 3648 Project and Qatari NFA Project as the key analysis objects, establish the project experience summary database, identify the gaps, make up for the weakness, and improve the Company's capacity for EPCI engineering construction and the profitability. Meanwhile, the Company will also guarantee the sources to ensure the LNG Module Construction Project in North America and Marjan Project in Saudi Arabia reach their major milestones and nodes on schedule.

- (4) Continuing to deepen the reform and improve the Company's management & operation efficiency

The Company will further optimize the operation & management mechanism and operational process, build a management center integrating market, operation, production, decision-making, coordination and assessment, and establish the operation & management mechanism and organization management & control system for market development, operation management and production coordination & overall management. It will promote to reform the project manager responsibility system to put the responsibilities in place and achieve the consistent responsibility, authority and benefit of project manager, giving full play to the function of Project Manager in project operation. The Company will further push forward with the reform of management-handling separation in procurement field. The "management" is to concentrate the supply chain upstream, suppliers and subcontractors, generate the name list of strategic partners by category and level, strengthen the control over external resources, improve the speaking right in price negotiation, keep the demands scientific and reasonable, and optimize the ratio between external resources and self-own resources. The "handling" is to be problem-orientated and result-orientated, take "improving the procurement service quality & efficiency" as the core and regard the category management as the main line, to improve the procurement service capacity and level.

- (5) Continuing to strengthen the cost reduction and efficiency improvement, providing guarantee for achieving the business goals

The Company will insist on the efficiency principle in all production and operation activities, and seek for benefits from management upgrading, technical innovation, efficiency improvement and resource allocation. It will carry out cost control in the round, break down the monthly goal level to level, ensure the monthly goals to achieve the quarterly goal and then guarantee the quarterly goals to realize the annual goal, implement the cost assessment from level to level onto all ships, workshops, shifts and individuals, and strive to improve the production organization efficiency and labor productivity of the



entire staff.

(6) Seizing the opportunity of market development and keeping steady order growth

For market development in China, the Company will following the "Seven-Year Action Plan", exploit the offshore oil and gas engineering market positively to achieve the order growth in China, pay close attention to the development trend of natural gas production, supply and distribution system in China, give full play to its all-around service capability in LNG engineering, expand its market shares, and raise its recognition. For international market development, the Company will focus on the quality & benefit principles, select overseas project, promote stable and cautious international development, further strengthen the construction of three regional centers: Canada, the Middle East and Southeast Asia, and enhance its capacity for combination and integration of overseas resource and for cooperative engagement.

**(iv) Potential risks**

"√ Applicable" " ☐ Inapplicable"

**1. Risks from operation of international market**

For the short-time participation in international market, the Company has relatively insufficient international talents, weak capacity on international project operation and risk prevention & control, and different kinds of policies, marine environment, remote resource allocation in different politics, different countries or areas may bring risks in operation of international projects.

Countermeasures: firstly, the Company will plan and prepare the international development strategy, determine the scientific development ideology and path, steadily promote the project development, and cooperate with its main clients in international development; secondly, it will strengthen basic capacity construction, speed up the training and exercise for international talents, improve its capacity in international business, legal affairs, procurement, technology and management, analyze and identify the risks in overseas project operation scientifically and comprehensively, and take the specific countermeasures; and thirdly, it will further improve the overseas organization structure, enhance the resource allocation capacity, and constantly improve the overseas project management systems.

**2. Risks in project implementation**

Offshore oil and gas field projects of the Company are developed toward the deepwater area of more than 300 m, with larger execution difficulty and more stringent technical requirements, but the Company is relatively weak in technology, management and construction experience in the deepwater engineering field, resulting in higher construction risks.

Countermeasures: The Company will strengthen construction safety and quality control, expedite deepwater technique reserve and manufacturing of deepwater equipment, accumulate experience in actual operation of deepwater projects, and improve the technique, management and operation of deepwater projects as soon as possible, so as to reduce construction risks.

**3. Risks brought by factors as natural disasters and bad weather**

Unpredictable natural disasters and severe weather, like frequent typhoons, may cause negative effects and unpredictable risks to production and operation of the Company, especially the offshore installation business.

Countermeasures: The Company always regards the security management as the top priority and will pay close attention to severe weather such as typhoon for tracking and preparation, prevent, get prepared, track closely, report timely and launch the emergency response to any unexpected incident, and take measures to cut losses at the lowest level.

**4. Risks in exchange rate fluctuation**

The recording currency is RMB, so rate fluctuation may affect the Company's profit and loss with the expansion of overseas business scale and increase in foreign exchange incomes of the Company.

Countermeasures: The Company will enhance ability of response to exchange rate fluctuation in the routine funds management through measures of taking exchange rate risks into cost control when the contract price is offered, taking hedging in import and export into consideration and using financial instruments in carry-forward settlement.

**(v) Others**

" ☐ Applicable" "√ Inapplicable"

**IV. Situations of disclosure not in accordance with criteria due to inapplicable criteria, national secrets, business secrets or other special reasons and description of causes**

" ☐ Applicable" "√ Inapplicable"

# Important Matters

## I. Plan on common share profit-sharing or capital reserve capitalization

### (i) Formulation, implementation and adjustment of cash bonus policies

"√ Applicable" " ☐ Inapplicable"

According to requirements in Notice of Implementation on Relevant Affairs of Cash Bonus in Listed Companies of China Securities Regulatory Commission in 2012 and actual operation of the Company, related terms in Articles of Association and Rules of Procedure for the General Shareholders Meeting have been revised, and fundamental principles, specific distribution policies, procedures and mechanism of decision deliberation as well as implementation involved in profit-sharing have been further clarified by the Company.

No further adjustment on cash dividend policies has been made by the Company in 2019.

Distribution policies in Articles of Association are:

#### 1. Basic principles of profit-sharing of the Company

- (1) In taking fully consideration of the shareholder's return and without violating rules of cash bonus in Articles of Association, profits of shareholder shall be distributed according to stipulated ratio of net profits that belongs to parent company in consolidated statement of the year.
- (2) Profit-sharing policies of the Company remains continuous and stable and given consideration to the long-term interests of the Company and whole benefits of shareholders and sustainable development.
- (3) Cash bonus is the preferential method adopted for profit-sharing.

#### 2. Concrete policies on profit-sharing

##### (1) Profit-sharing method

Methods for profit-sharing are: cash, stock, cash and stock or other means allowed in laws and regulations; medium-term profit-sharing is also feasible.

##### (2) Conditions and ratios of cash bonus

Except for special occasions and under the case that financing can guarantees continuous operation and long-term development of the Company and the un-distributed profits of the year is positive without violating distribution stipulations of Company Law, cash bonus shall be adopted for distribution and the profits distributed in this manner shall account for no less than 10% of the net profits attributable to the parent company's shareholders in consolidated financial statement. Cumulative profits distributed in cash bonus in the latest three years shall account for no less than 30% of average distributable profits of last three years.

Special occasions:

- ① Major investment or cash outflow in the coming 12 months of the Company (except project of raised fund) reaches or is higher than 30% of the net assets audited in the latest term; investment plan or cash outflow includes proposed external investment, asset acquisition, external debt payment or equipment procurement, etc.
  - ② Standard unqualified audit report to the annual financial report of the Company is not issued by audit agency.
- (3) Specific conditions for distribution of stock dividends

When the Company runs well and the stock price and equity size are regarded as mismatched in the opinion of Board of Directors, and the distribution of stock dividends is for the overall benefit of all shareholders of the Company, preliminary distribution plan of stock dividends can be put forward under the premise of satisfying the above cash bonus conditions.



### 3. Process of deliberating profit-sharing plan

- (1) The profit-sharing plan shall be put forward and drawn up by the management in combination with the regulations of Articles of Association, profit condition and capital demand plan for submission to Board of Directors for review. Board of Directors of the Company shall fully discuss the rationality of profit-sharing plan, and then submit to shareholders meeting for deliberation after special resolution is formed.

When deliberating concrete cash bonus schemes, the Company shall fully listen to minority shareholders' opinions and demands on the shareholders meeting, and communicate with shareholders, esp. minority shareholders by hotline or fax to reply to the issues that minority shareholders concern in a timely manner.

- (2) In case the Company fails to determine profit-sharing plan of the year according to the existing cash bonus policy due to special conditions stated above in Item 2, the Board of Directors shall specially explain detailed reasons for no conducting of cash bonus, purpose of company's retained earnings, expected investment income, etc., submit to shareholders' meeting after independent directors show their opinions, and then disclose on media specified by the Company. When profit-sharing plan of the year is submitted to shareholders meeting for review, it shall be agreed by more than 2/3 of the shareholders attending the meeting.
- (3) Decision-making process for profit-sharing policy adjustment or modification of the Company

In case company production and management is significantly impacted by war, natural disaster or change of external business environment or the Company's own business status changes greatly, the Company can adjust or modify cash bonus policy determined in the Articles of Association, if necessary, after detailed demonstration. Board of Directors shall fully discuss the rationality of profit-sharing policy, and then submit to shareholders meeting for deliberation after independent directors shows their opinions and special resolution is formed. During deliberation on the shareholders meeting, it shall be agreed by more than 2/3 voting power held by shareholders attending the meeting.

### 4. Implementation of profit-sharing plan:

After resolution on the profit-sharing plan is made at the shareholders meeting of the Company, Board of Directors shall complete matters of dividends (or share) distribution within two months after holding of the shareholders meeting.

### (ii) Scheme or plan on common share profit-sharing or capital reserve capitalization of the Company during last three years (including report period)

Unit: 10,000 yuan Currency: RMB

Bonus Year	No. of presented bonus every 10 shares (shares)	Amount of dividends every 10 shares (including tax)	Capitalizing No. every 10 shares (shares)	Amount of cash dividends (including tax)	Net profits attributable to ordinary shareholders of the Company in the consolidated statements of dividend year	Proportion to net profits attributable to ordinary shareholders of the Company in the consolidated statements (%)
2019	0	0.60	0	26,528.13	2,792.68	949.92
2018	0	0.50	0	22,106.77	7,977.80	277.10
2017	0	0.50	0	22,106.77	49,105.55	45.02

### (iii) Offering for share repurchase with cash to be included into cash dividends

" ☐ Applicable " " ☒ Inapplicable "

(iv) In case it is gained during report period and undistributed profits of the parent company to ordinary shareholders are positive but no plan for profit-sharing is proposed, the Company shall disclose the reasons, purposes and use plan of undistributed profits.

" ☐ Applicable " " ☒ Inapplicable "

## II. Performance of the commitment

(i) Commitments of the Company, shareholders, actual controller, purchaser or other related parties in report period or continued to report period

" ☒ Applicable " " ☐ Inapplicable "

Commitment background	Commitment type	Committed by	Commitment contents	Date and duration of commitment	With implementation duration or not	Implemented timely and strictly or not
Commitment related to initial public offering	Solve horizontal competition	China National Offshore Oil Corporation	During existence of the Company, CNOOC and controlled legal person thereof shall not conduct any business the same as or similar to business scope of the Company now or in the future and shall not hold activities in any way which might reduce the Company's benefits.	Date of commitment: August 15, 2001, duration: existence of the Company.	No	Yes

**(ii) If company assets or project profits are expected to be promising, and the report period is still in the profit forecast period, the Company shall**

state if assets or project profits fulfill the forecast and explain the reasons.

☐ Fulfilled ☐ Unfulfilled “√ Inapplicable”

**(iii) Completion of performance commitments and its impact on goodwill impairment tests**

“ ☐ Applicable ” “√ Inapplicable”

**III. Fund occupation or progress of debt paying off during report period**

“ ☐ Applicable ” “√ Inapplicable”

**IV. Statement on “Non-standard Audit Report” of Accounting Firm from the Company**

“ ☐ Applicable ” “√ Inapplicable”

**V. Analysis on reasons and effects caused by changes in accounting policies, accounting estimate or major accounting mistakes by Board of Directors**

**(i) Analysis on reasons for and effects of the changes in accounting policies, accounting estimate by the Company**

“√ Applicable” “ ☐ Inapplicable”

- In accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019 and the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019) issued by the Ministry of Finance, the Company revised the format of financial statements of general enterprises, and such change has been approved by the 18th Meeting of the 6th Board of Directors of the Company on August 16, 2019. For details, refer to Announcement of the Company on Accounting Policy Changes (L2019-018 Announcement) published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange.

By implementing the above regulations, the main impact upon the Company are as below:

Contents for the changes in accounting policies	Approval process	Name and annual amount of report items influenced
(1) In the balance sheet, "notes and accounts receivable" are separately listed as "notes receivable" and "accounts receivable"; "Notes and accounts payable" are separately listed as "notes payable" and "accounts payable"; The comparative data are adjusted accordingly.	The 18th meeting of the 6th Board of Directors	"Notes and accounts receivable" shall be divided into "notes receivable" and "accounts receivable". "Notes receivable" amounted to RMB 0.00 both at the end of the current period and at the beginning of this year; and "accounts receivables" amounted to RMB 4,837,527,877.62 at the end of current period and RMB 4,186,332,475.43 at the beginning of this year; "Notes and accounts payable" shall be divided into "notes payable" and "accounts payable". "Notes payable" amounted to RMB 0.00 both at the end of the current period and at the beginning of this year; and "accounts payables" amounted to RMB 6,862,938,533.84 at the end of current period and RMB 3,940,765,468.72 at the beginning of this year;



Contents for the changes in accounting policies	Approval process	Name and annual amount of report items influenced
(2) In the income statement, "credit impairment loss" and "assets impairment loss" are adjusted as additions to the calculation of operating profits. Losses are listed as "-" and comparative data are adjusted accordingly.	The 18th meeting of the 6th Board of Directors	"Credit impairment losses (losses are filled with "-")" are RMB -17,618,434.85 in current period; "Impairment losses of assets (losses are filled with "-")" are RMB-450,485,251.77 in current period, and RMB-51,946,445.48 in previous period.

2. The Company implements the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017) from January 1, 2019. Such accounting change has been approved by the 13th Meeting of the 6th Board of Directors of the Company on December 21, 2018. For details, refer to Announcement of the Company on Accounting Policy Changes (L2018-030 Announcement) published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange.

By implementing the above regulations, the main impact upon the Company are as below:

Contents for the changes in accounting policies	Approval process	Name and annual amount of report items influenced
Non-transactional investments in available-for-sale equity instruments are designated as "financial asset accounted with fair value with their changes included into other comprehensive incomes".	The 13th meeting of the 6th Board of Directors	Available-for-sale financial assets: reduced by 158,099,778.00 yuan; Investment in other equity instruments: increased by 158,099,778.00 yuan;

## (ii) Analysis on reasons for and effects of major accounting mistakes by the Company

" ☐ Applicable " " ☒ Inapplicable "

## (iii) Communication with former accounting firms

" ☐ Applicable " " ☒ Inapplicable "

## (iv) Other description:

" ☐ Applicable " " ☒ Inapplicable "

## VI. Recruitment and decruitment of accounting firms

Unit: 10,000 Yuan      Currency: RMB

Currently engaged	
Name of domestic accounting firms	BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership)
Reward of domestic accounting firms	180
Audit term of domestic accounting firms	4

	Name	Reward
Accounting firm responsible for internal control and audit	BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership)	30

## Recruitment and decruitment of accounting firms

" ☒ Applicable " " ☐ Inapplicable "

Proposal on Further Employment of Financial and Internal Control & Audit Institution of the Company in 2019 was deliberated on the 14th meeting of the 6th Board of Directors convened on March 22, 2019. It was agreed to employ BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) as the financial and internal control audit organization of the Company in 2019 to offer internal control audit service and other services centered on financial statement audit and financial reports. The employment term is one year.

The issue above has been approved upon deliberation on the 2018 general meeting of stockholders held on May 17, 2019.

Changing the accounting firm during audit

" ☐ Applicable" "✓ Inapplicable"

## VII. Facing the risk of suspending listing

### (i) Reasons for suspending listing

" ☐ Applicable" "✓ Inapplicable"

### (ii) Actions to follow by the Company

" ☐ Applicable" "✓ Inapplicable"

## VIII. Conditions and causes of suspending listing

" ☐ Applicable" "✓ Inapplicable"

## IX. Bankruptcy and reorganization matters

" ☐ Applicable" "✓ Inapplicable"

## X. Significant litigation or arbitration

" ☐ There's significant litigation or arbitration occurring to the Company in the year. " "✓ There's no significant litigation or arbitration occurring to the Company in the year. "

## XI. Punishment and rectification to listed company and its director, supervisor, senior manager, controlling shareholder, actual controller and purchaser

" ☐ Applicable" "✓ Inapplicable"

## XII. Credit condition of the Company and its controlling shareholder and actual controller in report period

"✓ Applicable" " ☐ Inapplicable"

No bad faith records issued by supervision organization.

## XIII. Condition and impact of Company stock incentive plan, employee stock ownership plan or other employee incentive measures

### (i) Incentives disclosed in the interim announcement without subsequent implementation progresses or changes

" ☐ Applicable" "✓ Inapplicable"

### (ii) Incentives not disclosed in the interim announcement or with subsequent progresses

Equity incentive

" ☐ Applicable" "✓ Inapplicable"

Other description:

" ☐ Applicable" "✓ Inapplicable"

Employee stock ownership plan

" ☐ Applicable" "✓ Inapplicable"

Other incentive measures

" ☐ Applicable" "✓ Inapplicable"

## XIV. Significant connected transaction

### (i) Connected transactions related to daily operation

#### 1. Matters disclosed in the interim announcement without subsequent implementation progresses or changes

" ☐ Applicable" "✓ Inapplicable"

#### 2. Matters disclosed in the interim announcement with subsequent implementation progresses or changes

" ☐ Applicable" "✓ Inapplicable"



## 3. Matters not disclosed in interim announcement

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Connected transaction party	Connected relation	Type of connected transaction	Contents of connected transaction	Pricing principle for connected transaction	Price for connected transaction	Amount of connected transaction	Proportion to the total amount of same transactions (%)	Settlement method of related-party transactions
CNOOC Energy Technology & Services Limited	Holding subsidiary of parent company	Accepting labor service	Provide the Company with following services: engineering subcontracting, material procurement, transportation, fuel, estate management, etc.	Determine contract price by tendering based on market principle.	1,509,386,955.72	1,509,386,955.72	11.68	Normal clearing according to the contract agreement
COOEC-Fluor Heavy Industries Co., Ltd.	Joint ventures	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	71,161,699.39	71,161,699.39	0.55	Normal clearing according to the contract agreement
China National Offshore Oil Corporation	Parent company	Accepting labor service	Provide staff insurance, software use and other services for the Company	Determine contract price by tendering based on market principle.	25,311,232.85	25,311,232.85	0.20	Normal clearing according to the contract agreement
CNOOC Bohai Corporation	Wholly owned subsidiary of parent company	Expenses for water, electricity, gas and other utilities (purchase)	Provide water, electricity and staff physical examination for the Company	Determine contract price by tendering based on market principle.	22,034,026.78	22,034,026.78	0.17	Normal clearing according to the contract agreement
China Offshore Oil Service (Hong Kong) Co., Ltd.	Wholly owned subsidiary of parent company	Purchase commodities	Provide material purchase service for the Company	Determine contract price by tendering based on market principle.	48,954,633.57	48,954,633.57	0.38	Normal clearing according to the contract agreement
China Oilfield Services Limited	Holding subsidiary of parent company	Accepting labor service	Provide the Company with following services: transportation, vessel, etc.	Determine contract price by tendering based on market principle.	30,555,861.60	30,555,861.60	0.24	Normal clearing according to the contract agreement
CNOOC Industrial Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with following services: real estate, engineering subcontracting, fuel, water & power, etc.	Determine contract price by tendering based on market principle.	17,058,567.78	17,058,567.78	0.13	Normal clearing according to the contract agreement
China Offshore Oil Nanhai East Corporation	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	1,867,077.63	1,867,077.63	0.01	Normal clearing according to the contract agreement
CNOOC Oil & Petrochemicals Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	4,979,706.73	4,979,706.73	0.04	Normal clearing according to the contract agreement

Connected transaction party	Connected relation	Type of connected transaction	Contents of connected transaction	Pricing principle for connected transaction	Price for connected transaction	Amount of connected transaction	Proportion to the total amount of same transactions (%)	Settlement method of related-party transactions
CNOOC Gas & Power Group	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	666,245.37	666,245.37	0.01	Normal clearing according to the contract agreement
CNOOC Nanhai West Corporation	Wholly owned subsidiary of parent company	Accepting labor service	Provide estate management for the Company	Determine contract price by tendering based on market principle.	810,939.85	810,939.85	0.01	Normal clearing according to the contract agreement
China BlueChemical Ltd.	Holding subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	30,362.38	30,362.38	0.00	Normal clearing according to the contract agreement
CNOOC Research Institutes Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	624,960.00	624,960.00	0.00	Normal clearing according to the contract agreement
CNOOC Energy Technology & Development Institute	Wholly owned subsidiary of parent company	Expenses for water, electricity, gas and other utilities (purchase)	Provide water, electricity and other services for the Company	Determine contract price by tendering based on market principle.	1,121,825.66	1,121,825.66	0.01	Normal clearing according to the contract agreement
China National Offshore Oil Corporation	Holding subsidiary of parent company	Accepting labor service	Provide the Company with wharf service	Determine contract price by tendering based on market principle.	4,145,977.52	4,145,977.52	0.03	Normal clearing according to the contract agreement
CNCCC International Tendering Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide bidding and tendering services for the Company	Determine contract price by tendering based on market principle.	1,092,346.23	1,092,346.23	0.01	Normal clearing according to the contract agreement
China National Offshore Oil Corporation	Holding subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, construction, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	9,446,778,143.38	9,446,778,143.38	64.22	Normal clearing according to the contract agreement
CNOOC Gas & Power Group	Wholly owned subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, construction, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	732,520,277.37	732,520,277.37	4.98	Normal clearing according to the contract agreement
CNOOC Energy Technology & Services Limited	Holding subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, construction, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	3,198,768.52	3,198,768.52	0.02	Normal clearing according to the contract agreement



Connected transaction party	Connected relation	Type of connected transaction	Contents of connected transaction	Pricing principle for connected transaction	Price for connected transaction	Amount of connected transaction	Proportion to the total amount of same transactions (%)	Settlement method of related-party transactions
China Oilfield Services Limited	Holding subsidiary of parent company	Providing labor service	The Company provides transportation and ship services for related parties	Determine contract price by tendering based on market principle.	11,928,647.40	11,928,647.40	0.08	Normal clearing according to the contract agreement
CNOOC Research Institutes Co., Ltd.	Wholly owned subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, construction, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	11,946,417.25	11,946,417.25	0.08	Normal clearing according to the contract agreement
COOEC-Fluor Heavy Industries Co., Ltd.	Joint ventures	Providing labor service	The Company provides related parties with personnel sent abroad, material sales and detection service	Determine contract price by tendering based on market principle.	11,346,520.90	11,346,520.90	0.08	Normal clearing according to the contract agreement
Total				/	/	11,957,521,193.88	82.92	/
Details of large sales returns		None						
Description of connected transactions		(1)	Main content of connected transactions The Company is one of the largest EPCI companies of Offshore Oil Engineering in Asia. It mainly provides professional technical service for oil exploitation of China Sea area. There are comparatively many connected transactions in offshore engineering services between the Company and related parties such as CNOOC Limited. For instance, the Company provides EPCI overall contract professional service for connected company, and the connected company provides subcontracting transportation, vessel, fuel, water and electricity for the Company.					
		(2)	Price and fairness of connected transactions The connected transaction provides long-term stable market for the Company serves as an integrated part of the Company's development. The contract price for connected transaction is determined by public tender. In addition, the Company signed long-term service agreement with related parties, so as to ensure the fairness of connected transaction price, reflecting principles of equity, fairness, and openness, which helps develop major business of the Company and maximize the interests of shareholders.					
		(3)	Continuity of connected transactions It is proved by facts that these connected transactions are necessary, and in the foreseeable future, connected transactions between the Company and connected companies will continue with the rapid development of offshore oil industry in China.					

## (ii) Connected transaction from asset or equity acquisition and sale

- Matters disclosed in the interim announcement without subsequent implementation progresses or changes  
" ☐ Applicable " "√ Inapplicable"
- Matters disclosed in the interim announcement with subsequent implementation progresses or changes  
" ☐ Applicable " "√ Inapplicable"
- Matters not disclosed in interim announcements  
" ☐ Applicable " "√ Inapplicable"
- Performance fulfillment in the report period to be disclosed in case of performance agreement involved  
" ☐ Applicable " "√ Inapplicable"

## (iii) Significant connected transaction of joint external investment

- Matters disclosed in the interim announcement without subsequent implementation progresses or changes  
" ☐ Applicable " "√ Inapplicable"
- Matters disclosed in the interim announcement with subsequent implementation progresses or changes  
" ☐ Applicable " "√ Inapplicable"

### 3. Matters not disclosed in interim announcements

" ☐ Applicable" "√ Inapplicable"

#### (iv) Related credits and debts

### 1. Matters disclosed in the interim announcement without subsequent implementation progresses or changes

" ☐ Applicable" "√ Inapplicable"

### 2. Matters disclosed in the interim announcement with subsequent implementation progresses or changes

" ☐ Applicable" "√ Inapplicable"

### 3. Matters not disclosed in interim announcements

" ☐ Applicable" "√ Inapplicable"

#### (v) Others

"√ Applicable" " ☐ Inapplicable"

For entrusted research subjects and the Company's related party deposits and interest income, investment income, etc. in CNOOC Finance Co., Ltd., please refer to note "XII. Related-party Transactions" to Section XI Financial Reports in this Report.

## XV. Significant contracts and performance

### (i) Trusteeship, contracting and leasing

#### 1. Trusteeship

" ☐ Applicable" "√ Inapplicable"

#### 2. Contracting

" ☐ Applicable" "√ Inapplicable"

#### 3. Leasing

" ☐ Applicable" "√ Inapplicable"

### (ii) Guarantee

"√ Applicable" " ☐ Inapplicable"

Unit: 100 million, Currency: USD

External security (excluding guarantee for subsidiaries)	
Total guarantee accrual in report period (excluding guarantee to subsidiaries)	0
Total guarantee balance at end of report period (A) (excluding guarantee to subsidiaries)	0
The Company and its subsidiary's guarantee to subsidiaries	
Total guarantee accrual to subsidiaries in the report period	3.59
Total guarantee balance to subsidiaries at end of report period (B)	11.63
Total guarantee amount of the Company (including guarantee to subsidiary company)	
Total guarantee amount (A + B)	11.63
Proportion (%) of total guarantee amount in net asset of the Company	35.80
Wherein:	
Total guarantee amount towards shareholders, actual controllers and related parties (C)	0
Guarantee amount directly or indirectly provided to the guaranteed party whose asset liability ratio is more than 70% (D)	0.38
Amount with total guarantee amount more than 50% of net assets (E)	0
Total guarantee amount of three items above (C+D+E)	0.38



The Company provided the following 7 guarantees to subsidiaries as of the end of the report period:

- (1) As approved by the 4th Meeting of the 5th Board of Directors held on July 23, 2014, the Company issued parent company guarantee for the Russia Yamal project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd. The guaranteed party is Yamgaz SNC Company (general contractor of the Yamal project). The guarantee amount is 35% of the total contract amount (about USD 575 million), thereof the maximum cumulative liability upper limit is 25% and the maximum defer penalty is 10% of the contract amount. The guarantee period is from the issue date to September 23, 2021. Commitments as above have been reviewed and approved by the second extraordinary shareholders meeting of 2014 held on September 16, 2014. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on www.sse.com.cn, website of Shanghai Stock Exchange on July 25, 2014 and September 17, 2014 respectively)
- (2) As approved upon deliberation by the 19th Meeting of the 5th Board of Directors held on July 6, 2016, the Company issued parent company guarantee for Offshore Oil Engineering (Qing Dao) Co., Ltd. for undertaking Shell SDA project. The guaranteed party is the owner of the project, Shell Netherland. Total guarantee amount is USD 2,692,000. The guarantee period is from the issue date to April 7, 2020. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on July 8, 2016)
- (3) As approved on the 26th Meeting of the 5th Board of Directors on March 17, 2017, the Company would reissue three performance guarantees for three columns of modules involved in the Yamal project of Offshore Oil Engineering (Qing Dao) Co., Ltd., with the validity period same as the warranty period of respective modules. The total amount guaranteed is USD 131 million. Wherein, the guarantee period of Train 1 module is as of December 23, 2020, that of Train 2 module is as of March 23, 2021 and that of Train 3 module is as of September 23, 2021. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on March 21, 2017)
- (4) Upon approval on the 9th Meeting of the 6th Board of Directors of the Company held on May 21, 2018, the Company issued parent company guarantee for the Nexen LLSW (Long Lake Southwest) EPC Project undertaken by its subsidiary COOEC CANADA COMPANY LTD., with the guarantee amount of CAD 75 million and guarantee period from the issue date till December 20, 2026. The above guarantee does not have to be submitted to the general shareholders' meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on Tuesday, May 22, 2018)
- (5) Upon approval on the 10th Meeting of the 6th Board of Directors of the Company held on August 17, 2018, the Company issued a performance bank guarantee and an advance payment guarantee for the Dangote petrochemical offshore transportation and installation project undertaken by its subsidiary COOEC NIGERIA FZE, with the guarantee amount adjusted from USD 33.2 million to USD 38.2 million due to increase of contract price and maximum guarantee period extended from December 31, 2018 to June 30, 2020. The above events had been approved upon deliberation on the 10th Meeting of the 6th Board of Directors convened on August 17, 2018 and the 21th Meeting of the 6th Board of Directors convened on December 20, 2019. (See resolution announcement and guarantee extension announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on December 24, 2019)
- (6) Upon approval on the 14th Meeting of the 6th Board of Directors of the Company held on March 22, 2019, the Company issued parent company guarantee for the Dismantlement Project of Two Platforms in SKL-C Block undertaken by its subsidiary COOEC (Thailand) Co., Ltd., with the guarantee amount of USD 8.15 million and guarantee period from the issue date till January 31, 2021. The above guarantee does not have to be submitted to the general shareholders' meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on Tuesday, March 26, 2019)
- (7) As approved upon deliberation by the 17th Meeting of the 6th Board of Directors held on June 06, 2019, the Company issued parent company guarantee for Offshore Oil Engineering (Qing Dao) Co., Ltd. for performing the LNG Module Construction Contract with JGC Fluor BC LNG JV, with the guarantee amount of RMB 2,449 million and guarantee period from the issue date till September 15, 2025. Commitments as above have been reviewed and approved in the first extraordinary shareholders meeting of 2019 held on June 25, 2019. (See resolution announcement and guarantee announcement and resolution announcement of the shareholders meeting published on www.sse.com.cn, website of Shanghai Stock Exchange on June 07, 2019 and June 26, 2014 respectively)

Guarantee

Guarantees released in the report period:

- (1) As approved by the 13th Meeting of the 4th Board of Directors held on April 24, 2012, the Company issued parent company guarantee with JKC being the beneficiary for Offshore Oil Engineering (Qing Dao) Co., Ltd. as well as a letter of commitment for the bank guarantee that Offshore Oil Engineering (Qing Dao) Co., Ltd. opened in the Standard Chartered Bank for JKC. The maximum claim amount of the above two guarantees is 100% of the contract amount, USD 305.4 million. The guarantee period of the parent company is from the issue date to May 2, 2019. Commitments as above have been reviewed and approved by the general meeting of shareholders of 2011 held on May 11, 2012. (See resolution announcement and guarantee announcement of Board of Directors and resolution announcement of shareholders meeting published on www.sse.com.cn, website of Shanghai Stock Exchange on April 26, 2012 and May 12, 2012 respectively)
- (2) The Company issued a parent company guarantee for Offshore Oil Engineering (Qing Dao) Co., Ltd. for undertaking the Nyhamna project, with the guarantee amount adjusted from USD 1.1 million to USD 12.1 million and guarantee period adjusted "from the issue date till October 30, 2017" to "from the issue date till June 14, 2019". The above events had been approved upon deliberation on the 6th Meeting of the 6th Board of Directors convened on January 22, 2018. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on Tuesday, January 23, 2018)

The above two guarantees have been released upon expiration.

## (iii) Entrusting others for cash assets management

## 1. Entrusted financing

## (1) Overview of entrusted financing

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Type	Capital source	Amount incurred	Undue balance	Amount not withdrawn upon expiration
Bank financial products	Self-owned fund and funds raised through private placement	4,800,000,000.00	4,070,000,000.00	0

Other conditions

“□ Applicable” “√ Inapplicable”

## (2) Single entrusted financing

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Capital source	Funds allocation	Mode of determining remuneration	Annual yield rate	Actual income or loss	Amount actually withdrawn	Passing legal procedures or not	Entrusted financing plan or not in future
Tianjin Branch of Everbright Bank	Bank financial products	400,000,000	2018-10-30	2019-1-30	Self-owned funds	Customized bank financial products	Guaranteed return type	4.10%	3,867,924.53	400,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2018-11-21	2019-2-21	Self-owned funds	Customized bank financial products	Guaranteed return type	4.20%	4,952,830.19	500,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	400,000,000	2018-11-29	2019-2-28	Self-owned funds	Customized bank financial products	Guaranteed return type	4.20%	3,962,264.15	400,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2018-12-20	2019-3-20	Self-owned funds	Customized bank financial products	Guaranteed return type	4.20%	4,952,830.19	500,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2018-12-28	2019-3-28	Self-owned funds	Customized bank financial products	Guaranteed return type	4.20%	4,952,830.19	500,000,000	Yes	Yes
Tianjin Binhai Branch of Bank of China	Bank financial products	800,000,000	2018-12-28	2019-4-1	Self-owned funds	Customized bank financial products	Floating return type	4.15%	8,066,166.97	800,000,000	Yes	Yes
Tianjin Binhai Branch of Bank of China	Bank financial products	400,000,000	2018-12-28	2019-4-1	Self-owned funds	Customized bank financial products	Floating return type	4.15%	4,033,083.48	400,000,000	Yes	Yes
Tianjin Binhai Branch of Bank of China	Bank financial products	500,000,000	2019-1-30	2019-5-5	Self-owned funds	Customized bank financial products	Floating return type	4.00%	4,910,829.67	500,000,000	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	500,000,000	2019-2-26	2019-5-27	Self-owned funds	Customized bank financial products	Floating return type	4.25%	4,943,137.76	500,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2019-2-27	2019-5-28	Self-owned funds	Customized bank financial products	Guaranteed return type	4.15%	4,893,867.92	500,000,000	Yes	Yes



Trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Capital source	Funds allocation	Mode of determining remuneration	Annual yield rate	Actual income or loss	Amount actually withdrawn	Passing legal procedures or not	Entrusted financing plan or not in future
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2019-3-6	2019-6-4	Self-owned funds	Customized bank financial products	Guaranteed return type	4.15%	4,893,867.92	500,000,000	Yes	Yes
Tianjin Binhai Branch of Bank of China	Bank financial products	500,000,000	2019-3-29	2019-10-10	Self-owned funds	Customized bank financial products	Floating return type	3.98%	10,029,723.44	500,000,000	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	300,000,000	2019-3-29	2019-9-25	Self-owned funds	Customized bank financial products	Floating return type	4.10%	5,722,408.89	300,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2019-4-12	2019-7-11	Self-owned funds	Customized bank financial products	Guaranteed return type	4.10%	4,834,905.66	500,000,000	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2019-4-15	2019-10-12	Self-owned funds	Customized bank financial products	Guaranteed return type	4.05%	9,551,886.79	500,000,000	Yes	Yes
Tianjin Branch of China Citic Bank	Bank financial products	500,000,000	2019-5-28	2019-8-26	Self-owned funds	Customized bank financial products	Floating return type	4.05%	4,710,519.52	500,000,000	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	500,000,000	2019-5-29	2019-11-25	Self-owned funds	Customized bank financial products	Floating return type	3.90%	9,072,111.66	500,000,000	Yes	Yes
Tianjin Binhai Branch of China Merchants Bank	Bank financial products	600,000,000	2019-5-29	2019-12-2	Self-owned funds	Customized bank financial products	Floating return type	3.82%	11,077,901.26	600,000,000	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	300,000,000	2019-6-28	2019-9-26	Self-owned funds	Customized bank financial products	Floating return type	4.10%	2,861,204.44	300,000,000	Yes	Yes
Tianjin Branch of China Citic Bank	Bank financial products	500,000,000	2019-8-30	2019-12-2	Self-owned funds	Customized bank financial products	Floating return type	3.80%	4,616,179.90	500,000,000	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	600,000,000	2019-9-28	2019-12-26	Self-owned funds	Customized bank financial products	Floating return type	3.95%	5,513,052.47	600,000,000	Yes	Yes
Tianjin Branch of China Citic Bank	Bank financial products	500,000,000	2019-10-25	2020-1-23	Self-owned funds	Customized bank financial products	Floating return type	3.95%		Undue within the year	Yes	Yes
Tianjin Branch of Everbright Bank	Bank financial products	500,000,000	2019-10-28	2020-2-28	Self-owned funds	Customized bank financial products	Guaranteed return type	3.85%	3,278,957.02	Undue within the year	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	300,000,000	2019-11-29	2020-3-2	Self-owned funds	Customized bank financial products	Floating return type	3.90%		Undue within the year	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	500,000,000	2019-12-19	2020-4-2	Self-owned funds	Customized bank financial products	Floating return type	3.95%		Undue within the year	Yes	Yes
Beijing Branch of Bank of Communications	Bank financial products	500,000,000	2019-12-20	2020-7-2	Self-owned funds	Customized bank financial products	Floating return type	4.00%		Undue within the year	Yes	Yes

Trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Capital source	Funds allocation	Mode of determining remuneration	Annual yield rate	Actual income or loss	Amount actually withdrawn	Passing legal procedures or not	Entrusted financing plan or not in future
Tianjin Branch of China Citic Bank	Bank financial products	800,000,000	2019-12-27	2020-7-1	Self-owned funds	Customized bank financial products	Floating return type	4.02%		Undue within the year	Yes	Yes
Tianjin Branch of China Guangfa Bank	Bank financial products	400,000,000	2019-12-30	2020-4-2	Self-owned funds	Customized bank financial products	Floating return type	3.95%		Undue within the year	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	100,000,000	2018-10-11	2019-1-10	Raised funds	Customized bank financial products	Guaranteed return type	4.10%	95,373.48	100,000,000	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	300,000,000	2018-10-24	2019-1-24	Raised funds	Customized bank financial products	Guaranteed return type	4.05%	722,279.66	300,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	200,000,000	2018-12-12	2019-3-12	Raised funds	Customized bank financial products	Floating return type	4.00%	1,447,402.43	200,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	100,000,000	2019-1-14	2019-4-17	Raised funds	Customized bank financial products	Floating return type	4.20%	1,009,563.19	100,000,000	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	300,000,000	2019-1-24	2019-4-26	Raised funds	Customized bank financial products	Guaranteed return type	4.00%	2,853,450.50	300,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	200,000,000	2019-3-22	2019-6-24	Raised funds	Customized bank financial products	Floating return type	4.05%	1,967,950.37	200,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	100,000,000	2019-4-19	2019-7-22	Raised funds	Customized bank financial products	Floating return type	3.95%	959,679.50	100,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	300,000,000	2019-4-30	2019-7-31	Raised funds	Customized bank financial products	Floating return type	3.95%	2,817,782.37	300,000,000	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	200,000,000	2019-6-25	2019-9-25	Raised funds	Customized bank financial products	Guaranteed return type	3.82%	1,816,696.82	200,000,000	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	100,000,000	2019-7-23	2019-10-24	Raised funds	Customized bank financial products	Guaranteed return type	3.70%	889,377.10	100,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	300,000,000	2019-8-2	2019-11-4	Raised funds	Customized bank financial products	Floating return type	3.65%	2,660,377.36	300,000,000	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	200,000,000	2019-9-27	2019-10-30	Raised funds	Customized bank financial products	Floating return type	3.40%	579,994.83	200,000,000	Yes	Yes
Zhuhai Branch of Bank of Communications	Bank financial products	360,000,000	2019-11-8	2020-2-10	Raised funds	Customized bank financial products	Guaranteed return type	3.10%	1,557,611.79	Undue within the year	Yes	Yes
Zhuhai Branch of Bank of China	Bank financial products	210,000,000	2019-12-24	2020-3-27	Raised funds	Customized bank financial products	Guaranteed return type	3.65%	158,490.57	Undue within the year	Yes	Yes



Trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Capital source	Funds allocation	Mode of determining remuneration	Annual yield rate	Actual income or loss	Amount actually withdrawn	Passing legal procedures or not	Entrusted financing plan or not in future
Qingdao Branch of Everbright Bank	Bank financial products	150,000,000	2018-12-12	2019-1-12	Self-owned funds	Customized bank financial products	Guaranteed return type	3.75%	164,504.72	150,000,000	Yes	Yes
Qingdao Branch of Everbright Bank	Bank financial products	60,000,000	2018-12-27	2019-1-27	Self-owned funds	Customized bank financial products	Guaranteed return type	3.80%	155,817.61	60,000,000	Yes	Yes
Qingdao Branch of China Industrial Bank	Bank financial products	240,000,000	2019-9-3	2019-12-2	Self-owned funds	Customized bank financial products	Floating return type	3.85%	2,149,392.60	240,000,000	Yes	Yes

Note: the item "Actual income or loss" is the after-tax investment income obtained in 2019.

Other conditions

" ☐ Applicable" "√ Inapplicable"

(3) Provision for impairment of entrusted financing

" ☐ Applicable" "√ Inapplicable"

2. Entrusted loans

(1) Overview of entrusted loans

" ☐ Applicable" "√ Inapplicable"

Other conditions

" ☐ Applicable" "√ Inapplicable"

(2) Single entrusted loans

" ☐ Applicable" "√ Inapplicable"

Other conditions

" ☐ Applicable" "√ Inapplicable"

(3) Provision for impairment of entrusted loans

" ☐ Applicable" "√ Inapplicable"

3. Other conditions

" ☐ Applicable" "√ Inapplicable"

(iv) Other significant contracts

"√ Applicable" " ☐ Inapplicable"

Payer	Project type	Contract amount	Cumulative payment amount by the end of December 2019
CNOOC Limited	Domestic offshore oil engineering contracting	RMB 15,531,000,000	RMB 8,049,000,000
TUPI B.V.	FPSO Project in Brazil	USD 730,000,000	USD 464,000,000
Saudi Aramco	Marjan Project in Saudi Arabia	USD 696,000,000	USD 28,000,000
JGC Fluor BC LNG Joint Venture	LNG Module Construction Project of JGC Fluor BC LNG Joint Venture	RMB 4,898,000,000	RMB 245,000,000

The above contracts are daily production and operation business contracts with the amount accounting for 10% and above of net assets of the Company.

## XVI. Other significant matters

“☐ Applicable” “☒ Inapplicable”

## XVII. Positive fulfillment of social responsibilities

### (i) Poverty alleviation work of listed companies

“☒ Applicable” “☐ Inapplicable”

#### 1. Summary of targeted poverty alleviation in the year

“☒ Applicable” “☐ Inapplicable”

In 2019, the Company prudently fulfilled social responsibilities as a central enterprise in combination with its own business practice, and did relevant work in social assistance activities such as poverty alleviation, education, culture, health and sports, as well as youth volunteer activities such as serving the society, making positive contributions to the transmission of corporate love, the establishment of the image of CNOOC and the promotion of social harmony, with the total investment amount of RMB 554,600.

##### (1) Poverty alleviation work

In CNOOC's Spring Festival special activity "Visit Underprivileged Families of Workers" and the work of visiting workers in difficulties before festivals, the Company visited underprivileged families of 32 workers, with total poverty alleviation amount of RMB 163,000. The Company helped 4 children of the workers in difficulties for study, and granted RMB 14,000. It provided one-time assistance to 4 staff who suffered from serious diseases, with the expenditure of RMB 80,000. Forty disabled people were rescued, with the expenditure of RMB 93,000. The total investment amount was RMB 350,000.

##### (2) Community charitable contribution

The Company continuously subsidizes the aided "CNOOC Hope Primary School" in Longhua County of Hebei Province. In 2019, 617 sets of school uniforms and 100 sets of learning supplies were donated, and RMB 20,900 were donated to reward 27 outstanding teachers and 55 merit students and fund 4 poverty-stricken students, with a total donation of RMB 99,600. Offshore Oil Engineering (Qing Dao) Co., Ltd. established the COOEC naming sponsorship fund of RMB 3.5 million for 2019-2021, during which 3% added value of the fund (RMB 105,000) is donated annually to Charity Federation of Qingdao Economic and Technical Developing Zone for the purpose of nursery education. RMB 105,000 was donated in 2019. The total investment amount was RMB 204,600.

##### (3) Social activities for public good

The youth volunteer service team of "Blue Power" of CNOOC has carried out 21 volunteer service activities such as "Present to the Motherland - Volunteers in Action" activity, "March 5th - Learning from Lei Feng" activity, "June 8th - World Ocean Day and China Ocean Day" activity, and "Blue Power - Coastal Environmental Protection Public Welfare Activity", with more than 420 volunteers involved.

#### 2. Performance of targeted poverty alleviation

“☒ Applicable” “☐ Inapplicable”

Unit: 10,000 yuan Currency: RMB

Indicators	Quantity and implementation
I. General condition	
1. Capital	55.46
2. Materials converted into cash	
3. Number of registered workers overcoming poverty with help (people)	
II. Items	
1. Shaking off poverty on industry development	
2. Shaking off poverty on transfer employment	
3. Shaking off poverty on relocation	
4. Shaking off poverty on education	
Wherein: 4.1 Amount for helping poverty-stricken students	3.49
4.2 Number of assisted poverty-stricken students (people)	8
4.3 Amount for improving education resources in poverty-stricken areas	7.87
5. Poverty alleviation on health	



Indicators	Quantity and implementation
Wherein: 5.1 Amount for inputting medical & health resources in poverty-stricken areas	
6. Poverty alleviation on ecological protection	
7. Safeguard measures	
Wherein: 7.1 Amount for assisting "three kinds of countryside leftover people"	
7.2 Number of "three kinds of countryside leftover people" assisted (person)	
7.3 Amount for helping poverty-stricken people with disabilities	33.6
7.4 Number of poverty-stricken people with disabilities getting help (people)	76
8. Social poverty alleviation	
Wherein: 8.1 Amount of poverty alleviation cooperation between the East and the West	
8.2 Amount for fixed-point poverty alleviation	
8.3 Charitable fund for poverty alleviation	10.5
9. Other items	

## (ii) Work of implementing social responsibility

"√ Applicable" " □ Inapplicable"

Refer to Social Responsibility Report on Offshore Oil Engineering Co., Ltd. in 2019 disclosed at [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange, on the same day.

## (iii) Environmental information

### 1. Environmental protection of companies and their major branches listed as main pollutant discharging companies by national department of environmental protection

"√ Applicable" " □ Inapplicable"

#### (1) Pollution discharge information

"√ Applicable" " □ Inapplicable"

The wholly-owned subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd. (hereinafter referred to as "Qing Dao Subsidiary") was determined as one of key pollution discharge units of Qingdao, Shandong in 2019, with regulatory categories involved including water environment, atmospheric environment and soil environment. Pollutants of Offshore Oil Engineering (Qing Dao) Co., Ltd. mainly refer to domestic wastewater in the plant area, organic waste gas from painting operation and hazardous waste generated in the production.

#### 1) Forming process and reason of pollutants:

- ① Wastewater refers to the domestic sewage of Offshore Oil Engineering (Qing Dao) Co., Ltd., instead of production wastewater. Domestic sewage mainly contains the following pollutants: COD (chemical oxygen demand), ammonia nitrogen, suspended matter, etc. The reason why Offshore Oil Engineering (Qing Dao) Co., Ltd. is listed as a key pollution discharge unit of water environment is that Qingdao Site has an area of 1.2 million m<sup>2</sup> with numerous production personnel, and high water consumption leads to high drainage, and though the discharge concentration of ammonia nitrogen, COD and other pollutants in the wastewater meets the standard and relevant provisions, yet large discharge volumes cause high discharge of ammonia nitrogen and COD.
- ② Pollutants in waste gas mainly include benzene, toluene, xylene and non-methane hydrocarbon and particles, from welding dust generated in the production and operation process, grinding dust generated in the grinding process, particulate dust generated in the sand blasting process, and organic waste gas generated in the painting and drying process. Although the emission concentration is up to the standard and in line with the relevant regulations, Offshore Oil Engineering (Qing Dao) Co., Ltd. is listed as a key regulatory unit because of its large annual use of paints and large exhaust emission.
- ③ Soil pollutants mainly refer to hazardous wastes that may pollute the soil during the construction of marine works in Qingdao site, including waste paint buckets, waste oil paint slags, waste mineral oil, paint-stained garbage, waste paint, waste thinners, waste antifreezes, etc. In the process of collection and temporary storage, these wastes may leak and pollute the soil, so Offshore Oil Engineering (Qing Dao) Co., Ltd. is listed as a key unit of soil protection by the local environmental protection department. Offshore Oil Engineering (Qing Dao) Co., Ltd. attaches great importance to waste management, and there is no soil pollution from waste leakage, etc.

## 2) Mode of pollutant discharge:

- ① The domestic sewage produced by Offshore Oil Engineering (Qing Dao) Co., Ltd. is pretreated by the integrated sewage treatment equipment in the plant area to reach the class A standard in Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015), and then discharged into the municipal sewage pipeline and into Nibuwan Sewage Treatment Plant. The online sewage monitoring system has been installed in the plant area of Offshore Oil Engineering (Qing Dao) Co., Ltd., realizing 24-hour networking with the local environmental protection authority.
- ② The welding dust and grinding dust produced in the production process of Offshore Oil Engineering (Qing Dao) Co., Ltd. are collected with the mobile welding purification unit with a smoke trapping arm, which is equipped with an electrostatic precipitator. The metal oxide dust produced by shot blasting is subject to secondary dedusting with the secondary cyclone filter cylinder, and is discharged through the 25m high exhaust funnel after treated qualified. The paint mist dust produced in painting is purified with the dry-type filter equipped in the painting line. The treated organic waste gas and the organic waste gas in the drying section enter the combustion device with propane as the heat source for catalytic combustion, and the heat energy is reused and dried. The waste gas is discharged through a 25m high exhaust funnel.
- ③ For disposal of wastes that may cause soil pollution, Offshore Oil Engineering (Qing Dao) Co., Ltd. has totally entrusted third-party units qualified for hazardous waste disposal according to relevant laws and regulations. Before disposal, the hazardous waste is stored in a temporary hazardous waste warehouse which has received ground anti-leakage and anti-spill treatment with relevant measures like spill tanks and recovery tanks, so as to protect soil from pollution during temporary storage of hazardous waste.

## 3) Discharge concentration and total amount:

## ① Organized emission of waste gas:

Benzene: 0.21 tons;

Toluene: 0.13 tons;

Xylene: 0.83 tons;

Non-methane hydrocarbon: 9.39 tons;

Total particulate emissions: 12.18 tons.

The emission concentration is lower than the average emission concentration specified in the standard.

## ② Wastewater discharge:

The water discharge is 58,100 tons;

The daily average discharge concentration of COD is 105mg/L, that of ammonia nitrogen is 19.9mg/l, and the daily average PH value is 8.14.

## 4) The total verified discharge amount: the total discharge amount is not verified and local environment protection authority has no relevant requirements.

## 5) Discharge beyond the standard: n/a.

## 6) Pollutants discharge standard implemented: Table 1 in Emission Standard of Volatile Organic Compounds-Part 5: Surface Coating Industry (DB37/2801.5-2018) for organic waste gas emission; Table 1 (Emission Concentration Limit of Air Pollutants (Phase III)) in Regional and Integrated Emission Standard of Air Pollutants (DB37/2376-2013) for organized emission of particles; Table 2 in Integrated Emission Standard of Air Pollutants (GB16297-1996) for unorganized emission of particles; Class A standard in Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) for wastewater discharge.

In the report period, Offshore Oil Engineering (Qing Dao) Co., Ltd. was free from environmental pollution accidents.

## (2) Construction and operation of facilities for pollution prevention and control

"√ Applicable" " ☐ Inapplicable"

A set of integrated sewage treatment equipment has been arranged in the plant area of Offshore Oil Engineering (Qing Dao) Co., Ltd., with the treatment capacity of 200 tons/day, and the effluent meets Class A standard in Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015).

The coating workshop in the plant area is equipped with the organic waste gas purification and dedusting equipment, the environmental protection equipment is regularly maintained and the corresponding maintenance records are filled in. All environmental protection facilities operate normally and organic waste gas is discharged up to standard.

## (3) Environmental impact assessment on construction project and other administrative licensing on environmental protection

"√ Applicable" " ☐ Inapplicable"

- 1) "Reply on Environmental Impact Report of Phase I Project on Qingdao Site of Offshore Oil Engineering (Qing Dao) Co., Ltd." issued by Qingdao Environmental Protection Bureau.
- 2) "Reply on Environmental Impact Report of Phase II Project on Qingdao Site of Offshore Oil Engineering (Qing Dao) Co., Ltd." issued by Qingdao Environmental Protection Bureau.
- 3) "Reply on Environmental Impact Report of Phase III Project on Qingdao Fabrication Base of Offshore Oil Engineering Co., Ltd." issued by Qingdao Environmental Protection Bureau.

## (4) Emergency plan for sudden environmental incidents

"√ Applicable" " ☐ Inapplicable"

Offshore Oil Engineering (Qing Dao) Co., Ltd. has prepared emergency plans for sudden environmental incidents, including special emergency plan for toxic and harmful substances and special emergency plan for terminal oil spilling.

## (5) Independent environmental monitoring plan

"√ Applicable" " ☐ Inapplicable"

Offshore Oil Engineering (Qing Dao) Co., Ltd. prepares independent environmental monitoring plans and submits them to the Head Office of COOEC for approval annually.

## (6) Other environmental information that should be disclosed

" ☐ Applicable" "√ Inapplicable"

## 2. Environmental protection performance of companies other than the main pollutant discharging companies

"√ Applicable" " ☐ Inapplicable"

Environmental protection condition of ships of the Company

The Company has 21 construction ships by the end of the report period. It continuously attaches great importance to the environmental protection management of the ships. In details, it focuses on the management and control of the ships from the source, introduces leading ideas and concepts on environmental protection, and constantly improves its ship environmental protection management level by optimizing equipment structure, scientific and technological innovation and other effective management means, thereby ensuring an accord development between ship operation in accordance with laws and regulations and environmental protection. In the report period, the Company was free from environmental pollution accident from ships.

## (1) Promoting the transformation of zero discharge of domestic sewage from large ships

In accordance with the requirements of Regulations of Lead Sealing Management of Ship Sewage Disposal Equipment in Coastal Area (JHF [2007] No. 165), oily sewage from ships of the Company is disposed in the principle of zero discharge, and transferred to a qualified pollutant treatment organization that has signed a recycling agreement with the Company for recycling.

All sites formulate on-site emergency disposal plans for potential emergencies such as oil spill, and organize special emergency exercise regularly in accordance with relevant laws and regulations to improve emergency response and disposal capacity.

The Company strictly implements the Discharge Standard for Water Pollutants from Ships (GB 3552-2018), and the transformation plan has been implemented for the domestic sewage system of 5 ships owned by the Company. By the end of December 2019, four ships, including Offshore Oil 225, Offshore Oil 226, Bluewhale and Binhai 108, have completed the transformation of domestic sewage; it is planned to carry out the construction and transformation of domestic sewage for Binhai 109 after berthing at the beginning of 2020.

## (2) Pollution control measures taken in air pollutant control areas

The Company strictly implements the International Convention for the Prevention of Pollution from Ships (MARPOL), the Implementation Plan for Ship Sewage Control Zones in the Pearl River Delta, Yangtze River Delta and Bohai Rim (Beijing-Tianjin-Hebei) Waters issued by the Ministry of Transport (JHF [2015] No. 177) and the Implementation Plan for Air Pollutant Control Areas issued by the Ministry of Transport (JHF [2018] No. 168).

All clean ships are characterized by a fuel sulfur content of less than 0.1% m/m (lower than the value required by the Convention and the Chinese government), and all dirty ships are equipped with a high-low sulfur oil conversion device, and they strictly implement the high-low sulfur oil conversion procedure.



## (3) Disposal of garbage and oily sewage from ships

The safety management system for ships of the Company defines requirements for disposal of garbage and oily sewage from ships; all garbage and oily sewage are received by qualified professional companies, which provide the acceptance certificates meeting the requirements of the maritime authority. Filling vehicles are used for receiving at the terminal or on the land, and ships are used for receiving and reshipment at sea and in case of no receiving.

## (4) Emergency management

All ships of the Company are provided with the Garbage Management Plan (GMP) and Shipboard Oil Pollution Emergency Plan (SOPEP) approved by the China MSA, which are mandatory for all ship-related operations. The Company carries out exercises within the offices and ships regularly to improve the Company and staff emergency response and on-site disposal capacity and reduce the impact on the environment. The Company actively introduces leading environmental protection ideas and concepts, and constantly improves its environmental protection management level by optimizing equipment structure, scientific and technological innovation and other effective management means, thereby ensuring an accord development between ship operation in accordance with laws and regulations and environmental protection.

## (5) In the report period, the Company was free from environmental pollution accidents from ships.

## 3. Reasons for non-disclosure of environmental information by companies other than main pollutant discharging companies

" ☐ Applicable" "√ Inapplicable"

## 4. Subsequent progress or changes of the environment information disclosed in the report period

" ☐ Applicable" "√ Inapplicable"

## (iv) Other descriptions

" ☐ Applicable" "√ Inapplicable"

## XVIII. Convertible corporate bonds

" ☐ Applicable" "√ Inapplicable"

# Ordinary Share Changes and Shareholders

## I. Changes in ordinary share capital

### (i) List of changes in ordinary shares

#### 1. List of changes in ordinary shares

In the report period, total shares and capital structure of the Company have no change.

#### 2. Statement on changes in ordinary shares

" ☐ Applicable" "√ Inapplicable"

#### 3. Impact of changes in ordinary shares on return and net asset per share and other financial indexes in the most recent year and recent term (if any)

" ☐ Applicable" "√ Inapplicable"

#### 4. Other matters considered as necessary by the Company or required to be disclosed by securities regulators

" ☐ Applicable" "√ Inapplicable"

### (ii) Changes in non-tradable share

" ☐ Applicable" "√ Inapplicable"

## II. Securities issuance and listing

### (i) Securities issuance by the end of report period

" ☐ Applicable" "√ Inapplicable"

Securities issuance by the end of report period (separately describe securities with variable interest rates in duration):

" ☐ Applicable" "√ Inapplicable"

### (ii) Total ordinary shares and changes in shareholder structure, asset and liability structure of the Company

" ☐ Applicable" "√ Inapplicable"

### (iii) Existing staff shares

" ☐ Applicable" "√ Inapplicable"

## III. Shareholders and actual controller

### (i) Total number of shareholders

Total number of shareholders by the end of report period (nos.)	96,289
Total number of ordinary shareholders by the end of last month prior to disclosure of annual report (nos.)	97,768
Total number of preferred shares shareholders with recovered voting right by the end of report period (nos.)	0
Total number of preferred shareholders with voting right recovered by the end of last month prior to disclosure of annual report (nos.)	0

## (ii) Table of shareholding of top ten shareholders, and top ten floating shareholders (or shareholders not subject to restriction on sales) by the end of report period

Unit: share

Shareholding of Top 10 Shareholders							
Name of shareholder (Full name)	Increase and decrease in report period	Amount of holding shares by the end of period	Percentage (%)	Number of held shares subject to the restrictions on sales	Pledge or freezing conditions		Nature of shareholder
					Share status	Quantity	
China National Offshore Oil Corporation	0	2,138,328,954	48.36	0	None	0	State
CNOOC Nanhai West Corporation	0	294,215,908	6.65	0	None	0	State-owned legal-person
Hong Kong Securities Clearing Company Ltd.	140,454,986	199,390,482	4.51	0	None	0	Foreign legal- person
China Securities Finance Co., Ltd.	0	124,653,942	2.82	0	None	0	State-owned legal-person
Central Huijin Asset Management Co., Ltd.	0	89,714,500	2.03	0	None	0	State-owned legal-person
Bosera Funds - Agricultural Bank of China - Bosera CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
E Fund - Agricultural Bank of China - E Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Dacheng Funds - Agricultural Bank of China - Dacheng CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Harvest Fund - Agricultural Bank of China - Harvest Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Guangdong Development Fund - Agricultural Bank of China - Guangdong Development Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Lombarda China Fund - Agricultural Bank of China - Lombarda China Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
China Asset Management - Agricultural Bank of China - China Asset Management CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Yinhua Fund - Agricultural Bank of China - Yinhua Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
China Southern Fund - Agricultural Bank of China - China Southern Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
ICBCCS Funds - Agricultural Bank of China - ICBCCS CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown



Shareholding of Top 10 Shareholders Not Subject to Restrictions on Sales			
Name of shareholder	Amount of held circulating shares not subject to restriction on sales	Types and quantity of shares	
		Type	Quantity
China National Offshore Oil Corporation	2,138,328,954	RMB ordinary shares	2,138,328,954
CNOOC Nanhai West Corporation	294,215,908	RMB ordinary shares	294,215,908
Hong Kong Securities Clearing Company Ltd.	199,390,482	RMB ordinary shares	199,390,482
China Securities Finance Co., Ltd.	124,653,942	RMB ordinary shares	124,653,942
Central Huijin Asset Management Co., Ltd.	89,714,500	RMB ordinary shares	89,714,500
Bosera Funds - Agricultural Bank of China - Bosera CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
E Fund - Agricultural Bank of China - E Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Dacheng Funds - Agricultural Bank of China - Dacheng CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Harvest Fund - Agricultural Bank of China - Harvest Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Guangdong Development Fund - Agricultural Bank of China - Guangdong Development Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Lombarda China Fund - Agricultural Bank of China - Lombarda China Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
China Asset Management - Agricultural Bank of China - China Asset Management CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Yinhua Fund - Agricultural Bank of China - Yinhua Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
China Southern Fund - Agricultural Bank of China - China Southern Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
ICBCCS Funds - Agricultural Bank of China - ICBCCS CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Particulars about connected relation or concerted action among the shareholders mentioned above	Among the top 10 shareholders, CNOOC Nanhai West Corporation is a wholly-owned subsidiary of and connected to CNOOC. It is unknown that whether there is connected relation or concerted action among other shareholders.		
Particulars about preferred shareholders with restored voting rights and the amount of shareholdings	N/A.		

Number of shares held by top 10 shareholders subject to restrictions on sales and the restrictions

" ☐ Applicable " " ☒ Inapplicable "

(iii) Strategic investor or ordinary legal person becomes one of top 10 shareholders due to new shares issued

" ☐ Applicable " " ☒ Inapplicable "

## IV. Controlling shareholders and actual controller

### (i) Controlling shareholders

#### 1 Legal person

"√ Applicable" " ☐ Inapplicable"

Name	China National Offshore Oil Corporation
Unit leader or legal representative	Wang Dongjin
Date of establishment	1982-02-15
Main business	① Allowed business: offshore oil (gas) production, drilling, geophysical exploration, well logging, logging, downhole operation, storage and transportation, etc.; wholesale of gasoline, kerosene and diesel. ② General operating items: organization of exploration, development, production and sale of petroleum and natural gas, refining of petroleum, processing and utilization of petroleum and chemicals and natural gas, sale and storage of products, development and utilization of liquefied natural gas, transport of petroleum and natural gas by pipeline and pipe network, development, production and sale of fertilizer and chemical products and relevant business, provision of services for exploration and exploitation of petroleum, natural gas and other geological mining products, EPC, technology research, technology consulting, technical service and technology transfer related to exploration, development and production of petroleum and natural gas, import of crude oil and product oil, compensation trade and intermediary trade; undertaking Sino-foreign joint venture; cooperative production; international bidding of mechanical and electrical products; production, sales of wind energy, biomass energy, aquo-complex, coal chemical industry, solar energy, etc. and relevant services.
Equity of other domestic and foreign listed companies holding and sharing stocks during report period	During report period, other domestic and foreign listed companies whose shares are held by China National Offshore Oil Corporation are listed as follows: CNOOC Limited, China Oilfield Services Limited, CNOOC Energy Technology & Services Limited, China BlueChemical Ltd. and Shandong Haihua Co., Ltd.
Other conditions	China National Offshore Oil Corporation is a central enterprise directly controlled by State-owned Assets Supervision and Administration Commission of the State Council. During the report period, the State-owned Assets Supervision and Administration Commission of the State Council transferred 10% of the shares held to the National Council for Social Security Fund. After the transfer, the Commission currently holds 90% of the shares of China National Offshore Oil Corporation and the National Council for Social Security holds 10%.

#### 2 Natural person

"√ Inapplicable"

#### 3 Special statement on no controlling shareholders in the Company

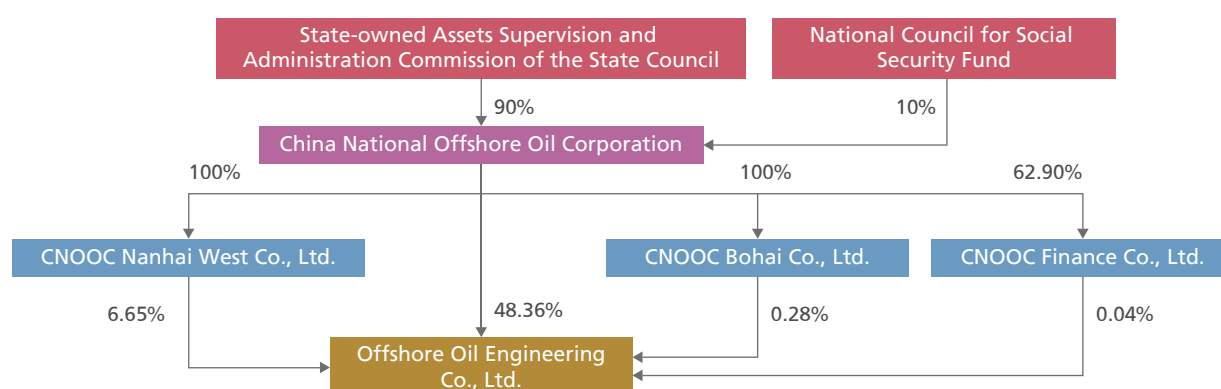
" ☐ Applicable" "√ Inapplicable"

#### 4 List and date of changes in controlling shareholders in the report period

" ☐ Applicable" "√ Inapplicable"

#### 5 Block diagram of property right and controlling relations between the Company and controlling shareholders

"√ Applicable" " ☐ Inapplicable"



**(ii) Actual controller****1 Legal person**

☒ Applicable ☐ Inapplicable

The actual controller of the Company is China National Offshore Oil Corporation. See details in controlling shareholders of this section.

**2 Natural person**

☐ Applicable ☒ Inapplicable

**3 Special statement on no actual controllers in the Company**

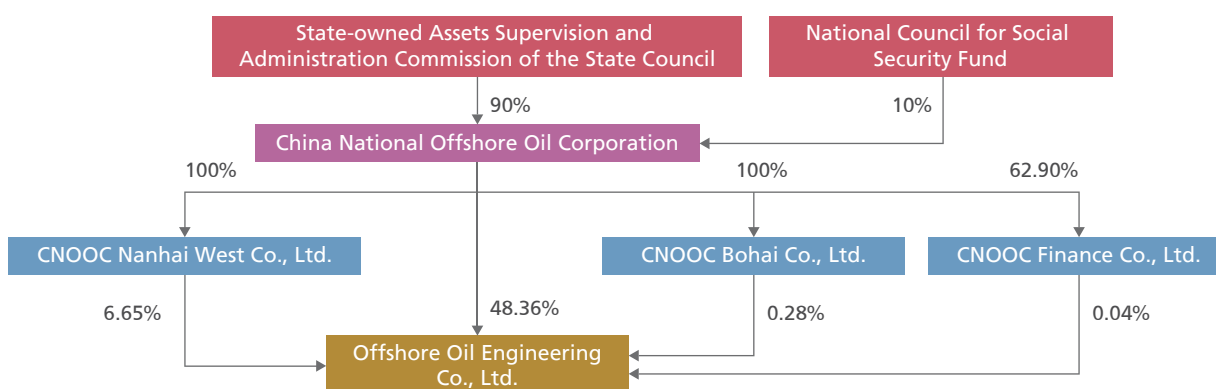
☐ Applicable ☒ Inapplicable

**4 List and date of changes in the actual controller in the report period**

☐ Applicable ☒ Inapplicable

**5 Block diagram of property right and controlling relations between the Company and its actual controller**

☒ Applicable ☐ Inapplicable

**6 The actual controller controls the Company by means of trust or other ways of assets management**

☐ Applicable ☒ Inapplicable

**(iii) Other information of controlling shareholders and the actual controller**

☐ Applicable ☒ Inapplicable

**V. Institutional shareholders holding over 10% of shares**

☐ Applicable ☒ Inapplicable

**VI. Restricted reduction of shares held**

☐ Applicable ☒ Inapplicable



# Particulars about Preferred Shares

" ☐ Applicable" "✓ Inapplicable"

# Directors, Supervisors, Senior Managers and Employees

## I. Shareholding change and remuneration

### (I) Shareholding change and remuneration of incumbent or outgoing directors, supervisors and senior managers in the report period

“√ Applicable” “□ Inapplicable”

Unit: share

Name	Position	Gender	Age	Starting date of term of office	Ending date of term of office	Shares held at the beginning of the year	Shares held at the end of the year	Increase and decrease of shares in the year	Reasons of increase and decrease	Total pre-tax remunerations obtained from the Company during the report period (RMB 10,000)	Receiving remunerations from related parties of the Company or not
Yu Yi	Chairman and Secretary of the Party Committee	Male	55	May 17, 2019		0	0	0		78.19	No
Meng Jun	Director	Male	59	January 10, 2014		22,680	22,680	0		0	Yes
Lin Yaosheng	Director, Executive Vice-president	Male	58	May 19, 2017		25,000	25,000	0		86.74	No
Zhang Wukui	Director	Male	60	April 25, 2018		0	0	0		0	Yes
Qiu Xiaohua	Independent director	Male	61	November 23, 2016		0	0	0		12.80	No
Guo Tao	Independent director	Male	64	May 20, 2015		0	0	0		12.80	No
Huang Yongjin	Independent director	Male	53	May 20, 2015		0	0	0		12.80	No
Wu Hanming	Chairman of the Board of Supervisors	Male	60	April 25, 2018		0	0	0		0	Yes
Rao Shicai	Supervisor and the Leader of the CPC CNOOC Inspector's Office at COOEC	Male	51	September 16, 2013		0	0	0		79.28	No
Zhao Yanbo	Supervisor	Female	48	April 23, 2014		0	0	0		0	Yes
Yang Jinghong	Deputy Secretary of the Party Committee and Chairman of the Labor Union	Male	56	April 24, 2019		0	0	0		60.38	No
Yu Changsheng	Vice President	Male	54	July 06, 2016		0	0	0		78.82	No
Chen Baojie	Vice President	Male	54	July 06, 2016	March 20, 2020	10,000	10,000	0		79.13	No
Li Xiaowei	Vice President	Male	50	July 06, 2016		15,000	15,000	0		78.78	No
Li Peng	CFO	Male	42	August 30, 2019		0	0	0		45.54	No

Name	Position	Gender	Age	Starting date of term of office	Ending date of term of office	Shares held at the beginning of the year	Shares held at the end of the year	Increase and decrease of shares in the year	Reasons of increase and decrease	Total pre-tax remunerations obtained from the Company during the report period (RMB 10,000)	Receiving remunerations from related parties of the Company or not
Jin Xiaojian	Former Chairman and President	Male	60	March 20, 2018	May 17, 2019	0	0	0		36.18	No
Chen Yonghong	Former CFO	Male	46	August 29, 2012	August 30, 2019	60,000	60,000	0		33.60	No
Chen Rongqi	Former Chief Engineer	Male	56	April 22, 2016	August 30, 2019	0	0	0		33.60	No
Liu Lianju	Secretary of the Board of Directors	Male	54	April 10, 2007		40,000	40,000	0		61.89	No
Total	/	/	/	/	/	172,680	172,680	0	/	790.53	/

Name	Main working experience
Yu Yi	From January 1988 to September 2002, he worked in Bohai Oil Corporation and Tianjin Branch of CNOOC (China). From September 2003 to April 2004, he worked in CNOOC Gas &Power. From April 2004 to October 2006, he served as the Deputy General Manager of CNOOC Fujian LNG Co., Ltd. From October 2006 to February 2007, he served as the General Manager of Yuedong LNG Integrated Project preparatory group of CNOOC Gas &Power. From February 2007 to June 2009, he served as the Vice President of Guangdong Dapeng LNG Company Ltd. From June 2009 to July 2012, he served as the General Manager of Guangdong Zhuhai Golden Bay LNG Ltd. From July 2012 to November 2012, he served as the Deputy General Manager of Engineering Construction Department of CNOOC (CNOOC Limited) and the General Manager of Guangdong Zhuhai Golden Bay LNG Ltd. From November 2012 to November 2017, he served as the Deputy General Manager of Engineering Construction Department of CNOOC (CNOOC Limited). From November 2017 to June 2018, he served as the Deputy General Manager of Engineering Construction Department of CNOOC (CNOOC Limited). From November 2018 to June 2019, he served as the Deputy General Manager of Engineering Construction Department of CNOOC (CNOOC Limited). From April 2019 to now, he has served as the Secretary of the Party Committee of Offshore Oil Engineering Co., Ltd. From May 2019 to now, he has served as the Director and President of Offshore Oil Engineering Co., Ltd.
Meng Jun	From December 2011 to July 2017, he served as the Deputy General Manager of Financial Department of CNOOC. From July 2017 to December 2019, he served as the General Manager of Financial Department of CNOOC. From December 2019 to now, he has been engaged in special work in CNOOC. From January 2014, he has taken an additional post of the Director of COOEC.
Lin Yaosheng	Since taking the job from 1984, he has always served in affiliated companies of CNOOC. He successively served as the Deputy Manager of Huizhou 32-5 Underwater Development Project, the Project Manager of Huizhou 26-1N Underwater Development Project and Huizhou 19-3/2/1 Project of CACT Operators Group, the Project Manager of Xijiang 23-1 Project of CNOOC, and the General Manager of Offshore Oil 981 Deepwater Drilling Vessel Engineering Project. From February 2012 to June 2016, he served as the Deputy General Manager in the Engineering Construction Department of CNOOC. From July 2016 to now, he has been serving as the Executive Vice-president of COOEC; from May 2017, he has taken an additional post of the Director of COOEC.
Zhang Wukui	He started to work in CNOOC from 1982. From January 2005 to June 2008, he served as the General Manager of Oilfield Technical Service Limited of CNOOC Oil Base Group Co., Ltd. From July 2008 to April 2009, he served as the General Manager of Oilfield Technical Service Limited of CNOOC Energy Co., Ltd. From April 2009 to April 2012, he served as the General Manager Assistant of CNOOC Energy Technology & Services Limited and the General Manager of Oilfield Technical Service Limited. From April 2012 to December 2016, he served as the Deputy General Manager of CNOOC Energy Technology & Services Limited. From April 2012 to December 2012, he also served as the General Manager of Oilfield Technical Service Limited of CNOOC Energy Technology & Services Limited. From January 2014 till now, he served as the Director of CNOOC Energy Technology & Services Limited. From August 2016 to July 2018, he served as the Deputy Secretary of CPC of CNOOC Energy Technology & Services Limited. From April 2018 to now, he has served as the Director of COOEC. From May 2018 to now, he has served as the Director of CNOOC. From July 2018 to now, he has served as the full-time Director of CNOOC.
Qiu Xiaohua	Since February 13, 1982, he was assigned to National Bureau of Statistics, and successively served as the Deputy Director, the Director, the Deputy Head of Comprehensive Division under National Bureau of Statistics, the Chief Economist and the News Spokesman, the Deputy Director General, and the Director General of National Bureau of Statistics; from August 1998 to September 1999, he served as the Governor Assistant of People's Government of Anhui Province; from June 2008 to August 2012, he served as the Chief Economist (Policy Research Center) in the Energy Economy Research Institute of CNOOC; from September 2012 to February 2018, he served as the Chief Economist of Minsheng Securities Co., Ltd., and the Director of China Oceanwide Holdings Group, the Director, Employee Representative Supervisor of Oceanwide Holdings Co., Ltd. and the President of Oceanwide Research Institute; from January 2016 to December 2018, he served as the Chief Economist of Guangdong Huaxing Bank Co., Ltd. He now serves as the Chief Economist of Sunshine Insurance Group, the CSO of Asset Management Co., Ltd. of Sunshine Insurance Group, the Professor of Newhuadu Business School, the Professor of City University of Macau, the Independent Director of Fujian Newchoice Pipe Technology Co., Ltd., the Independent Director of Beijing Capital Development Co., Ltd., the Independent Director of YLZ Information Technology Co., Ltd, the Independent Director of Longzhou Group Co., Ltd., and the Academic Committee Member and the Senior Researcher of CCIEE. From November 2016, he has taken an additional post of the Independent Director of COOEC.
Guo Tao	From October 2012 to now, he has served as the partner of Zhongzhun Certified Public Accounts (Special General Partnership). From May 2015, he has taken an additional post of the Independent Director of COOEC. From June 2017, he has taken an additional post of the Independent Director of Guorong Securities.
Huang Yongjin	From January 2011 to now, he has served as the Director and the Vice President of Shanghai Investigation & Design Institute Co., Ltd. From December 2013 to now, he has served as the President of Shanghai Skygeo Information Technology Co., Ltd. From January 2019, he has served as the Director of Shanghai Changkai Geotechnical Engineering Co., Ltd. From December 2019, he has served as the Director of Shanghai Sinking Program Management Consulting Co., Ltd. From May 2015, he has taken an additional post of the Independent Director of COOEC.



Name	Main working experience
Wu Hanming	From November 2005 to April 2007, he served as the Chief Economist of China Oilfield Services Limited. From April 2007 to July 2012, he served as the Chief Financial Officer of COOEC. From July 2012 to March 2014, he served as the Deputy General Manager of CNOOC Finance Co., Ltd. From March 2014 to April 2014, he served as the President of CNOOC International Financial Lease Co., Ltd. and the Deputy General Manager of CNOOC Finance Co., Ltd. From April 2014 to February 2016, he served as the President of the CNOOC International Financial Lease Co., Ltd. From February 2016 to July 2017, he served respectively as the President of CNOOC International Financial Lease Co., Ltd. and the General Manager of CNOOC Investment Holding Co., Ltd. From July 2017 to now, he has served as the Deputy Group Leader of the Inspection Group of CNOOC Party Group. From April 2018, he has taken an additional post of the Chairman of Board of Supervisors of COOEC.
Rao Shicai	From September 2007 to March 2014, he served as the General Manager in COOEC Human Resources Department. From March 2014 to December 2017, he served as the Deputy Secretary of the Party Committee, the Secretary of Committee of the Discipline Inspection, and the Chairman of the Labor Union of COOEC. From December 2017, he has served as the Leader of the CPC CNOOC Inspector's Office at COOEC. From August 2011 to now, he has taken an additional post of the Staff Supervisor of COOEC.
Zhao Yanbo	From August 2003 to February 2012, she served as the Senior Auditor of the Audit & Supervision Department of CNOOC. From March 2012 to the end of 2015, she served as the full-time Supervisor of CNOOC. From December 2015 to November 2019, she served as the Deputy Director General of Division I under CNOOC Supervision Department. From November 2019 to now, he has served as the Deputy Leader of the CPC CNOOC Inspector's Office at CNOOC Industrial Co., Ltd. From April 2014 to now, he has taken an additional post of the Supervisor of COOEC.
Yang Jinghong	From December 2013 to November 2017, he served as the General Manager and Secretary of the Party Committee of CNOOC Nanhai West Corporation. From December 2013 to April 2019, he served as the Deputy Director General of Petroleum Administration Bureau of CNOOC Nanhai West Corporation. From April 2019 to July 2019, he served as the Deputy Secretary of the Party Committee of Offshore Oil Engineering Co., Ltd. From July 2019 to now, he has served as the Deputy Secretary of the Party Committee and the Chairman of the Labor Union of Offshore Oil Engineering Co., Ltd.
Yu Changsheng	He successively served as the Deputy Director and then the Director in the process office of CNOOC Design Company, the Director in the process office of COOEC Engineering Company, the Project Manager of Penglai 19-3 Project and Penglai 19-3 Phase II Development Engineering Project, the Class-A Project Manager and the General Manager in the Production Management Department of COOEC. From September 2008 to April 2016, he served as the General Manager in the Installation Division of COOEC. From July 2016, he has served as the Vice President of COOEC.
Chen Baojie	He served as the Director in the welding workshop of CNOOC Platform Construction Company, the Project Manager of COOEC, the Deputy General Manager and the General Manager of COOEC Engineering Division. From March 2012 to May 2016, he served as the General Manager of Offshore Oil Engineering (Qing Dao) Co., Ltd. From July 2016 to March 2020, he served as the Vice President of COOEC.
Li Xiaowei	He successively served as the Deputy Director in the Technical Development Department of CNOOC Design Company, the Director in the Material and Welding Process Development Department of COOEC Engineering Company, the Project Manager and the Class-A Project Manager of COOEC, and the Deputy General Manager of Offshore Oil Engineering (Qing Dao) Co., Ltd. From December 2010 to May 2016, he served as the General Manager in the Market Development Department of COOEC. From July 2016, he has served as the Vice President of COOEC.
Li Peng	From July 2002 to December 2005, he served as the Senior Finance Manager of Beijing Capital Group Co., Ltd. From December 2005 to November 2007, he served as the Senior Director of External Disclosure of CNOOC Limited. From November 2007 to March 2010, he served as the Senior Director of Financial Reporting and Business Analysis of CNOOC Limited. From March 2010 to January 2012, he served as the Manager of Financial Reporting and Business Analysis of CNOOC Limited. From January 2012 to June 2013, he served as the Director of Financial Reporting and External Disclosure Division of CNOOC Limited. From June 2013 to November 2014, he served as the Director (Manager) of Financial Policy Division of the Finance Department of CNOOC Limited. From November 2014 to October 2016, he served as the Director of Accounting Policy and M&A Support Division of the Finance Department of CNOOC Limited. From October 2016 to August 2019, he served as the Deputy General Manager of CNOOC Finance Co., Ltd. From August 2019 to now, he has served as the CFO of Offshore Oil Engineering Co., Ltd.
Liu Lianju	From February 2001 to now, he has served as the Secretary of Board of Directors of COOEC. From March 2005 to December 2010, he served as the General Manager of the Bond Department. From December 2010, he has served as the General Manager of Board Secretary Office.

Others

" ☐ Applicable " " ☒ Inapplicable "

## (ii) Equity incentive awarded to directors and senior managers in the report period

" ☐ Applicable " " ☒ Inapplicable "

## II. Posts of current and outgoing directors, supervisors and senior managers

### (i) Post-holding in the shareholder entity

" ☒ Applicable " " ☐ Inapplicable "

Name of staff	Name of shareholder entity	Position at shareholder entity	Starting date of term of office	Ending date of term of office
Meng Jun	China National Offshore Oil Corporation	General Manager of Financial Department	August, 2017	December 16, 2019
Zhang Wukui	China National Offshore Oil Corporation	Full-time Director	July, 2018	
Zhao Yanbo	China National Offshore Oil Corporation	Deputy Director General of Discipline Inspection and Supervision Division I under CNOOC Supervision Department	December, 2015	November, 2019
Chen Rongqi	China National Offshore Oil Corporation	Chief Engineer of Engineering Construction Department	August, 2019	
Post-holding in the shareholder entity	The post-holding is ongoing, so the end of term is unknown.			

## (ii) Post-holding in other entities

“√ Applicable” “ □ Inapplicable”

Name of staff	Name of other entity	Position at other entity	Starting date of term of office	Ending date of term of office
Zhang Wukui	CNOOC Energy Technology & Services Limited	Director	January, 2014	
	China Oilfield Services Limited	Director	May, 2018	
Guo Tao	Zhongzhun Certified Public Accountants (Special General Partner)	Partner	2012	
	Guorong Securities Co., Ltd.	Independent director	June, 2017	
Huang Yongjin	SGIDI Engineering Consulting (Group) Co., Ltd.	Director & Vice President	2011	
	Shanghai Skygeo Information Technology Co., Ltd.	Chairman	2013	
	Shanghai Changkai Geotechnical Engineering Co., Ltd.	Director	January, 2019	
	Shanghai Sunking Program Management Consulting Co., Ltd.	Director	December, 2019	
Zhao Yanbo	CNOOC Industrial Co., Ltd.	Deputy Leader of the CPC CNOOC Inspector's Office at CNOOC Industrial Co., Ltd.	November, 2019	
Chen Yonghong	China United Coalbed Methane Co., Ltd.	Deputy General Manager and CFO	August, 2019	
Post-holding in other entities	For post-holding of the Independent Director, Qiu Xiaohua in other entities, please refer to major professional experience of director, supervisor and senior manager in Section I of this Chapter.			

## III. Remunerations of the directors, supervisors and senior managers

“√ Applicable” “ □ Inapplicable”

Process of decision-making for remunerations of directors, supervisors and senior managers	Establish the remuneration standards according to the responsibility and complexity of the post as well as the work performance and achievements, and by sticking to the principle of stabilizing personnel and combining the incentive and restriction.
Basis of determining remunerations of directors, supervisors and senior managers	Refer to the remunerations of directors, supervisors and senior managers of this industry.
Actual payment of remunerations of directors, supervisors and senior managers	1. Director's subsidies The subsidy for the three independent directors of the Company is RMB 128,000 (before tax) per person year. Travel expenses for participating in the meetings of board of directors and shareholders and other expenses required for exercising their powers in accordance with the Articles of Association can be reimbursed by the Company. 2. Directors and supervisors who do not receive their remunerations and subsidies from the Company include Meng Jun, Zhang Wukui, Wu Hanming and Zhao Yanbo. Above mentioned directors and supervisors would receive their remunerations and subsidies from China National Offshore Oil Corporation or its subsidiaries.
Total remunerations actually gained by all directors, supervisors and senior managers by the end of report period	RMB 7,905,300

## IV. Turnover of directors, supervisors and senior managers

“√ Applicable” “ □ Inapplicable”

Name	Post	Change	Reasons for change
Yu Yi	Chairman and Secretary of the Party Committee	Elected	According to corporate requirements on management and development
Yang Jinghong	Deputy Secretary of the Party Committee and Chairman of the Labor Union	Employed	According to corporate requirements on management and development
Li Peng	CFO	Employed	According to corporate requirements on management and development
Jin Xiaojian	Former Chairman and President	Former	Reaching mandatory age for retirement
Chen Yonghong	Former CFO	Former	Job transfer
Chen Rongqi	Former Chief Engineer	Former	Job transfer

## V. Punishments by securities regulatory institutions in recent three years

" ☐ Applicable " ☒ Inapplicable "

## VI. Employees in parent company and main subsidiaries

### (i) Employees

Number of in-service employees in parent company	5,505
Number of in-service employees in main subsidiaries	2,300
Total number of in-service employees	7,805
Number of retired employees whose payment was borne by parent company and main subsidiaries	0

Specialty component	
Category of specialty component	Number of specialty component
Production personnel	2,581
Technician	3,220
Financial personnel	104
Operation management and project management personnel	1,900
Total	7,805

Education background	
Type of education background	Quantity (persons)
Master degree or above	965
Bachelor degree	3,768
Junior college	1,475
Secondary school and below	1,597
Total	7,805

### (ii) Remuneration policy

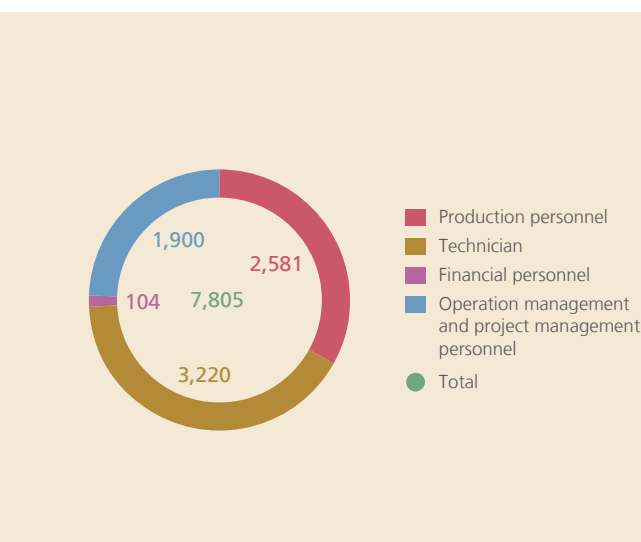
" ☒ Applicable " ☐ Inapplicable "

The Company implements the remuneration system consisting of the post & performance-based pay system and other distribution systems. Establishing the benefit bonus distribution mode in combination with the Company's business performance and the employees' personal performance, the Company explores diversified salary incentive methods, strengthens the differentiated salary distribution, highlights the incentive for important and key positions, and forms an incentive mechanism that focuses on actual performance and contribution, and allocates resources to excellent talents and key positions in various forms.

### (iii) Training plan

" ☒ Applicable " ☐ Inapplicable "

The Company establishes the training and reeducation mechanism for employees, and formulates and implements training plans based on employee growth and corporate demand. The Company establishes the training and management system to make the training effective, and



strengthens guidance, inspection, and management on training, making sure that work at each level and department can be carried out in line with the training requirements orderly as planned, ensuring promptness, pertinence and efficiency of the training.

In 2019, the Party Committee of the Company conscientiously implemented the overall requirements of human resources management under the leadership of the Party, i.e., "in aspects of macro issues, policies, coordination and service", grasped the general direction of the Company's talent work and talent team construction, comprehensively put the annual training project plan in place, organized and completed 2,621 training sessions of all kinds, and the training hours per person met the target requirements.

### (iv) Labor outsourcing

" ☐ Applicable " ☒ Inapplicable "

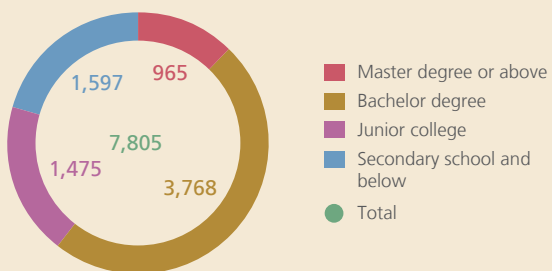
## VII. Others

" ☐ Applicable " ☒ Inapplicable "





↑ Badminton Competition of Employees



↑ Secretary Yu Yi gives a Party lecture

↓ Flag Presentation Ceremony of the Three Activities







↑ Venue for General Meeting of Shareholders

# Corporate Governance

## I. Corporate governance

"√ Applicable" "□ Inapplicable"

The Company establishes standardized and clear corporate governance structure and forms scientific and effective assignment of responsibilities and balance mechanism meeting requirements of Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, etc., and supervision requirements of China Securities Regulatory Committee, Shanghai Stock Exchange, etc. The shareholders meeting enjoys all rights specified by laws, regulations and Articles of Association, exerts decision-making rights to guideline for management, financing, investment, profit-sharing and other significant matters of the Company legally; Board of Directors is responsible for the shareholders meeting, and enjoys implementation rights to resolutions of the shareholders meeting and operating decision rights specified; Board of Supervisors shall be responsible for the shareholders meeting and inspect and supervise implementation, etc. of corporate financial staff, internal control personnel and senior managers; and management layer is responsible for organizing and implementing resolutions of the shareholders meeting and Board of Directors and being in charge of daily operation and management of the Company. The actual governance of the Company shall comply with requirements in the Company Law and relevant regulations of CSRC.

### (i) Put the two "persistences" into practice

The General Secretary Xi Jinping stressed at the National Conference on Party Building in State-owned Enterprises that adhering to the Party's leadership over state-owned enterprises is a major political principle and must be persistent, and the establishment of the modern enterprise system is the direction of state-owned enterprise reform, and must be persistent. Two "persistences" is an important conclusion and clear requirement of General Secretary Xi Jinping to strengthen the party building work in state-owned enterprises under the new situation. It points out the direction for state-owned enterprises to adhere to the party's leadership, strengthen party building and unswervingly do better and make greater progress in deepening the reform.

As a state holding listed company, the Company actively implements the two "persistences" concepts and requirements in corporate governance practice, and embeds the party's leadership into corporate governance in combination with the actual situation of the Company. In addition to attaching great importance to ideological understanding and providing guarantee by

institutional mechanism, the Company further revised and improved the decision-making management system related to decision on major issues, appointment and removal of important cadres, investment decision on major projects and use of large amount of funds and implemented the pre-review procedure of Party Committee in 2019 by amending the rules and regulations and embedding party building into the articles of corporation in the early stage. During the reporting period, the Party Committee of the Company convened the party committee conference to study the party building work, strategic planning and other matters, giving full play to the role of the Party Committee in checking and directing; the “Belt and Road” Initiative was discussed and implemented, a special plan preparation & leadership group and a work group were established, and the “Belt and Road” special plan was prepared; the preparation of the “five strategies” implementation plan of COOEC and other implementation plans related to the Company’s high quality development were promoted to give full play to the leading role of the Party Committee in the direction, overall situation and implementation.

## (ii) Establishment and soundness of corporate governance system

The Company formulates Articles of Association, Rule of Procedure for Shareholders Meeting, Rule of Procedure for Board of Directors, Rule of Procedure for Board of Supervisors, Description of President’s Work, System of Independent Directors, Management System of Information Disclosure and Investor Relations, Investment Management System and other standardized documents for corporate governance and forms systematical framework of corporate governance based on Company Law, Securities Law, Guide for Charter of Listed Companies, and relevant documents and requirements of securities market supervision authorities.

## (iii) Shareholders meeting

The Company complies with Company Law, Securities Law, Rules Governing the Listing of Stocks and Rules of Procedure for Shareholders Meeting and is in strict accordance with relevant requirements during meeting convening, holding, meeting bill, meeting procedure, meeting resolution, information disclosure, etc. to ensure all shareholders, especially minority shareholders, can exert their own legal rights and enjoy equal positions. The Company has invited the lawyer to participate in all shareholders meeting to confirm and witness holding procedures and audited events of the meeting and identification of participants and provide legal opinion ensuring legal and efficient shareholders meeting effectively.

In 2019, three shareholders meetings were held by the Company respectively in May, June and September. Ten proposals such as the Annual Report 2018, profit-sharing plan, work reports of Board of Directors, work reports of Board of Supervisors, final account report, further employment of financial and internal control audit institutions of the Company, election of directors were deliberated and approved, which safeguarded the shareholders’ legal rights practically.



↑ All Directors of the Company

## (iv) Board of Directors

### 1. Composition of Board of Directors

The Company, strictly following the selecting and engaging procedures stipulated in the Articles of Association, selects and engages directors with the legal quorum and member constitution. The Board of Directors is composed of seven people, including three independent directors and the number of independent directors accounts for more than one-third of total number of Board of Directors.



During the reporting period, Yu Yi, the Secretary of the Party Committee was elected as the Chairman of the Company. Yu Yi and all board members put forward very beneficial and professional suggestions to the Board of Directors with their rich specialized knowledge and working experience, which played an important role in healthy and sustainable development of the Company.

Jin Xiaojian, the former Chairman resigned from his post for reaching the legal retirement age. The Company expresses heartfelt thanks to him for his contributions in his tenure term.

## 2. Performance of Board of Directors

The Board of Directors enhances the principle of standard operation and legal management, perseveringly follows the principle of group discussion for decision making, and pays high attention to the role of independent directors. All the proposals in the board meeting and reporting matters are jointly discussed by the Board of Directors, guarantying all the important decisions in the Company are made after discussion of the Board of Directors, and maintaining overall interests of the shareholders.

The Company held eight board meetings in March, April, May, August, October and December 2019, deliberated the regular reports, profit-sharing plans, financial budget plans and capital expenditure plans and plans of director election and appointment of Chief Financial Officer and provided guarantees for subsidiaries, use of raised funds and change of financial policy. In addition, the Company's development plan, the requirements of the Board of Directors' resolutions, the implementation and other important matters were discussed to provide decision-making guarantee for normal production and operation of the Company.

During the reporting period, the Board of Directors, regarding changing business situation and achieving annual business objectives as the fundamental guidance, urged the Company to further strengthen project management and risk management and control, strengthen cost control, continue to reduce costs and increase efficiency, and promote the Company's high-quality development through management innovation and technical innovation; the Company systematically summarized the lessons of Saudi Arabia 3648 Project and earnestly learned from the experience to provide important decision-making references for continuous improvement of international project operation capacity in the future;

↓ All supervisors of the Company



it actively and consciously served the national strategy and seized the opportunity to achieve sustainable development in the implementation process of the "Seven-year Action Plan" for increasing reserves and production of domestic oil and gas to further enhance the core competitiveness.

The Board of Directors always pays high attention to communication with capital market; Yu Yi, the Chairman, Lin Yaosheng, the Director and Executive Vice-president, and Qiu Xiaohua and Guo Tao, independent directors attended shareholders meetings personally in this year, and communicated patiently on questions concerned by investors who participated in such meetings, such as development strategies and trend of the Company, impact on the Company due to oil prices and industrial changes, development opportunities brought to the Company by the Seven-year Action Plan, capacity building and improvement of the Company, development of market and workload trend after shareholders meetings.



↑ Annual Working Conference of the Company

#### (v) Board of Supervisors

The composition of Board of Supervisors conforms to the law requirements. It is composed of three supervisors, including two supervisors of shareholders, one supervisor of employee's representative, and the supervisors of the Company has professional knowledge and work experience in terms of accounting, auditing, human resources management, etc. The supervisors can perform their duties in accordance with the Articles of Association and the Rules of Procedure for Board of Supervisors, supervise production and operation management and internal control of the Company and regularly conduct investigation and research on the Company and propose suggestions for improvement, so they gave full play to their supervision function and protected the legal rights and interests of the Company and all shareholders.

The Board of Supervisors held 5 meetings in the year. Supervisors attended the shareholders meeting and all meetings of directors, reviewed regular reports of the Company, internal control evaluation reports, financial statements, allowance for assets depreciation reserves, profit-sharing plan, changes in accounting policies, usage of raised money, procurement of bank financial products and other important matters, and provided review opinions in writing form to regular reports prepared by the Board of Directors. All supervisors shall fulfill their own responsibilities carefully and pay high attention to supervision of legal operation, finance, regular reports and responsibility implementation of Board of Directors and senior managers of the Company, etc.

#### (vi) Management and senior managers

There is 1 Secretary of Party Committee, 1 President, 1 Executive Vice-president, 1 Deputy Secretary of Party Committee, 1 Chief Financial Officer and several Vice Presidents in the Company with pragmatic, professional, and experienced managers. According to relevant regulations of Company Law and Articles of Association, the assignment of businesses among senior managers was explicit with clear rights and liabilities. Board of Directors and Board of Supervisors could supervise and control senior managers effectively.

In the report period, the management and all senior managers were diligent and responsible and actively implemented all resolutions of the Board of Directors and the development strategies. Facing the complex internal and external environment, especially the losses caused by Saudi Arabia 3648 Project, in order to achieve the annual profit, the management team not only focused on production and operation and project management, but also on cost reduction and benefit increase, led all employees to make hard efforts, formulated a comprehensive cost reduction and benefit increasing plan, tried to reduce costs,

and finally achieved the annual profit operation goal. The team also made positive achievements in market development, project operation, tackling key problems in science and technology, party building and a series of other works, providing an important guarantee for the healthy and sustainable development of the Company.

### (vii) Information disclosure

During the report period, the Company carefully studied the requirements of CSRC on “Four Reverences” (Reverence for the market, the rule of law, the profession, and investors) and “four bottom lines” (not disclosing false information, not engaged in insider trading, not manipulating the stock price, not harming the interests of the listed company), paid high attention to the information disclosure work, constantly consolidated the Company’s standardized operation foundation. timely learned the new rules and requirements of information disclosure of Shanghai Stock Exchange, and completed the preparation and disclosure of 4 periodic reports and 30 interim notices under the guide of regulations and compilation related to information disclosure of listed companies. In the regular reports, the Company tried to disclose business key points and detailed production data, make efficiency analysis of financial indexes according to industry changes and make an effective outlook on the industry development trend and the Company’s future development trend to offer references for investors’ decision-making. Besides, the Company also paid great attention to voluntary disclosure through enterprise portals in accordance with laws and regulations, and timely fed the dynamic production and business and management conditions of the Company back to various stakeholders in market.

The information disclosure of the Company in 2018-2019 was rated as Class A by Shanghai Stock Exchange.

Indicate if the actual governance of the Company greatly deviates from requirements of CSRC. If so, explain the causes.

“ ☐ Applicable ” “ ☒ Inapplicable ”

## II. Brief introduction to the shareholders meeting

Session	Date	Index of query on specified website where the resolution is published	Disclosure date of published resolution
2018 Shareholders Meeting	May 17, 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	May 20, 2019
1st Extraordinary Shareholders Meeting in 2019	June 25, 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	June 26, 2019
2nd Extraordinary Shareholders Meeting in 2019	September 4, 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	September 5, 2019

Shareholders Meeting

“ ☐ Applicable ” “ ☒ Inapplicable ”

## III. Responsibilities fulfillment of directors

### (i) Directors’ participation in Board of Directors and shareholders meetings

Director Name	Whether independent director or not	Board meeting attendance						Shareholders meeting attendance
		Number of board meeting attendances this year	Number of attendances in person	Attendance in the form of communication	Number of attendances by entrustment	Number of absences	Failure to attend board meetings in person for twice consecutively	Number of shareholders meeting attendances
Yu Yi	No	6	6	1	0	0	No	2
Meng Jun	No	8	8	2	0	0	No	0
Lin Yaosheng	No	8	7	1	1	0	No	3
Zhang Wukui	No	8	8	2	0	0	No	0
Qiu Xiaohua	Yes	8	7	2	1	0	No	1
Guo Tao	Yes	8	8	2	0	0	No	3
Huang Yongjin	Yes	8	7	2	1	0	No	0





↑ Communication Meeting on Audit

Explanation of failure to attend board meetings in person twice consecutively

☐ Applicable ☒ Inapplicable

Number of board meetings held in the year	8
Wherein: number of on-site meetings	6
Number of meetings held in the form of communication	1
Number of meetings held on site in combination with communications	1

#### (ii) Objection of independent directors to related issues of the Company

☐ Applicable ☒ Inapplicable

#### (iii) Others

☐ Applicable ☒ Inapplicable

### IV. Important opinions and suggestions proposed by special committee directly under Board of Directors while fulfilling responsibilities during report period, and disclosure of specific situations (if any disputed items)

☒ Applicable ☐ Inapplicable

During report period, special committee directly under Board of Directors shall carefully fulfill their duties and implement their own responsibilities fairly and transparently according to relevant work systems.

#### (i) Performance of audit committee

The audit committee of Boards of Directors held 4 on-site meetings during the report period, carefully audited 11 proposals, including regular reports, annual financial statements, allowance for assets depreciation reserves, internal control evaluation reports, annual audit work of 4 terms, further employment of audit agency, performance of audit committee, accounting policy change, and published a clear opinion and issued resolution and minutes of audit committee meeting.

Besides, the audit committee of Boards of Directors communicated and discussed with the Company's management the regular reports, quarterly financial situation, internal control evaluation reports, annual audit work, industry environment, workload and business trends, market development and orders, cost control, cash flow, risk management, budget completion, Saudi Arabia 3648 project loss and loss of COOEC Fluor, and carried out inspection and supervision for governance and internal control of the Company and inspection for audit of annual reports of the Company, gave review opinions on regular financial reports of the Company, and paid much attention on profit-sharing plans, employment of accounting firms and other matters of the Company.

The audit committee recommended that the Company should attach importance to the development of digital intelligence, strengthen investment and capacity building, combine new technology with industrial development, carefully draw lessons from the loss of Saudi Arabia 3648 project take effective measures to change the long-term loss of COOEC Fluor, sort out the crux affecting profitability from all aspects, control cost growth, optimize subcontracting business and improve subcontract efficiency, reduce subcontract cost, take comprehensive measures to make every effort to ensure the realization of the annual budget goal, improve the performance level to a greatest extent and return to shareholders.

**(ii) Performance of nomination committee**

In the report period, the nomination committee held 2 on-site meetings, deliberated and approved proposals of nominating Yu Yi as the director candidate of the Company and Li Peng as the Chief Financial Officer of the Company, and agreed to submit relevant proposals to the Board of Directors of the Company for deliberation. The committee regarded the nominators meet all the relevant provisions of Company Law and Articles of Association, their qualifications are legal and meet the qualification conditions of directors and senior managers in listed company, agreed to submit the nominators to the Boards of Directors for deliberation, making sure that the nomination work is in compliance with laws and regulations.

**(iii) Performance of strategy committee**

In the report period, the strategy committee held 1 on-site meeting, deliberated and approved the Proposal on the Company's Development Plan 2020-2025.

**V. Risks of the Company discovered by Board of Supervisors**

" ☐ Applicable " "√ Inapplicable"

**VI. Non-guaranteed independence and the non-retained independent operation capacity of the Company relative to the controlling shareholder in the businesses, human resources, assets, institutions or finance**

" ☐ Applicable " "√ Inapplicable"

Solutions, work progress and subsequent work plan of the Company in case of horizontal competition

" ☐ Applicable " "√ Inapplicable"

**VII. Establishment and implementation status in the report period of the appraisal system and the incentive system for senior managers**

"√ Applicable" " ☐ Inapplicable"

During the report period, the Company carried out the assessment towards the senior managers in accordance with their work performance and the completion of annual objectives and plans.

**VIII. Whether to disclose the internal control self-evaluation report**

"√ Applicable" " ☐ Inapplicable"

The Internal Control Self-assessment Report is disclosed on the same day of this report, as detailed at <http://www.sse.com.cn>, website of Shanghai Stock Exchange.

Major defects in internal control during report period

" ☐ Applicable " "√ Inapplicable"

**IX. Relevant situations of internal control audit reports**

"√ Applicable" " ☐ Inapplicable"

BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) audited internal control of the Company in 2019, provided the standardized Internal Control Audit Report without remained opinions and believed the Company kept effective internal control of financial report on all important aspects according to Guidelines for Enterprise Internal Control and relevant regulations.

The Internal Control Audit Report is disclosed on the same day of this report, as detailed at <http://www.sse.com.cn>, website of Shanghai Stock Exchange.

Whether the internal control audit report is disclosed: Yes

**X. Others**

" ☐ Applicable " "√ Inapplicable"

# Relevant Condition of Corporate Bonds

" ☐ Applicable " " ☒ Inapplicable "



# Financial Report



## I. Audit Report

“√ Applicable” “□ Inapplicable”

## Audit Report

XKSBZ [2020] No. ZG10038

All shareholders of Offshore Oil Engineering Co., Ltd.:

## I. Audit opinions

We have audited the financial statements of Offshore Oil Engineering Co., Ltd. (hereinafter referred to as the COOEC), including the consolidated balance sheet and balance sheet of parent company on December 31, 2019, consolidated profit statement and the profit statement of parent company, consolidated cash flow statement and that of parent company, and consolidated statement of changes in equity and notes to financial statement of parent company in 2019.

In our opinion, all significant aspects of the financial statements attached have been prepared based on the Accounting Standards for Business Enterprises and present fairly the merger and financial position of COOEC as of December 31, 2019, and the merger, operating results and cash flows of COOEC in 2019.

## II. Basis for the formation of audit opinions

We carried out the audit work in accordance with the provisions of the China CPA audit guidelines. “Certified Public Accountants’ Responsibility for Audit of Financial Statements” in audit report further elaborates on our responsibility under these guidelines. In accordance with the Code of Ethics of Certified Public Accountants in China, we are independent of COOEC and have fulfilled other responsibilities in professional ethics. We believe that our audit evidence is sufficient and appropriate to provide the basis for the issuance of audit opinions.

## III. Key items for audit

The key items for audit are items that we consider the most important for the audit of the financial statements of the current period according to the professional judgment. The response of these items is based on an audit of the overall financial statements and the formation of audit opinions, and we do not individually express views on these items. We have determined that the following are key items for audit that need to be communicated in the audit report.

Key items for audit	Handling method
Income confirmed with the completion percentage method	
<p>The disclosure of accounting policies applied for income confirmation is shown in Note III (xxv), and the disclosure of income classification is shown in Note V (xxxii) and XV (iv).</p> <p>In 2019, the combined operating income from COOEC projects is RMB 14,710,394,330.48, of which the income confirmed by the completion percentage method is RMB 14,663,904,759.14, accounting for 99.68% of the combined operating income, featuring significant amount and proportion.</p> <p>In accordance with the provisions of Accounting Standards for Business Enterprises No. 15-Construction Contract, the contract income and cost related with main business of COOEC were confirmed by the completion percentage method on the balance sheet date. When completion percentage is adopted, the contract completion progress will be determined based on the proportion of actually incurred contract cost in expected total contract cost.</p> <p>The income confirmed by the completion percentage method is determined by the management according to its major judgment and estimation which may be affected by its judgment of future market and economic situation and further affect confirmation of such income by the completion percentage method by COOEC during the appropriate accounting period, therefore we will regard such incomes as key items for audit.</p>	<p>The procedures we implemented mainly include:</p> <ol style="list-style-type: none"> <li>1. We understood and tested the policies, procedures, methods and relevant internal control measures for accounting of COOEC construction contracts, and for determination and change of the estimated total revenue and total cost;</li> <li>2. We obtained the list of contracts for projects under construction, and checked the implementation of corresponding construction contracts, settlement and collection of payments and other specific matters;</li> <li>3. We obtained the total estimated cost breakdown of projects under construction and re-checked its rationality;</li> <li>4. We tested the accounting estimation made by the management as well as relevant basis and data to determine the accuracy of its estimation;</li> <li>5. We took an on-site inventory for samples of unfinished contracts at the end of the year according to the inventory audit procedures to check whether costs incurred are classified accurately;</li> <li>6. According to the accounting policy of Accounting Standards for Business Enterprises No. 15-Construction Contract, we carried out substantive testing procedures to check whether the COOEC's income related with construction contracts is confirmed in accordance with the completion percentage accounting policy.</li> </ol>

## IV. Other information

The COOEC management (hereinafter referred to as “the Management”) is responsible for other information. Other information includes information covered in the 2019 Annual Report of COOEC, but does not include financial statements and our audit reports.

We do not cover other information on the audit opinions issued for the financial statements, nor do we have any form of attestation conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information, and in this process, consider whether other information is materially inconsistent with the financial statements or what we have learned in the audit process or it appears to be significant misstatement.

Based on the work we have carried out, we should report the fact if we determine the existence of a significant misstatement in other information. In this regard, we have no item for reporting.

## V. Responsibilities of management and governance for the financial statements

The Management is responsible for preparing the financial statements in accordance with the provisions of the Accounting Standards for Enterprises to make it fair reflection, then designing, implementing and maintaining the necessary internal controls so that the financial statements do not have any significant misstatement resulting from fraud or error.

In the preparation of financial statements, management is responsible for assessing the constant operational capacity of COOEC, disclosing matters related to constant operations (if applicable), and applying constant operational assumptions, unless they plan liquidation, suspension of operations, or have no other realistic options.

The Management is responsible for overseeing the financial reporting process of COOEC.

## VI. Certified public accountant's responsibility for audit of financial statements

Our goal is to ensure that the overall financial statements get reasonable assurance whether they have no major misstatements resulting from frauds or errors and issue audit reports with opinions. The reasonable assurance is a high level assurance, but it is not guaranteed that the audit carried out in accordance with the audit guidelines can always find out major misstatements in the presence. The misstatements may be caused by frauds or errors. If misstatements alone or in summary are reasonably expected to affect the economic decision of the users of financial statements, the misstatements are generally considered to be significant.

In the process of performing the audit in accordance with the audit guidelines, we apply professional judgment and maintain professional doubts. Meanwhile, we also execute the following works:

- (1) Identify and evaluate the risks of major misstatement in financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. Since fraud may involve collusion, forgery, intentional omission, false representation or not be subject to internal control, failure to find the risk of significant misstatement due to fraud is higher than the risk of failure to find a major misstatement due to errors.
- (2) Understand internal controls related to auditing to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies adopted by management and the rationality of accounting estimation and related disclosure.
- (4) Make an appropriate conclusion of the Management's use of constant operational assumptions. At the same time, on the basis of the acquired audit evidence, make a conclusion whether there is a significant uncertainty in matters or circumstances that cause significant doubts about constant operational capacity of COOEC. If we come to the conclusion that there are significant uncertainties, the audit guidelines require that we draw the attention of the report users to the relevant disclosures in the financial statements in the audit report; If the disclosure is not sufficient, we should issue a modified audit report. Our conclusions are based on information available as of the date of the audit report. However, future events or conditions may cause COOEC to discontinue operation.
- (5) Evaluate the overall presentation (including disclosures), structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities under COOEC to make an audit opinion on the financial statements. We are responsible for directing, supervising and implementing the Group's audits and assuming full responsibility for the audit opinion.

We communicate with governance regarding the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to governance regarding compliance with the independence-related professional ethics requirements and communicate with the governance all the relationships and other matters that may reasonably be considered to affect our independence, as well as the relevant preventive measures (if applicable).





## II. Financial Statements

### Consolidated balance sheet

December 31, 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary capital	VII. 1	1,732,204,670.31	1,943,895,590.53
Settlement reserves			
Funds for inter-banking lending			
Trading financial assets			
Financial assets which are accounted at the fair value and of which the fluctuations are included in the current profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 2	4,837,527,877.62	4,186,332,475.43
Receivable financing			
Advance payment	VII. 3	338,402,162.27	119,263,733.62
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII. 4	23,055,015.71	98,783,571.36
Wherein: interest receivable		2,815,811.42	4,931,006.22
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	VII. 5	5,129,378,265.89	2,898,116,191.04
Assets held for sale			
Non-current assets due within one year			
Other current assets:	VII. 6	4,443,701,920.87	4,661,230,094.25
Total current assets		16,504,269,912.67	13,907,621,656.23
<b>Non-current assets:</b>			
Issued loans and advances			
Debt investment			
Available-for-sale financial assets			158,099,778.00
Other debt investment			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	VII. 7	2,006,252,573.18	2,226,837,618.49
Investment in other equity instruments	VII. 8	181,023,078.00	
Other non-current financial assets			
Investment real estate			
Fixed assets	VII. 9	10,761,571,159.30	9,565,140,378.45
Projects under construction	VII. 10	670,874,018.36	2,381,041,517.05
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	VII. 11	1,134,629,544.48	1,156,963,479.71

Item	Notes	December 31, 2019	December 31, 2018
Development expenditure			
Business reputation	VII. 12	13,075,057.26	13,075,057.26
Long-term unamortized expenses	VII. 13	77,665,431.11	87,232,309.27
Deferred income tax assets	VII. 14	507,182,160.74	653,188,775.33
Other non-current assets			
Total non-current assets		15,352,273,022.43	16,241,578,913.56
Total assets		31,856,542,935.10	30,149,200,569.79
<b>Current liabilities:</b>			
Short-term loan			
Loans from the Central Bank			
Loans from other banks			
Transaction financial liabilities			
Financial liabilities which are accounted at the fair value and of which the fluctuations are included in the current profit and loss			
Derivative financial liability			
Notes receivable			
Accounts payable	VII. 15	6,862,938,533.84	3,940,765,468.72
Advance receipts	VII. 16	896,841,046.83	1,966,300,647.30
Financial assets sold for repurchase			
Accepting money deposits and due from banks			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee salary payable	VII. 17	137,424,595.62	277,872,237.15
Payable taxes	VII. 18	439,122,831.37	449,995,333.01
Other payables	VII. 19	153,816,145.87	74,401,069.57
Wherein: interest payable		29,486.11	29,486.11
Dividends payable			
Handling charges and commission payable			
Reinsurance accounts receivable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other non-current liabilities	VII. 20		7,300,330.85
Total current liabilities		8,490,143,153.53	6,716,635,086.60
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term loan	VII. 21	220,000,000.00	220,000,000.00
Bonds payable			
Wherein: preferred shares			
Perpetual bond			
Lease liability			
Long-term receivables	VII. 22	26,908,456.91	27,316,350.24
Employee salary payable for long-term	VII. 23		
Estimated liabilities	VII. 24	265,339,417.06	105,746,387.29
Deferred income	VII. 25	158,594,514.41	156,163,722.90
Deferred income tax liabilities	VII. 14	22,721,581.87	18,899,268.91
Other non-current liabilities			
Total non-current liabilities		693,563,970.25	528,125,729.34

Item	Notes	December 31, 2019	December 31, 2018
Total liabilities		9,183,707,123.78	7,244,760,815.94
<b>Owners' equity (or shareholders' equity) :</b>			
Paid-in capital (or share capital)	VII. 26	4,421,354,800.00	4,421,354,800.00
Investment in other equity instruments			
Wherein: preferred shares			
Perpetual bond			
Capital reserves	VII. 27	4,247,940,206.11	4,247,940,206.11
Less: treasury stock			
Other comprehensive incomes	VII. 28	68,881,661.47	47,540,172.61
Special reserve	VII. 29	421,769,177.09	482,270,903.18
Surplus reserves	VII. 30	1,656,646,711.49	1,607,827,558.05
General risk provision			
Undistributed profit	VII. 31	11,844,047,878.33	12,086,008,009.88
Total equity attributable to the owners of parent company (or shareholders' equity)		22,660,640,434.49	22,892,941,649.83
Minority stockholders' interest		12,195,376.83	11,498,104.02
Total owners' equity (or shareholders' equity) :		22,672,835,811.32	22,904,439,753.85
Total liability and owners' equity (or shareholders' equity)		31,856,542,935.10	30,149,200,569.79

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin



## Balance Sheet of the Parent Company

December 31, 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary capital		1,027,919,930.29	1,217,322,938.46
Trading financial assets			
Financial assets which are accounted at the fair value and of which the fluctuations are included in the current profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII. 1	4,986,278,619.15	3,858,091,286.22
Receivable financing			
Advance payment		223,621,157.20	46,477,628.38
Other receivables	XVII. 2	781,889,429.28	674,256,426.03
Wherein: interest receivable		524,340.95	340,875.25
Dividends receivable		198,000,000.00	
Inventory		3,755,938,983.16	2,686,448,143.15
Assets held for sale			
Non-current assets due within one year			
Other current assets:		3,691,196,789.04	3,734,113,157.24
Total current assets		14,466,844,908.12	12,216,709,579.48
<b>Non-current assets:</b>			
Debt investment			
Available-for-sale financial assets			158,099,778.00
Other debt investments			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XVII. 3	9,205,974,170.87	9,205,974,170.87
Investment in other equity instruments		181,023,078.00	
Other non-current financial assets			
Investment real estate			
Fixed assets		5,138,969,760.13	3,417,054,227.08
Projects under construction		252,546,461.11	2,113,313,515.76
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets		394,760,198.24	403,030,394.29
Development expenditure			
Business reputation			
Long-term unamortized expenses		67,666,483.17	71,854,468.44
Deferred income tax assets		289,477,864.43	432,367,280.79
Other non-current assets			
Total non-current assets		15,530,418,015.95	15,801,693,835.23
Total assets		29,997,262,924.07	28,018,403,414.71
<b>Current liabilities:</b>			
Short-term loan			

Trading financial liabilities		
Financial liabilities which are accounted at the fair value and of which the fluctuations are included in the current profit and loss		
Derivative financial liabilities		
Notes receivable		
Accounts payable	9,198,197,454.16	6,574,816,227.05
Advance receipts	671,462,667.45	1,939,072,850.28
Employee salary payable	96,835,849.98	195,717,732.68
Payable taxes	54,769,050.85	81,545,033.12
Other payables	423,444,835.96	81,822,316.05
Wherein: interest payable	29,486.11	29,486.11
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other non-current liabilities		4,033,653.30
Total current liabilities	10,444,709,858.40	8,877,007,812.48
<b>Non-current liabilities:</b>		
Long-term loan	220,000,000.00	220,000,000.00
Bonds payable		
Wherein: preferred shares		
Perpetual bond		
Lease liability		
Long-term receivables	26,908,456.91	27,316,350.24
Employee salary payable for long-term		
Estimated liabilities	159,593,029.77	
Deferred income	84,998,060.25	85,611,044.64
Deferred income tax liabilities	11,050,138.43	9,394,129.50
Other non-current liabilities		
Total non-current liabilities	502,549,685.36	342,321,524.38
Total liabilities	10,947,259,543.76	9,219,329,336.86
<b>Owners' equity (or shareholders' equity) :</b>		
Paid-in capital (or share capital)	4,421,354,800.00	4,421,354,800.00
Investment in other equity instruments		
Wherein: preferred shares		
Perpetual bond		
Capital reserves	4,245,387,997.87	4,245,387,997.87
Less: treasury stock		
Other comprehensive incomes	30,249,777.59	19,971,616.77
Special reserve	412,312,659.65	438,785,312.37
Surplus reserves	1,647,004,149.60	1,598,184,996.16
Undistributed profit	8,293,693,995.60	8,075,389,354.68
Total owners' equity (or shareholders' equity) :	19,050,003,380.31	18,799,074,077.85
Total liability and owners' equity (or shareholders' equity)	29,997,262,924.07	28,018,403,414.71

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin

## Consolidated Profit Statement

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
<b>I. Gross operating income</b>		<b>14,710,394,330.48</b>	<b>11,052,121,177.54</b>
Wherein: operating income	VII. 32	14,710,394,330.48	11,052,121,177.54
Interest income			
Earned premiums			
Income from handling charges and commissions			
<b>II. Gross operating cost</b>		<b>14,132,305,583.63</b>	<b>11,030,706,642.44</b>
Wherein: operating costs	VII. 32	12,921,911,289.74	10,027,719,520.52
Interest expenditure			
Expenditure on handling charges and commissions			
Surrender value			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policyholder dividends			
Reinsurance expenses			
Taxes and surcharges	VII. 33	73,864,584.68	95,918,229.96
Sales cost	VII. 34	35,838,837.23	15,631,449.66
Administration expense	VII. 35	239,128,657.45	293,324,200.39
R&D expense	VII. 36	874,350,961.81	669,498,092.27
Financial expense	VII. 37	-12,788,747.28	-71,384,850.36
Wherein: interest expense	VII. 37	978,402.78	877,291.67
Interest income	VII. 37	18,094,932.98	50,124,776.13
Plus: other incomes	VII. 38	135,199,241.09	181,337,249.09
Investment income (loss indicated with "-")	VII. 39	-66,288,499.95	-46,707,457.84
Wherein: investment income from associates and joint ventures	VII. 39	-222,251,710.31	-91,735,268.69
Profits that arise when the financial assets measured at the post-amortization costs are terminated from recognition			
Exchange gains (loss indicated with "-")			
Net exposure hedging benefits (loss indicated with "-")			
Income from changes in fair value (loss indicated with "-")			
Credit impairment losses (loss indicated with "-")	VII. 40	-17,618,434.85	
Asset impairment losses (loss indicated with "-")	VII. 41	-450,485,251.77	-51,946,445.48
Profit from disposal of assets (loss indicated with "-")	VII. 45	151,900.93	131,993.49
<b>III. Operation profit (loss indicated with "-")</b>		<b>179,047,702.30</b>	<b>104,229,874.36</b>
Plus: non-operating income	VII. 43	34,642,043.51	35,033,759.74
Less: non-operating expenses	VII. 44	4,947,965.35	10,481,437.93
<b>IV Total profit (total loss indicated with "-")</b>		<b>208,741,780.46</b>	<b>128,782,196.17</b>
Less: income tax expense	VII. 45	180,095,526.74	48,943,321.79
<b>V. Net profit (net loss indicated with "-")</b>		<b>28,646,253.72</b>	<b>79,838,874.38</b>
(i) Classified as per business continuity			
1. Net profit from continuing operation (net loss indicated with "-")		28,646,253.72	79,838,874.38
2. Net profit from discontinuing operation (Net loss indicated with "-")			
(ii) Classified as per attribution of ownership			



1. Net profits attributable to shareholders of the parent company (Net loss indicated with "-")	27,926,761.89	79,778,008.87
2. Profit and loss of minority shareholders (Net loss indicated with "-")	719,491.83	60,865.51
<b>VI. Net of tax of other comprehensive incomes</b>	<b>21,319,269.84</b>	<b>-61,691,851.50</b>
(i) After-tax net of other comprehensive incomes attributable to owners of parent company	21,341,488.86	-61,840,130.29
1. Other comprehensive incomes which cannot be reclassified into the profit and loss in future	19,484,805.00	
(1) Change due to re-measurement of defined benefit plans		
(2) Other comprehensive incomes that cannot be reclassified into the profit and loss under the Equity Method		
(3) Changes in fair value caused by other equity instrument investments	19,484,805.00	
(4) Changes in fair value caused by enterprise's own credit risk		
2. Other comprehensive incomes which will be reclassified into the profit and loss	1,856,683.86	-61,840,130.29
(1) Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method		
(2) Changes in fair value caused by other debt investments		
(3) Change of fair value recognized in profit and loss of available-for-sale financial assets		-68,574,430.00
(4) Amount of financial assets reclassified into other comprehensive incomes		
(5) Held-to-maturity financial investment reclassified as available for sale investments profit and loss account		
(6) Creditor's rights investment depreciation reserves		
(7) Cash flow hedge reserve (effective portion of hedging profit and loss for cash flow)		
(8) Translation differences in foreign currency financial statements	1,856,683.86	6,734,299.71
(9) Others		
(ii) After-tax net of other comprehensive incomes attributable to minority shareholders	-22,219.02	148,278.79
<b>VII. Total comprehensive income</b>	<b>49,965,523.56</b>	<b>18,147,022.88</b>
(i) Total comprehensive income attributable to the owners of parent company	49,268,250.75	17,937,878.58
(ii) Total comprehensive income attributable to minority shareholder	697,272.81	209,144.30
<b>VIII. Earnings per share:</b>		
(i) Basic earnings per share (EPS) (RMB /share)	0.01	0.02
(ii) Diluted Earnings Per Share (yuan/share)	0.01	0.02

Merger of enterprises under same control doesn't exist in current period.

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin

## Profit Statement of Parent Company

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
<b>I. Operating income</b>	XVII. 4	12,094,038,406.81	9,367,685,465.89
Less: operating costs	XVII. 4	10,806,093,260.20	8,732,183,651.78
Taxes and surcharges		36,429,444.67	45,953,535.90
Sales cost		5,596,916.57	1,479,751.84
Administration expense		138,545,672.57	178,346,446.43
R&D expense		494,995,784.53	503,344,866.81
Financial expense		-11,864,980.13	-46,139,997.85
Wherein: interest expense		3,135,464.13	1,000,020.60
Interest income		15,648,967.62	10,182,947.39
Plus: other incomes		65,018,371.93	116,685,646.46
Investment income (loss indicated with "-")	XVII. 5	331,957,465.44	1,515,494,758.40
Wherein: investment income from associates and joint ventures			
Profits that arise when the financial assets measured at the post-amortization costs are terminated from recognition			
Net exposure hedging benefits (loss indicated with "-")			
Income from changes in fair value (loss indicated with "-")			
Credit impairment losses (loss indicated with "-")		15,282.66	
Asset impairment losses (loss indicated with "-")		-394,277,816.10	613,773.45
Profit from disposal of assets (loss indicated with "-")			131,993.49
<b>II. Operation profit (loss indicated with "-")</b>		626,955,612.33	1,585,443,382.78
Plus: non-operating income		10,041,578.57	4,859,888.40
Less: non-operating expenses		3,570,322.75	1,350,348.46
<b>III. Total profit (total loss indicated with "-")</b>		633,426,868.15	1,588,952,922.72
Less: income tax expense		145,235,333.79	10,126,656.49
<b>IV. Net profit (net loss indicated with "-")</b>		488,191,534.36	1,578,826,266.23
(i) Net profit from continuing operation (net loss indicated with "-")		488,191,534.36	1,578,826,266.23
(ii) Net profit from discontinuing operation (Net loss indicated with "-")			
<b>V. Net of other comprehensive incomes after tax</b>		10,278,160.82	-78,770,390.37
(i) Other comprehensive incomes which cannot be reclassified into the profit and loss in future		19,484,805.00	
1. Change due to re-measurement of defined benefit plans			
2. Other comprehensive incomes that cannot be reclassified into the profit and loss under the Equity Method			
3. Changes in fair value caused by other equity instrument investments		19,484,805.00	
4. Changes in fair value caused by enterprise's own credit risk			
(ii) Other comprehensive incomes which will be reclassified into the profit and loss		-9,206,644.18	-78,770,390.37
1. Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method			
2. Changes in fair value caused by other debt investments			
3. Change of fair value recognized in profit and loss of available-for-sale financial assets			-68,574,430.00
4. Amount of financial assets reclassified into other comprehensive incomes			
5. Held-to-maturity financial investment reclassified as available for sale investments profit and loss account			
6. Creditor's rights investment depreciation reserves			
7. Cash flow hedge reserve (effective portion of hedging profit and loss for cash flow)			
8. Translation differences in foreign currency financial statements		-9,206,644.18	-10,195,960.37
9. Miscellaneous			
<b>VI. Total comprehensive income</b>		498,469,695.18	1,500,055,875.86
<b>VII. Earnings per share:</b>			
(i) Basic earnings per share (EPS) (RMB /share)			
(ii) Diluted Earnings Per Share (yuan/share)			

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin

## Consolidated Cash Flow Statement

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		11,717,163,115.62	11,404,594,416.89
Net increases from customer's deposit and Deposit from other banks			
Net increase in borrowings from Central Bank			
Net increases from borrowing funds to other financial institutions			
Cash received from premium of original insurance contract			
Net cash received from reinsurance business			
Net increase from policyholder deposit and investment			
Cash received as interest, handling charges and commission			
Net increase in capital borrowed			
Net increase in capital from repurchase business			
Net cash received from securities trading brokerage business			
Refund of tax and fare received		252,408,352.11	266,452,587.28
Other cash received relating to operating activities	VII. 46	521,781,038.23	328,911,673.53
Sub-total of cash inflows from operating activities		12,491,352,505.96	11,999,958,677.70
Cash paid for goods and services		9,498,133,150.14	8,689,993,439.72
Net increases from customer lending and advances			
Net increases from deposits in the Central Bank and deposits of the same trade or business			
Cash paid as compensation under the original insurance contract			
Net increase of lending funds			
Cash paid as interest, handling charges and commission			
Cash paid for policy dividend			
Cash paid to and for staff and workers		2,390,772,420.54	2,294,077,948.50
Payments for various taxes		461,541,070.50	474,377,684.78
Other cash paid relating to operating activities	VII. 46	215,712,969.48	165,054,175.85
Sub-total of cash outflows from operating activities		12,566,159,610.66	11,623,503,248.85
Net cash flow from business activities	VII. 47	-74,807,104.70	376,455,428.85
<b>II. Cash flows from investment activities:</b>			
Cash received from disposal of investments		13,150,000,000.00	11,153,052,000.00
Cash received from returns on investments		163,525,877.55	96,547,791.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,460.00	892,675.00
Net cash received from disposing subsidiaries and other business units			
Other cash received relating to investment activities			
Subtotal of cash inflows from investment activity		13,313,529,337.55	11,250,492,466.39
Cash paid to acquire fixed assets, intangible assets and other long-term assets		320,242,311.84	911,692,440.55
Cash paid to acquire investments		12,911,666,665.00	13,256,518,639.47
Net increase in pledge loan			
Net cash used for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities	VII. 46		43,985,000.00
Sub-total of cash outflows from investment activities		13,231,908,976.84	14,212,196,080.02
Net cash flow from investment activities		81,620,360.71	-2,961,703,613.63



<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Wherein: Cash received from increase in minority interest by subsidiary			
Cash received from borrowings			130,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities			130,000,000.00
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits and repayment of interests		222,046,142.78	221,925,170.56
Wherein: Cash paid for distribution of dividends or profit or reimbursing interests by subsidiary			
Other cash paid relating to financing activities			
Sub-total of cash outflows from financing activities		222,046,142.78	221,925,170.56
Net cash flow from financing activities		-222,046,142.78	-91,925,170.56
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		3,541,966.55	-7,625,153.17
<b>V. Net increase in cash and cash equivalents</b>	VII. 47	-211,690,920.22	-2,684,798,508.51
Plus: Balance of cash and cash equivalents at the beginning of period	VII. 47	1,943,763,661.27	4,628,562,169.78
<b>VI. Balance of cash and cash equivalents at end of period</b>	VII. 47	1,732,072,741.05	1,943,763,661.27

Legal representative: Yu Yi      Person in charge of accounting affairs: Li Peng      Person in charge of accounting department: Yao Baoqin

## Cash Flow Statement of the Parent Company

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		9,475,702,148.93	9,931,511,757.29
Refund of tax and fare received		94,176,078.29	168,809,014.40
Other cash received relating to operating activities		651,976,889.96	167,283,665.26
Sub-total of cash inflows from operating activities		10,221,855,117.18	10,267,604,436.95
Cash paid for goods and services		8,171,854,962.31	6,470,336,019.84
Cash paid to and for staff and workers		1,678,989,024.44	1,665,349,892.24
Payments for various taxes		219,349,448.70	200,848,980.80
Other cash paid relating to operating activities		130,010,758.23	88,968,487.74
Sub-total of cash outflows from operating activities		10,200,204,193.68	8,425,503,380.62
Net cash flow from business activities		21,650,923.50	1,842,101,056.33
<b>II. Cash flows from investment activities:</b>			
Cash received from disposal of investments		10,333,450,500.00	4,331,459,000.00
Cash received from returns on investments		138,040,346.73	1,516,784,034.26
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,460.00	892,675.00
Net cash received from disposing subsidiaries and other business units			
Other cash received relating to investment activities			
Sub-total of cash inflows from investment activities		10,471,494,306.73	5,849,135,709.26
Cash paid to acquire fixed assets, intangible assets and other long-term assets		157,391,650.34	568,247,554.00
Cash paid to acquire investments		10,300,000,000.00	6,830,000,000.00
Net cash used for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities			
Sub-total of cash outflows from investment activities		10,457,391,650.34	7,398,247,554.00
Net cash flow from investment activities		14,102,656.39	-1,549,111,844.74
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings			130,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities			130,000,000.00
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits and repayment of interests		222,046,142.78	221,925,170.56
Other cash paid relating to financing activities			
Sub-total of cash outflows from financing activities		222,046,142.78	221,925,170.56
Net cash flow from financing activities		-222,046,142.78	-91,925,170.56
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		-3,110,445.28	3,953,596.33
<b>V. Net increase in cash and cash equivalents</b>		-189,403,008.17	205,017,637.36
Plus: Balance of cash and cash equivalents at the beginning of period		1,217,322,938.46	1,012,305,301.10
<b>VI. Balance of cash and cash equivalents at end of period</b>		1,027,919,930.29	1,217,322,938.46

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin

## Consolidated Statement of Changes in Owner's Equity

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock
		Preferred shares	Perpetual bond	Others		
<b>I. Balance at end of last year</b>	<b>4,421,354,800.00</b>				<b>4,247,940,206.11</b>	
Plus: accounting policy change						
Corrections of prior period errors						
Merger under same control						
Others						
<b>II. Balance at beginning of current year</b>	<b>4,421,354,800.00</b>				<b>4,247,940,206.11</b>	
<b>III. Increase/decrease change of the year (decrease is marked with "-")</b>						
(i) Total comprehensive income						
(ii) Capital invested and decreased by the owner						
1. Ordinary share invested by owner						
2. Invested capital from other equity instruments						
3. Fund paid for shares held included in the owners' equity						
4. Others						
(iii) Profit-sharing						
1. Withdrawal of surplus reserves						
2. Withdrawal of general risk reserves						
3. Distribution to owners (or shareholders)						
4. Others						
(iv) Internal transfer of owner's equity						
1. Capital reserves transferred to capital (or share capital)						
2. Surplus reserves transferred to capital (or share capital)						
3. Loss covered by surplus reserves						
4. Earnings on carry-forward retaining of changes due to defined benefit plans						
5. Earnings on carry-forward retaining of other comprehensive incomes						
6. Others						
(v) Special reserve						
1. Withdrawal in current period						
2. Use in current period						
(vi) Others						
<b>IV. Balance at end of current period</b>	<b>4,421,354,800.00</b>				<b>4,247,940,206.11</b>	



Unit: Yuan Currency: RMB

2019							
Equity attributable to the owners of parent company						Minority stockholders' interest	Total owners' equity
Other comprehensive incomes	Special reserve	Surplus reserves	General risk reserves	Undistributed profit	Subtotal		
47,540,172.61	482,270,903.18	1,607,827,558.05		12,086,008,009.88	22,892,941,649.83	11,498,104.02	22,904,439,753.85
47,540,172.61	482,270,903.18	1,607,827,558.05		12,086,008,009.88	22,892,941,649.83	11,498,104.02	22,904,439,753.85
21,341,488.86	-60,501,726.09	48,819,153.44		-241,960,131.55	-232,301,215.34	697,272.81	-231,603,942.53
21,341,488.86				27,926,761.89	49,268,250.75	697,272.81	49,965,523.56
		48,819,153.44		-269,886,893.44	-221,067,740.00		-221,067,740.00
		48,819,153.44		-48,819,153.44			
				-221,067,740.00	-221,067,740.00		-221,067,740.00
	-60,501,726.09				-60,501,726.09		-60,501,726.09
	206,604,225.40				206,604,225.40		206,604,225.40
	267,105,951.49				267,105,951.49		267,105,951.49
68,881,661.47	421,769,177.09	1,656,646,711.49		11,844,047,878.33	22,660,640,434.49	12,195,376.83	22,672,835,811.32

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock
		Preferred shares	Perpetual bond	Others		
<b>I. Balance at end of last year</b>	4,421,354,800.00				4,247,940,206.11	
Plus: accounting policy change						
Corrections of prior period errors						
Merger under same control						
Others						
<b>II. Balance at beginning of current year</b>	4,421,354,800.00				4,247,940,206.11	
<b>III. Increase/decrease change of the year (decrease is marked with "-")</b>						
(i) Total comprehensive income						
(ii) Capital invested and decreased by the owner						
1. Ordinary share invested by owner						
2. Invested capital from other equity instruments						
3. Fund paid for shares held included in the owners' equity						
4. Others						
(iii) Profit-sharing						
1. Withdrawal of surplus reserves						
2. Withdrawal of general risk reserves						
3. Distribution to owners (or shareholders)						
4. Others						
(iv) Internal transfer of owner's equity						
1. Capital reserves transferred to capital (or share capital)						
2. Surplus reserves transferred to capital (or share capital)						
3. Loss covered by surplus reserves						
4. Earnings on carry-forward retaining of changes due to defined benefit plans						
5. Earnings on carry-forward retaining of other comprehensive incomes						
6. Others						
(v) Special reserve						
1. Withdrawal in current period						
2. Use in current period						
(vi) Others						
<b>IV. Balance at end of current period</b>	4,421,354,800.00				4,247,940,206.11	

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin

[illegible]



## Statement of Changes in Owners' Equity of the Parent Company

January to December 2019

Prepared by: Offshore Oil Engineering Co., Ltd.

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserves
		Preferred shares	Perpetual bond	Others	
<b>I. Balance at end of last year</b>	4,421,354,800.00				4,245,387,997.87
Plus: accounting policy change					
Corrections of prior period errors					
Others					
<b>II. Balance at beginning of current year</b>	4,421,354,800.00				4,245,387,997.87
<b>III. Increase/decrease change of the year (decrease is marked by "-")</b>					
(I) Total comprehensive income					
(II) Capital invested and decreased by the owner					
1. Ordinary share invested by owner					
2. Invested capital from other equity instruments					
3. Fund paid for shares held included in the owners' equity					
4. Others					
(III) Profit-sharing					
1. Withdrawal of surplus reserves					
2. Distribution to owners (or shareholders)					
3. Others					
(iv) Internal transfer of owners' equity					
1. Capital reserves transferred to capital (or share capital)					
2. Surplus reserves transferred to capital (or share capital)					
3. Loss covered by surplus reserves					
4. Earnings on carry-forward retaining of changes due to defined benefit plans					
5. Earnings on carry-forward retaining of other composite incomes					
6. Others					
(V) Special reserve					
1. Withdrawal in current period					
2. Use in current period					
(VI) Others					
<b>IV. Balance at end of current period</b>	4,421,354,800.00				4,245,387,997.87

Unit: Yuan Currency: RMB

[illegible]

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserves
		Preferred shares	Perpetual bond	Others	
<b>I. Balance at end of last year</b>	4,421,354,800.00				4,245,387,997.87
Plus: accounting policy change					
Corrections of prior period errors					
Others					
<b>II. Balance at beginning of current year</b>	4,421,354,800.00				4,245,387,997.87
<b>III. Increase/decrease change of the year (decrease is marked by "-")</b>					
(I) Total comprehensive income					
(II) Capital invested and decreased by the owner					
1. Ordinary share invested by owner					
2. Invested capital from other equity instruments					
3. Fund paid for shares held included in the owners' equity					
4. Others					
(III) Profit-sharing					
1. Withdrawal of surplus reserves					
2. Distribution to owners (or shareholders)					
3. Others					
(iv) Internal transfer of owners' equity					
1. Capital reserves transferred to capital (or share capital)					
2. Surplus reserves transferred to capital (or share capital)					
3. Loss covered by surplus reserves					
4. Earnings on carry-forward retaining of changes due to defined benefit plans					
5. Earnings on carry-forward retaining of other composite incomes					
6. Others					
(V) Special reserve					
1. Withdrawal in current period					
2. Use in current period					
(VI) Others					
<b>IV. Balance at end of current period</b>	4,421,354,800.00				4,245,387,997.87

Legal representative: Yu Yi

Person in charge of accounting affairs: Li Peng

Person in charge of accounting department: Yao Baoqin



[illegible]

### III. Basic information of the Company

#### 1. Profile of the Company

“√ Applicable” “ □ Inapplicable”

##### (1) Establishment

Offshore Oil Engineering Co., Ltd. (hereinafter referred to as “the Company” or “Company”) established on April 20, 2000 is a joint stock company with limited liabilities jointly sponsored by CNOOC Design Company, CNOOC Platform Manufacturing Company, CNOOC Maritime Engineering Company, CNOOC Bohai Corporation and CNOOC Nanhai West Corporation. Uniform social credit code: 91120116722950227Y. The Company listed the shares on Shanghai Stock Exchange on February 5, 2002. It is in the engineering construction industry. As of December 31, 2018, the Company issued share capital of 4,421,354,800 shares totally with registered capital of RMB 4,421,354,800; registered address: Apartment 202-F105, 2/F, Skirt Building, Ligang Plaza, No. 82, West 2nd Road, Tianjin Port Free Trade Zone; headquarter address: No. 199, Haibin 15 Road, Tianjin Port Free Trade Zone.

##### (2) Business scope

The Company and its subsidiaries (collectively called “the Company”) are mainly engaged in EPCI contract; design of oil and gas (offshore oil) and construction engineering, planning consultation and evaluation consultation of oil & gas engineering; construction of various offshore oil construction projects and other offshore engineering projects as well as construction of onshore petrochemical engineering projects; fabrication and installation of various steel structures and grid structure projects; design and manufacture of pressure vessel, design of pressure pipeline; R&D, manufacture and sale of electrical instrument & automation products; quality control and detection, physicochemical property, surveying and mapping and related technical services; export of self-made products and technologies; import of raw and auxiliary materials, instruments, meters, machinery, equipment, parts, accessories and technologies necessary for the production of the Company; processing of imported materials, processing of supplied materials, processing of supplied samples, assembling of supplied components and compensation trade; contracting of overseas offshore oil projects and domestic international bidding projects; contracting of the survey, consultation, design and supervision of the above overseas projects; export of equipment and materials necessary for the above overseas projects; labor service for above overseas projects; transportation of domestic coastal general cargo; general goods transportation of international route; leasing of self-owned house; sales of steel, pipes, cables, valves, instruments, meters, hardware and electrical equipment (projects requiring approval according to laws can have business activities carried out upon approval of relevant departments).

##### (3) Initial offering of corporate stock

Upon the approval (Zh.J.F.X.Z.[2002] No.2) of China Securities Regulatory Commission (CSRC), the Company offered 80 million social public shares on January 21, 2002, and listed the shares on Shanghai Stock Exchange on February 5, 2002 after relevant funds were paid (code: 600583). The Company completed the procedures of industrial and commercial registration alteration on July 9, 2002, with the number of the Business License for Legal Person being 1200001000326 and the registered capital being RMB two hundred and fifty million yuan only after alteration.

##### (4) Capital increases after initial public offering

- 1) The Company approved the Plan of Increasing Share Capital with Capital Reserves at the first extraordinary shareholders meeting in 2003, deciding to issue additional 1 share for each 10 shares with the capital reserves based on the total of 250 million shares. Upon the completion of the above plan, general capital of the Company reached 275 million shares, including 88 million tradable shares. The Company finished the procedures of industry & commerce alteration registration on January 12, 2004, with registered capital of RMB two hundred and seventy-five million yuan only after the alteration.
- 2) The Company approved the Plan of Increasing Share Capital with Capital Reserves and Undistributed Profits at the general meeting of shareholders in 2003, deciding to issue 1 additional share for each 10 shares (27.5 million shares in total) to the shareholders with the capital reserves and distribute 1 dividend share for each 10 shares (27.5 million shares in total) to the shareholders based on the total of 275 million shares, which increased the share capital by 55 million shares aggregately. The Company finished the procedures of industry & commerce alteration registration on October 27, 2004, with registered capital of RMB three hundred and thirty million yuan only after the alteration.
- 3) The Company approved the 2004 Profit-sharing Plan and the Plan of Converting Capital Reserve to Share Capital for 2004 at the shareholders meeting in 2004, deciding to distribute share dividend of 1 share for each 10 shares to the shareholders with the undistributed profit (33 million shares in total) and issue 1 additional share for each 10 shares to the shareholders with the capital reserves (33 million shares in total) based on the total of 330 million shares, which increased the share capital by 66 million shares aggregately. The Company finished the procedures of industry & commerce alteration registration on July 15, 2005, with registered capital of RMB three hundred and ninety-six million yuan only after the alteration.
- 4) The Company approved the 2005 Profit-sharing Plan and the Plan of Converting Capital Reserve to Share Capital for 2005 at the shareholders meeting in 2005, deciding to distribute share dividend of 7 share for each 10 shares to the

shareholders with the undistributed profit (277.2 million shares in total) and issue 3 additional share for each 10 shares to the shareholders with the capital reserves (118.8 million shares in total) based on the total of 396 million shares, which increased the share capital by 396 million shares aggregately. The Company finished the procedures of industry & commerce alteration registration on January 31, 2007, with registered capital of RMB seven hundred and ninety-two million yuan only after the alteration.

- 5) The Company approved the 2006 Profit-sharing Plan at the shareholders meeting in 2006, deciding to distribute share dividends of 2 shares for each 10 shares to the shareholders with the undistributed profit (158.4 million shares in total) to the shareholders based on the total of 792 million shares. The Company finished the procedures of industry & commerce alteration registration on September 6, 2007, with registered capital of RMB nine hundred fifty million four hundred thousand yuan only after the alteration.
- 6) The Company approved the 2007 Profit-sharing Plan at the shareholders meeting in 2007, deciding to distribute share dividends of 5 shares for each 10 shares to the shareholders with the undistributed profit (475.2 million shares in total) and issue 5 additional share for each 10 shares to the shareholders with the capital reserve (475.2 million shares in total) based on the total of 950.4 million shares, which increased the share capital by 950.40 million shares aggregately. The Company finished the procedures of industry & commerce alteration registration on July 31, 2008, with registered capital of RMB one billion nine hundred million eight hundred thousand yuan only after the alteration.
- 7) As approved in CSRC Permit [2008] No.1091, the Company issued 260 million ordinary shares (A share) by means of non-public offering of stocks to 8 specific investors including China National Offshore Oil Corporation. After the raised funds were in place, the Company handled the procedures for A Share registration and restrictions on sales of the shares in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on December 29, 2008, and completed the registration of alteration on industry and commerce on February 16, 2009. The registered capital of the Company after the alteration is RMB two billion one hundred and sixty million eight hundred thousand yuan only.
- 8) The Company approved the 2008 Profit-sharing Plan at the shareholders meeting in 2008, deciding to distribute share dividends of 1 share for each 10 shares to the shareholders with the undistributed profit (216.08 million shares in total) and issue 4 additional shares for each 10 shares to the shareholders with the capital reserve (864.32 million shares in total) based on the total of 216.08 million shares, which increased the share capital by 1,080.4 million shares aggregately. The Company finished the procedures of industry & commerce alteration registration on December 31, 2009, with registered capital of RMB three point two billion and forty-one point two million after the alteration.
- 9) The Company approved the 2009 Plan of Increasing Share Capital with Reserves at the shareholders meeting in 2009, deciding to issue 2 additional share for each 10 shares to the shareholders with the capital reserve (648.24 million shares in total) based on the total of 3,241.20 million shares, which increased the share capital by 648.24 million shares aggregately. The registered capital of Company is RMB three point eight billion and eighty-nine point forty-four million after the alteration.
- 10) As approved in CSRC Permit [2013] No.1180, the Company issued 531,914,800 ordinary shares (A share) by means of non-public offering of stocks to 6 specific investors including China National Offshore Oil Corporation. After the raised funds were in place, the Company handled the procedures for A Share registration and restrictions on sales of the shares in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on October 9, 2013, and completed the registration of alteration on industry and commerce on October 14, 2013. The registered capital of the Company is RMB four billion four hundred and twenty-one million three hundred and fifty-four thousand eight hundred yuan only after alteration.

#### (5) Equity change to the initiators

- 1) On September 28, 2003, by means of agreement without payment, the actual controller of the Company CNOOC was transferred with shares totaling 159,233,800 shares held by CNOOC Platform Construction Company, CNOOC Offshore Engineering Company and CNOOC Engineering Design Company, which accounted for 57.91% of shares of the Company at that time. CNOOC became the first majority shareholder of the Company. The formality of share transfer was gone through on February 13, 2004. The 3 sponsors CNOOC Platform Construction Company, CNOOC Offshore Engineering Company and CNOOC Engineering Design Company no longer held the Company's shares.
- 2) According to the non-tradable share reform plan approved by the Official Replies to Relevant Issues of non-tradable Share Reform of Offshore Oil Engineering Co., Ltd. (G.Z.Ch.Q.[2006] No.2) issued by the State-owned Assets Supervision and Administration Commission of the State Council and approved at the shareholders' meeting on non-tradable share reform held on January 16, 2006, holders of non-tradable shares of the Company should pay a consideration of 2.4 shares for each 10 shares to the holders of tradable shares registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited as of January 20, 2006, involving total payment of 30,412,800 shares by the holders of non-tradable shares. After the consideration was paid, China National Offshore Oil Corporation, CNOOC Bohai Corporation and CNOOC Nanhai West Corporation, holders of non-tradable shares of the Company, held 203,399,600 shares, 1,414,800 shares and 34,052,800 shares respectively in the Company, representing a ratio of 51.36%, 0.36% and 8.60% respectively. On the first trading day after the non-tradable share reform was executed, all non-tradable shares held by the holders of the Company obtained the rights of circulation.



- 3) As approved in CSRC Permit [2008] No.1091, the Company issued 260 million ordinary shares (A share) by means of non-public offering of stocks to 8 specific investors including China National Offshore Oil Corporation. After the raised funds were in place, the Company handled the procedures for A Share registration and restrictions on sales of the shares in China Securities Depository and Clearing Co., Ltd. on December 29, 2008. After the private placement this time, CNOOC, CNOOC Nanhai West Corporation and CNOOC Bohai Corporation held 1,054,318,252 shares, 163,453,282 shares and 6,791,026 shares respectively, accounting for 48.79%, 7.56% and 0.32% respectively.
- 4) As approved in CSRC Permit [2013] No.1180, the Company issued 531,914,800 ordinary shares (A share) by means of non-public offering of stocks to 6 specific investors including China National Offshore Oil Corporation. After the raised funds were in place, the Company handled the procedures for A Share registration and restrictions on sales of the shares in China Securities Depository and Clearing Co., Ltd. on October 9, 2013. After the private placement this time, CNOOC, CNOOC Nanhai West Corporation and CNOOC Bohai Corporation held 2,270,113,454 shares, 294,215,908 shares and 12,223,847 shares respectively, accounting for 51.34%, 6.65% and 0.28% respectively.
- 5) In 2015, the controlling shareholder CNOOC and persons acting in concert - CNOOC Finance Co., Ltd. purchased 856,100 shares and 1,571,800 shares of the Company during July 9, 2015 and August 25, 2015 respectively on trading system of SSE. After buy-ins, CNOOC and CNOOC Finance Co., Ltd. held 2,270,969,554 shares and 1,571,800 shares respectively, accounting for 51.36% and 0.04% respectively.
- 6) In October 2018, according to the requirements of the state, CNOOC subscribed CSI Central Enterprise Structure Adjustment ETF managed by the Bosera Asset Management Co., Ltd, China Asset Management Co., Ltd. and Yinhua Fund Management Co., Ltd. with 132,640,600 shares (3% of the total shares) of COOEC. Upon completion of the subscription procedure, CNOOC holds 2,138,328,954 shares decreased from 2,270,969,554 shares, with a shareholding ratio decreased from 51.36% to 48.36%.

The parent company and the actual controller of the Company is China National Offshore Oil Corporation.

The financial statement was approved and reported by board of directors of the Company on March 20, 2020.

## 2. Scope of consolidated financial statement

“√ Applicable” “ ☐ Inapplicable”

As of December 31, 2019, subsidiaries within the consolidated financial statement scope of the Company are listed as follows:

Subsidiary name
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED
Offshore Oil Engineering (Qing Dao) Co., Ltd.
COOEC SUBSEA TECHNOLOGY CO., LTD.
PT. COOEC Indonesia
COOEC Nigeria Limited
COOEC International Co., Limited
COOEC International Engineering Co., Ltd
Lanhai International Limited
Offshore Oil Engineering (Zhuhai) Co., Ltd.
COOEC NIGERIA FZE
COTEC INC.
Beijing Gaotai Deep-sea Technologies Co., Ltd.
COOEC CANADA COMPANY LTD.
COOEC (Thailand) Co., Ltd.
COOEC Brasil Offshore Ltda.

Note: COTEC INC. (Originally named Ketai Co., Ltd.)

## IV. Basis for preparing the financial statement

### 1. Preparation basis

Financial statements of the Company are prepared based on continuous operation. The financial statements of the Company are prepared with reference to the Accounting Standards for Business Enterprises issued by the Ministry of Finance, the application guide and interpretations of the aforesaid standards and other relevant provisions (hereinafter referred to as the “Accounting Standards for Business Enterprises”).

## 2. Constant operation

"√ Applicable" " ☐ Inapplicable"

Since the end of the report period, the Company has had constant operation ability for at least 12 months, with no major event affecting the ability.

## V. Significant accounting policy and accounting estimate

Notes to accounting policies and accounting estimate:

" ☐ Applicable" "√ Inapplicable"

### 1. Statement of obeying the enterprise accounting standards

The financial statement prepared by the Company is in accordance with the requirements of accounting standards for business enterprises, and presents fairly the merger and financial position of the Company in the report period as of December 31, 2019, and the merger, operation results and cash flows of the Company in 2019.

### 2. Accounting period

The Company's fiscal year is from January 1 to December 31.

### 3. Operating cycle

"√ Applicable" " ☐ Inapplicable"

The operating cycle is 12 months.

### 4. Recording currency

The Company and its domestic subsidiaries, COOEC SUBSEA TECHNOLOGY CO., LTD., Offshore Oil Engineering (Qing Dao) Co., Ltd., COOEC International Engineering Co., Ltd., Offshore Oil Engineering (Zhuhai) Co., Ltd. and Beijing Gaotai Deep-sea Technologies Co., Ltd. all adopt RMB as the recording currency.

The Company's overseas subsidiaries, COOEC International Co., Limited, COOEC Nigeria Limited, COOEC Nigeria FZE, Lanhai International Limited and controlled company COTEC INC. (originally named as Ketai Co., Ltd.) all adopt USD as the recording currency.

PT. COOEC Indonesia adopts IDR as the recording currency.

A.E.S. Destructive and Non-destructive Testing Limited adopts Hong Kong dollar as the recording currency.

COOEC CANADA COMPANY LTD. adopts Canadian dollar as the recording currency.

COOEC (Thailand) Co., Ltd. adopts Thai baht as the recording currency.

COOEC Brasil Offshore Ltda. adopts BRL as the recording currency.

### 5. Accounting treatment for mergers under the same or different controls

"√ Applicable" " ☐ Inapplicable"

#### (1) Merger under the same control

For merger under the same control, the assets and liabilities obtained by the merging party in a business combination from the merged party, except for adjustments due to different accounting policies, are measured as the original book value in the consolidated financial statement of the final controller. For the difference between the book value of merger consideration and the book value of the net assets gained from merger, the capital reserve (capital premium) is adjusted; if the capital reserve (capital premium) is insufficient to charge off, the retained earnings are adjusted.

Directly related expenses generated during the merger are included in the current profit and loss.

#### (2) Merger under different controls

For merger under different controls, the merger cost is the fair value of the assets given, liabilities incurred or assumed and equity securities issued by the Company on the date of acquisition to obtain control of the acquiree. On the date of acquisition, the assets, liabilities and contingent liabilities of the acquiree obtained by the Company are recognized as the fair value.

Intermediary expenses of audit, legal, and evaluation and consulting services and other relevant administrative expenses generated during the merger are included in the current profit and loss. The transaction costs of equity securities or debt securities issued as the merger consideration are included in the initially recognized amount of equity securities or debt securities.

The Company recognizes the difference between the merger cost and the fair value of the net identifiable assets gained

from the acquiree in merger as the goodwill, and subsequently measures it at cost less accumulated impairment reserves. The difference of the merger cost lower than the fair value of the net identifiable assets gained from the acquiree in merger is included in the current profit and loss after re-check.

If merger under different controls is realized step by step through multiple transactions, in the consolidated financial statement, the merger cost is the consideration paid on the date of acquisition plus the fair value on the date of acquisition of the acquiree's equity which has been held by the Company before the date of acquisition. The Company will re-measure the acquiree's equity which has been held by the Company prior to the date of acquisition at the fair value on the date of acquisition. The difference between the fair value and its book value is included in the current investment income. Where the acquiree's equity held before the date of acquisition involves other comprehensive profits, other owners' equity changes shall be transferred to the current investment income on the acquisition date, except for other comprehensive profits generated from re-measurement of net liabilities or net assets of defined benefit plans by the invested party.

## 6. Preparation method for consolidated financial statements

"√ Applicable" " ☐ Inapplicable"

The consolidation scope of consolidated financial statements includes the Company and all its subsidiaries.

The consolidation scope of consolidated financial statements of the Company is defined based on the control scope.

The Company prepares the consolidated financial statements based on the financial statements of the Company and its subsidiaries, with reference to other relevant materials. In preparation of the consolidated financial statements, the accounting policies and accounting period of the Company and its subsidiaries are required to be consistent, and major transactions and working balances between companies are offset.

During the report period, the subsidiaries and business that have increased as a result of merger under the same control are deemed to be included in the Company's consolidation scope from the date that they become under the control of the ultimate controller. The operation results and cash flows from the date are included in the consolidated income statement and the consolidated cash flow statement.

The part of the owners' equity of the subsidiaries that does not belong to the Company is separately listed as minority shareholders' equity under the item of owners' equity in the consolidated balance sheet. The share of a subsidiary's current net profit and loss that belongs to minority shareholders' equity is listed under the "minority shareholders' profit and loss" under the net profit item in the consolidated income statement. Should the loss of a subsidiary shared by the minority shareholders exceeds the minority shareholders' share in the beginning owners' equity of this subsidiary, the equity of the minority shareholders is offset with the balance.

Transactions where minority shares in a subsidiary are acquired or the control over a subsidiary is not lost due to the disposal of part of equity investments are calculated as equity transactions. The book value of the owners' equity and minority shareholders' equity belonging to the parent company is adjusted to reflect the changes in its relevant equity in the subsidiary. For the difference between the adjustment amount of minority shareholders' equity and the fair value of the consideration paid/received, the capital reserves are adjusted. Where the capital reserves are insufficient for offset, the retained earnings are adjusted.

Where the Company loses the control over a subsidiary due to disposal of part of equity investment or other reasons, the remaining equity is re-measured at fair value on the date when the Company loses its control over the subsidiary. The balance between the sum of consideration generated from equity disposal and the fair value of the remaining equity, and the share of net assets of the original subsidiary enjoyed by the Company based on original stake ratio from the date of acquisition is included in the investment income of current period when the control power is lost, and the goodwill is offset. Other comprehensive incomes related to the equity investment of the original subsidiary are transferred to the current investment income when losing the control power.

Other comprehensive incomes related to the equity investment of the original subsidiary are transferred to the current profit and loss when losing the control power, except for other comprehensive incomes generated from re-measurement of net liabilities or net assets of defined benefit plans by the invested party.

Where subsidiary equity investment is disposed in steps through multiple transactions until losing control, and multiple transactions are treated as package deal for accounting treatment, the difference of net asset share balance of the subsidiary enjoyed corresponding to the disposal price and investment for each transaction before loss of control is recognized as the other comprehensive incomes in the consolidated financial statement, and it is transferred to the current profit and loss when the control power is lost.

## 7. Joint arrangement classification and accounting methods for joint operation

"√ Applicable" " ☐ Inapplicable"

A joint arrangement is an arrangement that is controlled jointly by two or more participants. Joint arrangement of the Company means joint operation and joint venture.



## 1) Joint operation

Joint operation refers to a joint arrangement in which the Company enjoys the assets related to the arrangement and assumes liabilities related to the arrangement.

The Company acknowledges the following terms related to profit shares of joint operation, and performs accounting based on relevant accounting standards for business enterprises:

- ① The assets separately held by the Company and the assets jointly held based on the share ratio;
- ② The liabilities separately undertaken by the Company and the liabilities jointly undertaken based on the share ratio;
- ③ Income from selling of the output share generated from joint operation;
- ④ Income from selling of the output share generated from joint operation based on the Company's share ratio;
- ⑤ Separately incurred expense and the expense generated from joint operation based on the Company's share ratio.

## 2) Joint venture

A joint venture is a joint arrangement where the Company is only entitled to the net assets of the arrangement.

The Company performs accounting of investments of the joint venture in accordance with the requirements of the equity method of accounting for long-term equity investments.

## 8. Standard-setting for cash and cash equivalent

Cash equivalent refers to the investment held by enterprises, which features short-term (due in 3 months since the date of acquisition), strong floating, prone to convert to known amounts of cash and little risk on change of value.

## 9. Foreign currency transaction and conversion of foreign currency statement

"√ Applicable" " ☐ Inapplicable"

### (1) Foreign currency transaction

The Company's foreign currency transaction is converted into the amount in the recording currency based on the exchange rate at the end of the previous month of the transaction date.

On the date of balance sheet, the monetary items in foreign currency are converted at the spot exchange rate on the balance sheet date. Exchange differences arising from the difference between the spot exchange rate on the date of balance sheet and that initially recognized or on the previous balance sheet date are included in the current profit and loss. Non-monetary items in foreign currency that are measured at historical cost are still converted at the spot exchange rate on the transaction date. Non-monetary items in foreign currency that are measured at fair value are converted at the spot exchange rate on the date when the fair value was determined. The difference between the converted amount in recording currency and the original recording currency amount is included in the current profit and loss.

### (2) Conversion of foreign currency financial statement

On the date of balance sheet, when the Company converts foreign currency financial statements of overseas subsidiaries, the assets and liabilities items in the balance sheet are converted at the spot exchange rate on the date of balance sheet. Except for the undistributed profits under the stockholders' equity, other items are converted at the spot exchange rate on the date of occurrence.

The income and expenses as stated in the profit statement are converted at the spot exchange rate at the date of occurrence.

All items in the cash flow statement are converted at the spot exchange rate on the date of cash flow. The amount of impact of exchange rate changes on cash is treated as an adjustment item, and the item of "the impact of exchange rate changes on cash and cash equivalents" is separately reflected in the cash flow statement.

The difference arising from conversion of the financial statements is reflected in the "other comprehensive incomes" item under the item of owners' equity in the balance sheet.

When disposing overseas operation and losing the control power, the conversion balance of foreign currency financial statements listed under the item of owners' equity in the balance sheet and related to the overseas operation is transferred to the current profit and loss of disposal in full or according to the ratio at which the overseas operation is disposed.

## 10. Financial instruments

"√ Applicable" " ☐ Inapplicable"

Financial instruments include financial assets, financial liabilities and equity instruments.

## (1) Classification of financial instruments

### Accounting policies apply from January 1, 2019

Based on the Company's business model for management of financial assets and the characteristics of contractual cash flows of financial assets, financial assets are classified into the following types at initial recognition: financial assets measured at amortized cost; financial assets measured at fair value, whose changes are included in other comprehensive incomes (debt instruments); and financial assets measured at fair value, whose changes are included in the current profit and loss.

Where the business model aims at collection of contractual cash flows and the contractual cash flows are only payments for the principal and the interest based on the outstanding principal amount, financial assets are classified as the financial assets measured at amortized cost. Where the business model aims at both collection of contractual cash flows and selling of the financial assets and the contractual cash flows are only payments for the principal and the interest based on the outstanding principal amount, financial assets are classified as the financial assets measured at fair value, whose changes are included in other comprehensive incomes (debt instruments). Other financial assets are classified as those measured at fair value, whose changes are included in the current profit and loss.

For non-trading investments in equity instrument, the Company determines at initial recognition whether to designate them as the financial assets (equity instruments) measured at fair value, whose changes are included in other comprehensive incomes. At initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets may be designated as those measured at fair value, whose changes are included in the current profit and loss.

At initial recognition, financial liabilities are classified into financial liabilities measured at fair value, whose changes are included in the current profit and loss, and financial liabilities measured at amortized cost.

Financial liabilities that meet any of the following conditions may be designated as the financial liabilities measured at fair value, whose changes are included in the current profit and loss at initial recognition.

- 1) Such designation can eliminate or significantly reduce accounting mismatches.
- 2) Management and performance evaluation of financial liability portfolios or portfolios of financial assets and financial liabilities based on the fair value shall be conducted according to the enterprise risk management or investment strategies stated in the formal written documents, and reporting to the key management accordingly is required.
- 3) Financial liabilities include embedded derivatives that need to be separated.

### Accounting policies apply before January 1, 2019

Financial assets and financial liabilities are classified into the following types at initial recognition: financial assets or financial liabilities that are measured at fair value and of which changes are included in the current profit and loss, including held-for-trading financial assets or financial liabilities and financial assets or financial liabilities that are directly designated to be measured at fair value, whose changes are included in the current profit and loss; held-to-maturity investments; accounts receivables available-for-sale financial assets; and other financial liabilities, etc.

## (2) Recognition basis and measurement method of financial instruments

### Accounting policies apply from January 1, 2019

- 1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, debt investments, etc. They are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. Accounts receivable excluding significant financing components and those for which the Company has decided not to consider the financing components less than one year are initially measured at the contract transaction price.

The interest calculated during the holding period using the effective interest method is included in the current profit and loss.

During collection or disposal, the balance between the gained funds and the book value of these financial assets is included in the current profit and loss.

- 2) Financial assets (debt instruments) measured at fair value, whose changes are included in other comprehensive incomes

Financial assets (debt instruments) measured at fair value, whose changes are included in other comprehensive incomes, include receivables financing, other debt investments, etc. They are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The financial assets are subsequently measured at fair value. Changes in the fair value are included in other comprehensive incomes, except for the interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method.

During derecognition, the accumulated gains or losses previously recorded in other comprehensive incomes are transferred from other comprehensive incomes and included in the current profit and loss.

- 3) Financial assets (equity instruments) measured at fair value, whose changes are included in other comprehensive incomes

Financial assets (equity instruments) measured at fair value, whose changes are included in other comprehensive incomes, include other equity instrument investments, and are initially measured at fair value. Relevant transaction costs are included in the initially recognized amount. The financial assets are subsequently measured at fair value and the changes in the fair value are included in other comprehensive incomes. Dividends received are included in the current profit and loss.

During derecognition, the accumulated gains or losses previously recorded in other comprehensive incomes are transferred from other comprehensive incomes and included in retained earnings.

- 4) Financial assets measured at fair value, whose changes are included in the current profit and loss

Financial assets measured at fair value, whose changes are included in the current profit and loss, include held-for-trading financial assets, derivative financial assets, other non-current financial assets, etc. They are initially measured at fair value, and relevant transaction costs are included in the current profit and loss. The financial assets are subsequently measured at fair value and the changes in the fair value are included in the current profit and loss.

- 5) Financial liabilities measured at fair value, whose changes are included in the current profit and loss

Financial liabilities measured at fair value, whose changes are included in the current profit and loss, include held-for-trading financial liabilities, derivative financial liabilities, etc. They are initially measured at fair value, and relevant transaction costs are included in the current profit and loss. The financial liabilities are subsequently measured at fair value and the changes in the fair value are included in the current profit and loss.

During derecognition, the difference between the book value and the consideration paid is included in the current profit and loss.

- 6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term loans, notes payable, accounts payable, other payables, long-term loans, bonds payable and long-term payables. They are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount.

The interest calculated during the holding period using the effective interest method is included in the current profit and loss.

During derecognition, the difference between the consideration paid and the book value of the financial liabilities is included in the current profit and loss.

#### Accounting policies apply before January 1, 2019

- 1) Financial assets (financial liabilities) that are measured at fair value and of which changes are included in the current profit and loss

The relevant transaction expenses are included in the current profit and loss at the fair value as the initially recognized amount in acquisition (deducting the cash dividends that have been announced but have not been released or the bond interest that has been due but has not been received).

The interest and cash dividends generated during holding period are regarded as the investment income, and fair value change is included in the current profit and loss at end of period.

In the process of disposal, the difference between its fair value and initially recorded amount is confirmed as investment income, with profit and loss of fair value adjusted.

- 2) Held-to-maturity investment

The sum of the fair value (deducting the bond interest that has been due but has not been received) and the relevant transaction expenses in acquisition are regarded as the initially recognized amount.

Confirm the interest income based on the amortized cost and the actual interest rate during the holding time and include it into the investment income. The actual interest rate is recognized in acquisition, and remains unchanged during this anticipated duration or the shorter applicable term.

In the process of disposal, the balance between the gained funds and the book value of the investment is included in the investment income.

- 3) Accounts receivable

Receivable rights gained from goods sale or labor service provision, receivable rights of the debt instrument excluding those quoted instruments in the active market, including receivables and other accounts due are recognized as the initially recognized amount based on contract or agreement price paid to the buyer. The financial receivables are initially

recognized based on the present value.

When the accounts receivable are paid back or disposed, the difference between the obtained amount and the book value of the accounts receivable shall be included in the current profit and loss.

#### 4) Available-for-sale financial assets

The sum of the fair value (deducting cash dividends that have been announced but have not been released yet and the bond interest that has been due but has not been received) and the relevant transaction expenses are recognized as the initially recognized amount in acquisition.

The interests or cash dividends incurred during the holding period are recognized as income from investment. Financial assets measured at fair value and the changes to the fair value are included in other comprehensive incomes. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

In the process of disposal, the balance between the gained funds and the book value of these financial assets is included in the investment profit and loss. Meanwhile, the disposal amount corresponding to the cumulative fair value change amount that is directly included in the other comprehensive profits is transferred out and included in the current profit and loss.

#### 5) Other financial liabilities

The sum of its fair value and the relevant transaction expenses is regarded as the initially recognized amount. Cost after amortization is used for subsequent measurement.

### (3) Recognition basis and measurement methods for financial asset transfer

In case of financial assets transfer of the Company, if almost all risks and remuneration in the ownership of the financial assets have been transferred to the transferee, recognition of the financial assets shall be terminated; if almost all risks and remuneration in the ownership of the financial assets have been kept, the determination of the financial assets shall not be terminated.

In judgment whether the transfer of the financial assets meets the above-mentioned recognition termination conditions of financial assets, the principle of substance surpassing form is adopted.

The Company divides financial asset transfer into overall and partial financial asset transfer. If the overall transfer meets the recognition termination conditions, the difference between the following two amounts will be included in the current profit and loss:

- 1) Book value of the transferred financial assets;
- 2) The sum of the consideration received due to the transfer and the cumulative amount of changes in the fair value which is initially included in the owners' equity (in case the financial assets related to the transfer are the financial assets (debt instruments) measured at fair value, whose changes are included in other comprehensive incomes, and the financial assets available for selling).

In case the partial transfer of the financial asset meets the recognition termination conditions, the entire book value of the transferred financial asset shall be respectively amortized at the relative fair values of the part whose recognition is terminated and the part whose recognition is not terminated, and the difference between the following two items shall be included in current profit and loss:

- 1) The book value of the part whose recognition is terminated;
- 2) The sum of the consideration of the part whose recognition is terminated and the amount corresponding to the part whose recognition is terminated in the cumulative amount of changes in the fair value which is initially included in the owners' equity (in case the financial assets related to the transfer are the financial assets (debt instruments) measured at fair value, whose changes are included in other comprehensive incomes, and the financial assets available for selling).

If the transfer of the financial assets does not meet the recognition termination conditions, such financial assets will continue being recognized, and the received consideration will be recognized as a financial liability.

### (4) Conditions on recognition termination of financial liabilities

If the current obligations of the financial liabilities have been relieved in whole or part, then recognition of such financial liabilities or part thereof is terminated. If the Company has signed an agreement with the creditor, the existing financial liabilities are substituted with new financial liabilities. If the new financial liabilities are substantially inconsistent with the contract terms and conditions of the existing financial liabilities, then recognition on the existing financial liabilities is terminated. Meanwhile, the new financial liabilities are recognized.

If the contract terms and conditions of the existing financial liabilities are modified in whole or part substantially, the



recognition of the existing financial liabilities or a part thereof is terminated. Meanwhile, the financial liabilities after the modification of the terms and conditions are recognized as a new financial liability.

When recognition of the financial liabilities is terminated in whole or part, the difference between the book value of the financial liabilities for which the recognition is terminated and the payment consideration (including the transferred non-cash assets or the borne new financial liabilities) is included in the current profit and loss.

If the Company repurchases part of the financial liabilities, the entire book value of such financial liabilities will be allocated at the relative fair value between the liabilities for which recognition continues and the liabilities for which recognition is terminated on the date of repurchase. The difference between the book value which is distributed to the part whose recognition is terminated and the considerations paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) is included in current profit and loss.

#### **(5) Recognition methods for fair value of financial assets and financial liabilities**

The fair value of financial instruments having active market is determined by its quoted price. Valuation techniques are adopted to determine the fair values of financial instruments having no active market. During valuation, the Company uses valuation technique with enough available data and other information support, which is applicable to the current situation, selects the input values with consistent characteristics of assets and liabilities concerned by the participants in the asset or liabilities transaction, and uses observable input values preferably. The unobservable input values can be used only when the observable input values are unavailable or impractical.

#### **(6) Test method and accounting method for impairment of financial assets (excluding receivables)**

##### **Accounting policies apply from January 1, 2019**

The Company considers all reasonable and evidence-based information, including forward-looking information. Expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value with their changes included in other comprehensive incomes are estimated as single financial assets or portfolios of financial assets. Measurement of the expected credit loss depends on whether a significant increase in credit risk has occurred since the initial recognition of financial assets.

If the credit risk of the financial instruments has increased significantly since initial recognition, the Company measures its loss provision at an amount equivalent to the expected credit loss of the financial instruments over the entire duration. If the credit risk of the financial instruments hasn't increased significantly since initial recognition, the Company measures its loss provision at an amount equivalent to the expected credit loss of the financial instruments in 12 months. The increased amount or turned back amount of the loss provision incurred therefrom is included in the current profit and loss as impairment losses or gains.

Usually, if the financial instruments are overdue for more than 30 days, the Company believes that the credit risk has increased significantly, unless there is conclusive evidence showing that the credit risk of the financial instruments has not increased significantly after initial recognition.

If the credit risk of the financial instruments at the date of balance sheet is low, the Company believes that the credit risk of the financial instruments has not increased significantly since initial recognition.

##### **Accounting policies apply before January 1, 2019**

Except for the financial assets that are measured at fair value and of which the changes are included in the current profit and loss, the Company will check the book value of the financial assets on the balance sheet date. If objective evidences indicate that some financial assets are depreciated, the impairment reserves will be calculated and withdrawn.

For equity instrument available for sale of the Company, the fair value which is verified based on the closing price of the equity instrument and shareholding on December 31 shows a decrease of or exceeding over 50% compared with the fair value of the equity instrument at purchasing plus the cost verified for transaction fees; or if the continuous declining time up to balance sheet date has reached or exceeded 12 months, the Company would confirm the cumulative withdrawable impairment reserves according to the difference between cost and year-end fair value.

##### **1) Impairment reserve for available-for-sale financial assets**

If the fair value of the available-for-sale financial assets drops considerably at end of period, or such downtrend is expected not so temporary according to comprehensive consideration of various relevant factors, then it holds that impairment has incurred. The cumulative losses formed under the drop of the original fair value that is directly included in the owners' equity are transferred out together, and is recognized as impairment losses.

If the fair value of available-for-sale debt instruments which has been confirmed as impaired, rises in the subsequent accounting period, and is objectively related to the matters occurring after initial impairment recognition, the original recognized impairment loss is transferred out and included in current profit and loss.

The impairment losses of available-for-sale equity instruments investment should not be turned back through profit and loss.

## 2) Depreciation reserves for held-to-maturity investment

The impairment loss of held-to-maturity investment shall be accounted with reference to that of receivables impairment loss.

## 11. Accounts receivable

**Determination method and accounting treatment method for the expected credit loss of accounts receivable**

"√ Applicable" " □ Inapplicable"

For accounts receivable, regardless of whether there is a significant financing component, the Company always measures the loss provision at an amount equivalent to the expected credit loss over the entire duration. The increased amount or turned back amount of the loss provision incurred therefrom is included in the current profit and loss as impairment losses or gains.

The Company classifies the accounts receivable according to credit risk characteristics and, based on all reasonable and evidence-based information, including forward-looking information, estimates the provision proportion of bad debt reserves of the accounts receivable as follows:

Accounting age	Provision proportion for accounts receivable (%)
≤ 1 year	
1-2 years	30.00
2-3 years	60.00
Above 3 years	100.00

If there is objective evidence showing that a certain account receivable has been credit impaired, the Company makes provision for bad debt reserves for the individual account receivable and confirms the expected credit loss.

The Company classifies the accounts receivable from related parties that have no significant recovery risk as a combination of the same nature, and does not make provision for bad debts.

**Accounting policies apply before January 1, 2019**

The Company takes the following conditions as the recognition criteria for bad debt losses of receivables: the debtor suspends production and fails to pay off debts within a foreseeable period due to cancellation, bankruptcy, insolvency, serious shortages of cash flow, severe natural disasters, etc.; the debtor fails to fulfill its overdue debt repayment obligations for more than 3 years; there is conclusive evidence showing that it is indeed impossible to recover or unlikely to recover the receivables.

The possible bad debt losses are calculated using the allowance method. At the end of the period, impairment tests are conducted individually or in combination, and provision for bad debts is made and included in the current profit and loss. For the receivables with conclusive evidence showing that the receivables are indeed unrecoverable, the receivables are recorded as bad debt losses after approved by the Company in accordance with the prescribed procedures, to set off the bad debt reserves withdrawn.

**(1) Receivables with significant single amount and independent provision for bad debt reserves**

Adjustment basis or amount standard of important individual financial assets	A receivable with single amount more than RMB 10 million yuan is an important receivable.
Provision method with significant single amount and separate provision for bad debt reserves	The bad debt reserve is calculated and withdrawn at the balance of the present value of its future cash flow being lower than the book value.

**(2) Receivables with provision for bad debts reserves made based on combination of credit risk characteristics**

Basis of combination	
Accounting age combination	Classify according to credit risk characteristics of the accounting age of receivables
Related parties combination	Classify according to the relationship with the transaction object
Imprest fund and deposit combination	Classify according to the nature of receivables
Method of making provision for bad debt reserves in combination	
Accounting age combination	Bad debt reserves are withdrawn with accounting age analysis method.

Combination of related parties	No provision for bad debts
Imprest fund and deposit combination	No provision for bad debts

The provision proportion for bad debts of receivables calculated using the accounting aging analysis method is as follows:

Accounting age	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
≤ 1 year		
1-2 years (including 2 years)	30.00	30.00
2-3 years (including 3 years)	60.00	60.00
Above 3 years	100.00	100.00

### (3) Accounts receivable with insignificant single amount and separate provision for bad debt reserves

Reasons of provision for individual bad debts	Accounts receivable whose single amount is insignificant but risk characteristics cannot be shown by making provision for bad-debt reserves in combination
Provision method for bad debt reserves	Provision for bad debt reserves are made according to the different between the present value of the future cash flow and the book value, which is higher than the present value.

## 12. Other receivables

### Determination method and accounting treatment method for the expected credit loss of other receivables

☒ Applicable ☐ Inapplicable

For the measurement of impairment losses of the receivables other than accounts receivable, including notes receivable, other receivables, long-term receivables, etc., refer to notes "III. (X) Financial instruments, 6. Test method and accounting treatment method for impairment of financial assets (excluding accounts receivable)" and "III. (XI) Bad debt reserves for accounts receivable, 1. Accounts receivables". For the combination of imprest funds and deposits, no provision is made for bad debts.

## 13. Inventory

☒ Applicable ☐ Inapplicable

### (1) Classification of inventories

The inventories of the Company involve materials preparation and engineering constructions that have terminated but not settled.

Project construction reflects the cumulative incurred cost of the contract under construction and the debit balance between the cumulative verified gross profit and cumulative settled amount. (If there is credit balance, show it in accounts received in advance to reflect the amount of the project with progress unfinished and settlement handled).

### (2) Valuation method on acquisition and delivery of inventories

The weighted average method is used when issuing the inventory.

### (3) Determination basis for net realizable value of inventories and calculating and withdrawing methods of inventory falling price reserves

The net realizable value is determined by subtracting the cost going to occur at the time of completion, estimated selling expenses and related expenses of taxation from the estimated sale price of the inventory during normal production process in daily activities. When the net realizable value of inventories is determined, the objective of holding inventories and the influence of events after the balance sheet date shall be considered on the basis of the obtained conclusive evidence.

On the balance sheet date, inventories are measured at the lower of the cost and the net realizable value. When the net realizable value is lower than the cost, the inventory falling price reserves are withdrawn. Inventory falling price reserves are usually withdrawn by the difference between the cost of a single inventory and its net realizable value.

After calculating and withdrawing of inventory falling price reserves, it shall be reversed within the originally calculated and withdrawn inventory falling price reserves, and the reversed amount shall be included in the current profits and losses if the factors affecting the previous write-down inventory value have disappeared, resulting in the net realizable value of inventory being higher than its book value.

**(4) Inventory system**

The perpetual inventory system is adopted by the Company.

**(5) Amortization of low-value consumables and packing materials**

Low-value and easily-worn articles are amortized with one-time amortization method during requisition. Packages are amortized with one-time amortization method during requisition. Part of the high-priced inventory used for production catalysis is included in the Long-term unamortized expenses when it is collected and amortized over the useful life and included in the cost expenses.

**14. Long-term equity investment**

“√ Applicable” “ ☐ Inapplicable”

Long-term equity investments of the Company include equity investments that exercise control over the invested entities and have a significant impact, as well as equity investments in joint ventures. Where the Company is able to exert significant impacts on an invested entity, the invested entity shall be associates of the Company.

**(1) Determination of investment cost**

For long-term equity investment formed under merger, it is the long-term equity investment obtained from merger under the same control, and the book value of owner's equity of the consolidated party in the consolidated financial statements of final control side on the merger date is regarded as the investment cost of the long-term equity investment; long-term equity investment obtained from the corporate merger under non-the-same control is regarded as the investment cost of the long-term equity investment in accordance with the merger cost. The corporate merger under non-the-same control is realized through multiple transactions step by step. The long-term equity investment cost is the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the newly increased investment cost on the date of acquisition.

For long-term equity investment gained in other forms: the acquisition price paid actually is regarded as the initial investment cost for the long-term equity investment gained in the form of payment in cash. The fair value of the issued equity securities is regarded as the initial investment cost for the long-term equity investment gained in the form of issuance of equity securities.

**(2) Subsequent measurement and profit and loss recognition**

The cost method is used by the Company to calculate the long-term equity investment of its invested entity; the equity method is used to calculate the investment of associates and joint ventures.

For the long-term equity investment calculated by use of the cost method, the cash dividends or profits that are announced to be apportioned by the invested entity are recognized as the investment income and included in the current profit and loss, except for the price actually paid in acquisition of investment, or the consideration that are included in the cash dividends or profits that has been announced but have not been released.

When the equity method is used to calculate the long-term equity investment of the Company, adjustment for investment cost of long-term equity investment is not required recognizing the difference that investment cost exceeds the identifiable net assets fair value share of invested entity; the book value of long-term equity investment is adjusted and the difference is included in the current profit and loss recognizing the difference that long-term equity investment cost is less than the identifiable net assets fair value share of invested entity.

When the equity method is used, the Company measures the investment income and other comprehensive incomes based on the ratio of the net profit and loss and other comprehensive incomes fulfilled by the invested entity that is to be enjoyed or shared, and adjust book value of long-term equity investment. The Company calculates the deserved part based on the profits and cash announced by the invested entity, and reduce the book value of long-term equity investment. For change of the owner's equity except for net profit and loss, other comprehensive incomes and profit-sharing, adjust book value of long-term equity investment and include the value in the owner's equity. Upon recognition of the share of net profit and loss of the invested entity, based on the fair value of identifiable assets of the invested entity when obtaining the investment, recognize the adjusted net profit of the invested entity in accordance with the Company's accounting policies and accounting periods.

Where the invested entity under the same control can be controlled due to additional investment, the sum of fair value of original equity investment and the newly added investment cost is recognized as the initial investment cost measured with cost method. If the original equity investment is classified as available-for-sale financial assets, the difference between its fair value and book value, as well as the accumulated changes in fair value originally included in other comprehensive incomes, shall be transferred to the current profit and loss calculated by the equity method.

Offset the unrealized profit and loss of the internal transaction between the Company, associates and joint ventures and the part belongs to the Company based on enjoyed ratio, and recognizes the investment profit and loss on this basis. Losses generated from the unrealized internal transaction with the invested entity being impairment loss shall not be offset.



### (3) Determination of the basis for exerting control, joint control and significant impact on the invested entity

Control means that the Company has the power over the invested entity, enjoys variable returns by participating in related activities of the invested entity, and has the ability to use the power over the invested entity to affect its return amount. A subsidiary refers to the main body controlled by the Company (including the divisible parts of the enterprise and invested entity, and structured entity controlled by the enterprise).

Joint control refers to the joint control over certain arrangement based on relevant agreement. Decisions on the activities of the arrangement can be made only when the parties sharing control agree. When the existence of common control is judged, it shall be first judged whether all participants or a group of participants collectively control the arrangement. If all participants or a group of participants must act together to decide on the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. Secondly, it will be judged whether the decision-making of activities related to the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If there is a combination of two or more participants that can collectively control an arrangement, it does not constitute common control. When the existence of common control is judged, the protective rights enjoyed are not considered.

A significant impact means that the investor has the right to make decision about the finance and business policy of the invested entity but cannot control the formulation of policies separately or with other parties. When determining whether significant impacts can be exerted on the invested entity, the impacts of the direct or indirect holding of voting shares of the investor and the current executable potential voting rights held by the investor and other parties upon the assumption of conversion to equity of the invested entity are considered, including the impact of the current convertible warrants, share options and convertible corporate bonds issued by the invested entity.

### (4) Disposal of long-term equity investment

During disposal of long-term equity investments, the difference between book value and the actual price shall be included in the profit and loss. For the long-term equity investment accounted with the equity method, the owner's equity recognized from change of other owner's equity other than net profit and loss, and profit-sharing by the invested entity are transferred to the current profit and loss based the ratio.

In case of losing joint control over or significant impact on the invested entity due to disposal of partial equity investment, the remaining equity after disposing is measured by the balance between the fair value and book value when losing the joint control or significant impact occurred is included in the current profit and loss. The recognized other comprehensive incomes accounted by equity method for the original equity investments is subject to accounting treatment for direct disposal of the relevant assets invested entity or basis of same liabilities at the time of termination using the equity method. Other owner's equity change related to the original equity investments are transferred to the current profit and loss.

If the Company loses control over the invested entity due to some equity investment, the remaining equity which can impose joint control or significant impact on the invested entity is calculated with equity method and is adjusted as it acquired. Otherwise, the remaining equity is recognized and measured with the relevant provisions of Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments. The balance between the fair value and the book value when the control power is lost is included in the current profit and loss.

## 15. Investment real estate

### (1) If the cost measurement model is used:

Depreciation or amortization methods

Investment real estate refers to the real estate held to earn rent or capital appreciation, or both. Including the leased land use right, the land use right held and ready to be transferred after appreciation, the leased buildings, etc.

The investment real estate of the Company is initially measured according to the cost at the time of acquisition. The investment real estate is subsequently measured by use of the cost model and depreciated or amortized in accordance with the policies consistent with the building or land-use right.

The disposal income from the sale, transfer, scrapping or damage of investment real estate is included in the current profit and loss after deducting its book value and relevant taxes.

## 16. Fixed assets

### (1) Recognition conditions

☒ "Applicable" ☐ "Inapplicable"

The fixed assets refer to tangible assets which are held for producing commodity, providing labor, lease or operation and management and whose useful life is more than a fiscal year.

Other description:

For subsequent expenditures related to fixed assets, the economic benefits related to the fixed assets likely to flow and the

cost able to reliably calculated are included in the cost of fixed assets, and the recognition of book value of the replaced part is terminated. Other subsequent expenditures other than this shall be included in the current profit and loss when incurred.

The disposal income from the sale, transfer, scrapping or damage of fixed assets is included in the current profit and loss after deducting its book value and relevant taxes.

The Company rechecks the service life, estimated net salvage value and depreciation method of the fixed assets at least at the end of the year. Any changes will be treated as changes in accounting estimates.

## (2) Depreciation methods

“√ Applicable” “ ☐ Inapplicable”

Category	Depreciation methods	Depreciation period (year)	Residual ratio (%)	Annual depreciation rate
House buildings	Straight-line depreciation	20-30	5%-10%	3%-4.75%
Machinery equipment	Straight-line depreciation	5-10	5%-10%	9%-19%
Transportation equipment	Straight-line depreciation	5-20	5%-10%	4.5%-19%
Electronic equipment	Straight-line depreciation	5-10	5%-10%	9%-19%

## (3) Basis of recognition for fixed assets acquired under financial leases, valuation and depreciation methods

“√ Applicable” “ ☐ Inapplicable”

Fixed assets leased by means of financial leasing shall be calculated and withdrawn for depreciation according to the same policy as their own fixed assets. If the ownership of the leased asset acquired at the expiration of the lease term can be reasonably determined, the depreciation shall be accrued during the service life of the leased asset; if the ownership of the leased asset cannot be reasonably determined at the expiration of the lease term, the depreciation shall be accrued during the shorter of the lease term and the service life of the leased asset.

## 17. Projects under construction

“√ Applicable” “ ☐ Inapplicable”

The costs of projects under construction are determined according to the actual project expenditure, including various project expenditures incurred during the construction period, capitalized borrowing expenses before the project reaches the serviceable condition as preplanned, and other related expenses. Projects under construction are transferred to fixed assets after reaching the serviceable condition as preplanned. The project under construction is transferred to the fixed asset at the estimated value based on the project budget, costs or the project actual cost from the project reaches the serviceable condition as preplanned, and the depreciation of the fixed asset is calculated and withdrawn from the next month. After the final completion settlement has been conducted, the temporarily original estimated value is adjusted based on the actual cost, but the calculated and withdrawn original depreciation amount is not adjusted.

## 18. Borrowing expenses

“√ Applicable” “ ☐ Inapplicable”

The borrowing expenses include the interest expense (including amortization of discounts or premiums and relevant ancillary expenses) and exchange balance on foreign currency borrowings.

### (1) Recognition principle of borrowing cost capitalization

Borrowing expenses incurred by the Company that may be directly attributable to the acquisition or construction of assets eligible for capitalization or production, are capitalized and included in the cost of relevant assets; while other borrowing expenses are recognized as expenses and included in current profit and loss whenever occurred.

The assets complying with the capitalization condition refer to the fixed assets, investment real estate, inventories and other assets which need quite a long time of purchasing or construction activities to reach use or sales status.

Borrowing expenses can be capitalized initially when the following conditions are met simultaneously:

- ① The asset expenditure has been incurred, which includes the cash paid to purchase, construct or produce the assets in line with the capitalization conditions and expenditures incurred to transfer the non-monetary assets or bear the debts with interest;
- ② The borrowing expenses have been incurred;
- ③ Purchase, construction or production activities required for the assets to reach the anticipated usable state or salable state have begun.

**(2) Borrowing cost capitalization period**

When the acquired and constructed or produced assets eligible for capitalization reaches the intended usable or salable status, the capitalization of borrowing expenses shall be terminated. Borrowing expenses incurred after assets eligible for capitalization reach the expected usable or salable status are recognized as expenses at the time of occurrence according to the amount incurred and included in current profit and loss.

Asset eligible for capitalization conditions occurring in the acquisition, construction or production process is interrupted abnormally and the interruption lasts for more than three months, the capitalization of borrowing expenses shall be suspended; the borrowing expenses continue to be capitalized during normal interruption.

**(3) Calculation method of borrowing cost capitalization amount**

The interest expense of special borrowing (deducting the income of interests earned on the unused borrowings as a deposit in the bank or investment income as a temporary investment) and the ancillary expenses shall be capitalized before the acquired, constructed and produced assets eligible for capitalization reach the serviceable or salable condition as preplanned.

The weighted average of the asset expenditure of which accumulated asset expenditure exceeds the portion of special borrowings multiplied by the capitalization rate of general borrowings occupied is to determine the interest amount to be capitalized for general borrowings. Capitalization rate is determined by the weighted average interest rate of general borrowings.

If there is a discount or premium on the borrowings, the amount of discount or premium to be amortized in each accounting period shall be determined according to the actual interest rate method, and the amount of interest in each period shall be adjusted.

**19. Intangible assets****(1) Valuation method, service life, and impairment test**

"√ Applicable" " ☐ Inapplicable"

Intangible assets of the Company include land use rights, software, etc.

Intangible assets of the Company are measured initially based on cost, and the service life of the intangible asset shall be analyzed and judged when acquiring the intangible assets. If the amortization method that can reflect the expected realization of the economic benefits related to the intangible asset with limited service life shall be adopted from the time when the intangible asset is available for use and amortized within the expected service life; if it is not possible to reliably determine the expected realization mode, the straight-line amortization method shall be adopted; intangible assets with uncertain service life are not amortized.

At the end of each year, the Company rechecks the service life and amortization method of the intangible assets with limited service life. For any changes, original estimates shall be adjusted and the changes shall be treated as changes in accounting estimates.

If it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the balance sheet date, the book value of the intangible asset shall be transferred to the current profit and loss.

**(2) Internal research and development expenditures accounting policies**

"√ Applicable" " ☐ Inapplicable"

**Specific standards for dividing of research and development stage**

The Company expenditures for research and development projects are divided into expenditures in research stage and expenditures in development stage.

Research stage: a stage to carry out the creative and planned investigation and research activities in order to obtain and understand the new scientific or technological knowledge.

Development stage: a stage to apply the research achievements or other knowledge in some plans or designs in order to produce new and substantially improved materials, devices, and products prior to commercial production or use.

**Specific conditions for expenditure capitalization in development stage**

Expenditures for internal research and development projects at the development stage are recognized as intangible assets when the following conditions are met at the same time:

- 1) The intangible asset is completed, so that it is feasible technically to use or sell such intangible asset;
- 2) There is intention to finish and use or sell such intangible asset;

- 3) The ways of intangible assets to generate economic benefits include the ability to prove the existence of the market where there are the products produced by the intangible assets or the existence of that of the intangible assets, and prove its usefulness if intangible assets will be used internally;
- 4) There are enough technical and financial resources and other resources support in order to finish the development of such intangible asset, and the Company is able to use or sell such intangible asset;
- 5) The expenditure attributable to the development stage of such intangible asset can be measured reliably.

If the expenditures at the development stage do not meet the above-mentioned conditions, such expenditures are included in the current profit and loss at the time of when the expenditure occurs. Expenditures at the research stage are included in the current profit and loss at the time when the expenditure occurs.

## 20. Long-term asset impairment

☒ Applicable ☐ Inapplicable

The Company will perform the impairment test when the impairment evidence exists on the long-term assets such as long-term equity investment, investment real estate measured with cost model, fixed assets, projects under construction, intangible assets identified by expected service life on each balance sheet date. If the impairment test result shows that recoverable amount of assets is lower than their book value, calculate and withdraw asset impairment reserves according to the difference between the recoverable amount and book value and include it in impairment loss. The recoverable amount is the higher one between the fair value of assets deducting the net value of asset disposal and present value of expected future cash flow. The impairment reserves of assets are calculated and recognized based on single asset. If it is difficult to estimate the recoverable amount of single asset, determine recoverable amount of asset group to which the single asset belongs. Asset group is the minimum asset portfolio that can independently produce cash inflow.

As for the intangible assets with uncertain goodwill and service life, the impairment test shall be conducted at the end of each year at least.

When the Company makes an impairment test of assets, it shall, as of the date of acquisition, apportion the book value of the business reputation formed by merger to the relevant asset groups with a reasonable method. Where it is difficult to do so, it shall be apportioned to the relevant combination of asset groups. When apportioning the book value of the business reputation to the relevant asset groups or combination of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combination of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the book value of each asset group or combination of asset groups to the total book value of the relevant asset groups or combination of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combination of asset groups is possible, the Company shall first make an impairment test on the asset groups or combination of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant book value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combination of asset groups containing business reputation, and compare the book value of these asset groups or combination of asset groups (including the book value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combination of the asset groups is lower than the book value thereof, it shall recognize the impairment loss of the business reputation.

Once recognized, the above-mentioned assets will not be transferred back in later accounting period.

## 21. Long-term unamortized expenses

☒ Applicable ☐ Inapplicable

Long-term unamortized expenses incurred by the Company are priced at actual costs and amortized evenly as per the expected benefit period. For long-term unamortized expenses that cannot benefit future accounting periods, the amortized value of the item shall be fully included in the current profit and loss during the determination.

## 22. Employee salary

### (1) Accounting treatment methods for short-term salary

☒ Applicable ☐ Inapplicable

Short-term salary refers to the employee salary that the Company needs to fully pay within 12 months after the end of the annual reporting period for employees to provide relevant services, except for post-employment benefits and dismissal welfare. During the accounting period when employees provide service for the Company, the payable short-term salary is recognized as liabilities and included in the current profit and loss or the relevant assets costs according to the beneficiaries of services provided by the employees.



**(2) Accounting treatment methods for post-employment benefits**

"√ Applicable" " ☐ Inapplicable"

Post-employment benefits refer to various forms of remuneration and benefits provided by the Company after employees retire or terminate their labor relations with the enterprise in order to obtain services provided by employees, except short-term salary and dismissal welfare. The post-employment benefit plan is classified into the defined contribution plan and the defined benefit plan.

The defined contribution plan mainly refer to the payment of basic endowment insurance and unemployment insurance organized and conducted by local labor and social security institutions. The Company has established the enterprise annuity payment that is jointly paid by the Company and individuals. The enterprise contributions are charged from the cost of the Company, and individual contributions are withheld by the Company from the employee's salary. During the accounting period when employees provide service for the Company, the payable amounts calculated according to the defined contribution plan are recognized as liabilities, and included in the current profit and loss or related asset costs.

The Company has no other payment obligations after making the above payments regularly according to the national standard and annuity plan.

**(3) Accounting treatment method of dismissal welfare**

"√ Applicable" " ☐ Inapplicable"

Dismissal welfare refers to the compensation given to employees by the Company before the expiration of their labor contracts, or to encourage employees to voluntarily accept layoffs, which is included in the current profit and loss in the current period.

**(4) The accounting treatment method for other long-term employee benefits**

"√ Applicable" " ☐ Inapplicable"

Other long-term employee benefits refer to all other employee benefits except short-term salary, post-employment benefits and dismissal welfare.

For other long-term employee benefits meeting the conditions of the defined contribution plan, the payable amount is recognized as liabilities and included in the current profit and loss or related asset costs during the accounting period when employees provide service for the Company.

**23. Estimated liabilities**

"√ Applicable" " ☐ Inapplicable"

Where obligations relating to contingent events meet all the following conditions, the expenses are recognized as estimated liabilities:

- ① This obligation is a current obligation undertaken by the Company;
- ② Fulfillment of such obligations is likely to lead to outflow of the economic benefits from the Company;
- ③ The amount of this obligation can be reliably measured.

The estimated liabilities are initially measured based on the best estimates of expenses required by fulfillment of the relevant current obligations. The Company comprehensively considers the contingent matters related risks, uncertainty, currency time value and other factors. In case of great significance on the currency time value, the best estimates are determined after the relevant future cash outflow is discounted. The Company rechecks the book value of the estimated liabilities on the balance sheet date and adjusts the book value to reflect the current best estimates.

When all or some of the expenses required for the liquidation of an estimated debt of the Company is expected to be compensated by the third-party or other party, the amount of compensation can only be separately recognized as an asset when it is basically confirmed that it can be received. The recognized amount of compensation doesn't exceed the book value of the recognized liabilities.

**24. Stock payment**

"√ Applicable" " ☐ Inapplicable"

Share-based payment of the Company refers to the transaction of granting the equity instrument or undertaking the liabilities determined based on the equity instruments in order to obtain the service provided by the employees or other parties. Share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

**Stock payment settled by equities and equity instrument**

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. Where the Company uses restricted stock for share-based payment, and employees

contribute capital to purchase stock, the stock before fulfilling the unlocking conditions and unlocking cannot be circulated in the market or transferred. If the unlocking conditions required in the equity incentive plan are not fulfilled, the Company will buy back stocks based on price agreed in advance. When the Company gets the capital of the restricted stocks purchased by employees, recognize the share capital and capital reserve (capital stock premium) based on the obtained share capital and perform full-amount recognition of a liability in terms of repurchasing obligations and recognize the treasury stock. On each balance sheet date during the waiting period, the Company makes an optimal estimation of the number of the exercisable equity instruments based on the newly obtained information, such as the changes of number of employees with exercisable rights, conformity with required performance criteria. On this basis, the services acquired during current period are included in related costs or expenses at the fair value during the grant date, and the capital reserves are increased correspondingly. An enterprise shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equity which have been confirmed. Expense with immediate vesting rights is included in related costs and expenses based on fair value, and the capital reserve is increased accordingly.

For share-based payment with failed vesting, the cost and expense will not be recognized unless the vesting conditions are the market conditions or non-vesting conditions. In this situation, the stock meeting the non-market conditions in all vesting conditions is regarded as the vesting, irrespective of market conditions or not-vesting conditions.

If provision of share-based payment with equity-settled is modified, service is recognized at least based on the provision before it is modified. In addition, any modification increasing fair value of equity instruments or modification beneficial to employees at the modification date is recognized as service increase.

If share-based payment with equity-settled is canceled, accelerate right performance at the date of cancellation to immediately recognize the unrecognized amount. If employees or other parties can choose to fulfill non-vesting conditions but fail to fulfill the conditions during the waiting period, it is taken as shares to be paid not by share-based payment with equity-settled. However, if new equity instruments are granted and the new instrument is recognized as replacing the canceled equity instruments, the replaced instrument is treated with the same method on provisions of original equity instrument as that on the modified conditions.

#### **Stock payment settled by cash and equity instrument**

The cash-settled share-based payment will be measured at the fair value of the liabilities determined based on the share or other equity instruments undertaken by the Company. It is initially measured with fair value at grant date, considering provisions and conditions of the granted equity instruments. If the right may be exercised immediately after being granted, it can be included in relevant cost or expense based on the fair value of liabilities on the grant date, with the liabilities increased correspondingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, the services obtained in current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses at the fair value of the liability undertaken by the Company, with the liabilities increased correspondingly. On each balance sheet date and settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities will be re-measured, with the change included in the profit and loss at current period.

## **25. Income**

"√ Applicable" " □ Inapplicable"

### **Income from sales of goods**

The Company has transferred main risks and rewards of commodity's ownership to the buyer, and the Company no longer retained the continuously managing right related to the ownership, and no longer implemented effective control to the commodity. The income amount can be measured reliably. The related economic benefits are likely to flow into the enterprise; when related costs incurred or to be incurred can be reliably measured, the realization of commodity sales revenue is confirmed.

### **Income from provision of labor services**

At the balance sheet date, the labor income is recognized by using the percentage of completion method when the results of providing service transaction can be estimated reliably. The completion progress of labor service transaction shall be determined based on the measurement of completed work.

The Company ascertains the total income from the provision of labor services based on the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. On the balance sheet date, the labor service income for the current period is recognized according to the total labor service income multiplied by the completion progress minus the accumulated recognized labor service income for the previous accounting period. At the same time, the current labor costs are carried forward according to the estimated total cost of provision of labor services multiplied by the completion progress minus the accumulated recognized labor service costs in the previous accounting period.

If the service transaction result cannot be reliably evaluated on the balance sheet date, it shall be treated according to the following conditions respectively:

- ① If the labor cost incurred is expected to be compensated, the income from provision of labor services shall be recognized according to the amount of labor cost incurred, and the labor cost shall be carried forward according to the same amount.
- ② If the labor cost incurred is not expected to be compensated, labor costs incurred are included in the profit and loss of the current period, and the income from provision of labor services is not recognized.

#### Income from transfer of assets use rights

The economic interests related to the transaction are likely to flow into the Company and the income can be calculated reliably. Determine the income from transfer of assets use rights under the following circumstances respectively:

- ① The amount of interest income shall be calculated and determined according to the time and actual interest rate when others use the monetary funds of the Company.
- ② The amount of royalty income shall be calculated and determined according to the charging time and method agreed in the relevant contract or agreement.

## 26. Government subsidies

☒ Applicable ☐ Inapplicable

Government subsidies are recognized when they meet the conditions attached for government subsidies and can be received.

Government subsidies of monetary assets are measured according to the amount received or receivable. Government subsidies for non-monetary assets shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount 1 yuan.

Government subsidy related to assets refers to that obtained by the Company and used for acquisition and construction of long-term assets or formation by other ways; others are government subsidies pertinent to income except those pertinent to assets.

Where the government doesn't specify subsidy objects, government subsidies that can form long-term assets and correspond to the asset values are taken as assets related subsidies, others are taken as income related government subsidies; if they are difficult to be distinguished, they will be taken as income related government subsidies wholly.

Government subsidy related to assets shall be confirmed as deferred income and included in current profit and loss by reasonable and systematic method within service life of underlying assets.

If the income related government subsidies used for compensating for related costs or losses incurred are included in the current profit and loss or offsetting relevant cost or loss; those used for compensating the Company's future relevant cost expenses or losses are recognized as the deferred income and included in the current profit and loss or offsetting relevant cost during the recognition of relevant cost or loss. Government subsidies measured in nominal amounts are directly included in current profit and loss.

Government subsidies related to daily activities are included in other income or offsetting relevant costs and expenses in accordance with the essence of economic business. Government subsidies unrelated to daily activities are included in non-operating income and expenditure.

If the recognized government subsidy needs to be returned and the book value of the relevant asset is offset upon initial recognition, the book value of the asset shall be adjusted; if there is a relevant deferred revenue balance, the book balance of the relevant deferred revenue shall be offset, and the excess shall be included in the current profit and loss; under other circumstances, it is directly included in the current profit and loss.

## 27. Deferred income tax assets/liabilities

☒ Applicable ☐ Inapplicable

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from corporate merger or deferred income tax related to transactions or events directly included in the owner's equity, it is included in the current profit and loss as income tax expense.

The Company adopts the balance sheet liability method to confirm deferred income tax according to the temporary difference between the book value of assets and liabilities on the balance sheet date and tax basis.

All taxable temporary differences are recognized as related deferred income tax liabilities, unless the taxable temporary differences arise from the following transactions:

- ① Initial recognition of goodwill, or initial recognition of assets or liabilities arising from transactions with the following characteristics: this transaction is not a corporate merger, which affects neither the accounting profits nor the taxable income when the transaction occurs;

- ② For taxable temporary differences related to investments in subsidiaries, joint ventures and associates, the timing of reversal of the temporary differences can be controlled and the temporary differences are not likely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward to future years, the Company recognizes the deferred income tax assets generated therefrom to the extent that the Company is likely to obtain future taxable income that can be used to offset the deductible temporary differences, deductible losses and tax credits, unless the deductible temporary differences are generated in the following transactions:

- ① This transaction is not a corporate merger, which affects neither the accounting profits nor the taxable income when the transaction occurs;
- ② For deductible temporary differences related to investments of subsidiaries, joint ventures and associates, the corresponding deferred income tax assets shall be recognized if the following conditions are met simultaneously: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained in the future.

The Company measures deferred income tax assets and deferred income tax liabilities according to the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are settled on the balance sheet date, and reflects the income tax impact of the expected recovery of assets or the settlement of liabilities of the balance sheet date.

The Company rechecks the book value of deferred income tax assets on the balance sheet date. If it is not likely to obtain sufficient taxable income in the future to offset the benefits of deferred income tax assets, the book value of deferred income tax assets is written down. When it is likely to obtain sufficient taxable income, the reduced amount is reversed.

## 28. Lease

### (1) Accounting treatment method for operating lease

“√ Applicable” “ ☐ Inapplicable”

**The Company records the operating leases as a lessee.**

Rental expenditures for operating leases are included in the relevant asset costs or current profit and loss on a straight-line basis in each period of the lease term. The initial direct expenses are included in the current profit and loss. Contingent rentals are included in current profit and loss when they actually occur.

**The Company records the operating leases as a lessor.**

Rental expenditures for operating leases are recognized as the current profit and loss on a straight-line basis in each period of the lease term. The initial direct expenses with large amount are capitalized when incurred, and included in the current profit and loss by stages during the whole lease term on the same basis as the recognized rental income. Other initial direct expenses with smaller amount are included in current profit and loss when incurred. Contingent rentals are included in current profit and loss when they actually occur.

### (2) Accounting treatment method for the finance lease

“√ Applicable” “ ☐ Inapplicable”

**The Company records the finance lease as a lessee.**

The Company sets the lower one between the fair value on the lease commencement day and the present value of the minimum lease payment as the entry value of leased assets, and regards the minimum lease payment as the entry value of the long-term payables. The difference thereof is recognized as the unacknowledged financial charges. In addition, the initial direct expenses that can be attributed to the lease items incurred during the lease negotiation and signing of the lease contract are also included in the value of the leased assets. The balance of the minimum lease payment after deducting unacknowledged financial charges is presented as long-term liabilities and long-term liabilities due within one year respectively.

Unacknowledged financial charges are calculated and recognized by the effective interest rate method during the lease term. Contingent rentals are included in current profit and loss when they actually occur.

**The Company records the finance lease as a lessor.**

The sum of the minimum lease receipts and the initial direct expenses on the lease commencement day shall be taken as the entry value of the finance lease receivables, and the unguaranteed residual value shall be recorded at the same time. The difference between the sum of the minimum lease receipts, initial direct expenses and unguaranteed residual value and its present value is recognized as unrealized financing income. The balance of the finance lease receivables after deducting unrealized financing income is presented as long-term liabilities and long-term liabilities due within one year respectively.

Unrealized financing income is calculated and recognized by the effective interest rate method as the current financing income during the lease term. Contingent rentals are included in current profit and loss when they actually occur.



## 29. Other significant accounting policy and accounting estimate

“√ Applicable” “ ☐ Inapplicable”

### (1) Held for sale and discontinuing operation

#### Classification and measurement of held-for-sale non-current assets or disposal groups

When the Company mainly recovers its book value by selling (including the exchange of non-monetary assets with commercial substance) rather than continuously using a non-current asset or disposal group, the non-current asset or disposal group is classified as held for sale.

The above-mentioned non-current assets do not include investment real estate subsequently measured by the fair value model, biological assets measured by the net amount of fair value minus selling expenses, assets formed by employee salary, financial assets, deferred income tax assets and rights arising from insurance contracts.

A disposal group is a cluster of assets that are intended to be sold off or disposed of in some other way as part of a single transaction, and the liabilities directly related to these assets transferred in the transaction. The disposal group includes goodwill acquired in the corporate merger under certain circumstances.

Non-current assets or disposal groups meeting the following conditions simultaneously are classified as held for sale: according to the practice of selling such assets or disposal groups in similar transactions, the non-current assets or disposal groups can be sold immediately under current conditions; the sale is highly probable, that is, a decision has been made on a sale plan and a firm purchase commitment has been obtained. The sale is expected to be completed within one year. In case of loss of control over subsidiaries due to the sale of investments in subsidiaries and other reasons, the investments in subsidiaries will be classified as held for sale as a whole in individual financial statements, and all assets and liabilities of subsidiaries will be classified as held for sale in consolidated financial statements when the investments to be sold in subsidiaries meet the classification criteria for held for sale, no matter whether the Company retains some equity investments after the sale.

When non-current assets or disposal groups held for sale are initially measured or remeasured on the balance sheet date, the difference between the book value and the net amount of the fair value minus the selling expenses is recognized as an asset impairment loss. For the amount of asset impairment loss recognized by the disposal group held for sale, the book value of goodwill in the disposal group is offset first, and then the book value of non-current assets in the disposal group is offset proportionally according to the proportion of the book value in the disposal group.

If the net amount of the fair value of non-current assets held for sale or disposal group minus the selling expenses on the subsequent balance sheet date is increased, the previously written-down amount is recovered, and reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit and loss. The offset book value of goodwill shall not be reversed.

Non-current assets held for sale and assets in disposal groups held for sale are not subject to depreciation or amortization; interests and other expenses on the liabilities in the disposal group held for sale are continuously recognized. For all or part of the investments of joint ventures or associates classified as held for sale, the equity method is not used for accounting of the part classified as held for sale, but the retained part (not classified as held for sale) is continuously accounted by the equity method. When the Company loses its significant impact on joint ventures and associates due to sale, the equity method shall not be used.

If a non-current asset or disposal group is classified as held for sale, but it no longer meets the classification criteria for held for sale, the Company will stop classifying it as held for sale and measure it according to the lower of the following two amounts:

- ① The book value of the asset or disposal group before it is classified as held for sale, the amount adjusted according to depreciation, amortization or impairment that would have recognized had it not been classified as held for sale;
- ② Recoverable amount.

#### Discontinuing operation

Discontinuing operation indicates the constituent part that meets any of the following conditions and can be distinguished separately when the part has been disposed of or been characterized as available for sale:

- ① The constituent part represents one independent major business or one independent major operation area;
- ② The constituent part is one part of the disposal plan of one independent major business or one major operation area;
- ③ The constituent part is the subsidiary obtained only for resales.

#### Presentation

In the balance sheet, the Company will present the non-current assets held for sale or the assets in the disposal group held for sale as “assets held for sale” and the liabilities in the disposal group held for sale as “liabilities held for sale”.

The Company separately presents the profit and loss from continuing operations and the profit and loss from discontinuing operation in the profit statement. For non-current assets held for sale or disposal groups that do not meet the definition of discontinuing operation, their impairment losses, reversal amounts and profit and loss from disposal are presented as the profit and loss from continuing operation. Profit and loss from operations such as impairment loss and reversal amount of discontinuing operation and profit and loss from disposal are presented as the profit and loss from discontinuing operation.

The disposal group that intends to be terminated instead of selling and meets the conditions of the relevant components in the definition of discontinuing operation is presented as a discontinuing operation from the date it is terminated.

For the discontinuing operation presented in the current period, the information originally reported as the profit and loss of continuing operation is re-presented as the profit and loss of discontinuing operation in the comparable accounting period in the current financial statement. If the discontinuing operation no longer meets the classification criteria for held for sale, the information originally presented as the profit and loss of discontinuing operation is re-presented as the profit and loss of continuing operation for a comparable accounting period in the current financial statement.

## (2) Fair value measurements

Fair value is the price that market participants can receive from selling an asset or pay to transfer a liability in an orderly transaction on the measurement date.

The assets or liabilities that are measured at the fair value include: financial assets measured at fair value with changes included in current profit and loss, available-for-sale financial assets, and financial liabilities measured at fair value with changes included in current profit and loss.

For financial assets or financial liabilities with active markets, the Company adopts quotations in active markets to determine their fair values. If there is no active market for financial instruments, the Company uses the valuation technique to determine their fair values. The valuation models used are mainly cash flow discount model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark interest rate, exchange rate, credit spread, liquidity premium and lack of liquidity discount.

If non-financial assets are measured at fair value, the ability of market participants to use the asset for optimal purposes to generate economic benefits or the ability to generate economic benefits by selling the asset to other market participants who can use it for optimal purposes is considered.

The Company adopts valuation techniques that are applicable under the current situation and are supported by sufficient available data and other information. Relevant observable inputs are preferred, and unobservable inputs are only used when observable inputs cannot be obtained or are not feasible.

Profits or losses resulting from changes in the fair value of financial assets or financial liabilities are handled in accordance with the following provisions except those related to hedging:

- ① Profits or losses resulting from changes in the fair value of financial assets or financial liabilities measured at fair value and included in current profit and loss are included in current profit and loss.
- ② Profits or losses resulting from changes in the fair value of available-for-sale financial assets, except for impairment losses and exchange differences arising from foreign currency monetary financial assets, are directly included in the owner's equity, transferred out when the financial asset is derecognized and included in current profit and loss.

For assets and liabilities measured or disclosed at fair value in financial statements, the fair value hierarchy is determined according to the lowest hierarchy input that is of great significance to the fair value measurement as a whole: the first level input is the unadjusted quotation in the active market for the same assets or liabilities that can be acquired on the measurement date; the second level input is the directly or indirectly observable input of related assets or liabilities except the first level input; the third level input is the unobservable input of related assets or liabilities.

On each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statement and continuously measured at fair value to determine whether there is a transition among hierarchies of fair value measurement.

## 30. Other significant accounting policy and change of accounting estimate

### (1) Change of significant accounting policies

“√ Applicable” “ ☐ Inapplicable”

The content and reason for change of accounting policy	Approval procedure	Notes (name and amount of report items influenced by the significant impact)
(1) In the balance sheet, "notes receivable and accounts receivable" are separately listed as "notes receivable" and "accounts receivable" to be listed; "Notes payable and accounts payable" are separately listed as "notes payable" and "accounts payable"; the comparative data are adjusted accordingly.	The 18th meeting of the 6th Board of Directors	"Bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable", with an amount of RMB 0.00 at end of the period and RMB 0.00 at the beginning of year. "Accounts receivable" is RMB 4,837,527,877.62 at end of period and RMB 4,186,332,475.43 at beginning of year. "Bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable"; the bills receivable is RMB 0.00 at end of the period and RMB 0.00 at the beginning of year.
(2) In the income statement, "credit impairment loss" and "asset impairment loss" are adjusted as additions to the calculation of operating profit. Losses are listed as "-" and comparative data are adjusted accordingly.	The 18th meeting of the 6th Board of Directors	"Credit impairment losses (losses are filled with "-")" is RMB -17,618,434.85 in current period; "Asset impairment loss (losses are filled with "-")" is RMB-450,485,251.77 in current period, and RMB-51,946,445.48 in previous period.
(3) Non-trading investments in available-for-sale equity instruments are designated as "financial asset accounted with fair value with their changes included into comprehensive income".	The 13th meeting of the 6th Board of Directors	Available-for-sale financial assets: reduced by 158,099,778.00 yuan; Available-for-sale financial assets: reduced by RMB 158,099,778.00;

Other description:

Items (1) and (2) of the changes of accounting policy in the above table are the revisions of format of financial statements of general enterprises by the Company in accordance with the Notice on Revising the Format of Financial Statements of General Enterprises in 2019 and Notice on Revising the Format of Consolidated Financial Statements (Revision 2019) by Ministry of Finance.

Item (3) of the above-mentioned accounting policy change is the adjustment made by the Company from January 1, 2019 in accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24-Hedge Accounting and Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments (revised in 2017).

## (2) Change of significant accounting estimate

" ☐ Applicable " " ☒ Inapplicable "

## (3) From 2019, the new financial instrument standards, new income standards or new lease standards shall be adjusted to implement relevant items in the financial statements at the beginning of the year

" ☒ Applicable " " ☐ Inapplicable "

Consolidated balance sheet

Unit: Yuan Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustments
<b>Current assets:</b>			
Monetary capital	1,943,895,590.53	1,943,895,590.53	
Settlement reserves			
Funds for inter-banking lending			
Transaction financial assets	Inapplicable		
Financial asset accounted with fair value with their changes included into the current profit and loss		Inapplicable	
Derivative financial assets			
Notes receivable			
Accounts receivable	4,186,332,475.43	4,186,332,475.43	
Receivable financing	Inapplicable		
Advance payment	119,263,733.62	119,263,733.62	
Premium receivable			

Item	December 31, 2018	January 1, 2019	Adjustments
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other Receivables	98,783,571.36	98,783,571.36	
Wherein: interest receivable	4,931,006.22	4,931,006.22	
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	2,898,116,191.04	2,898,116,191.04	
Assets held for sale			
Non-current assets due within one year			
Other current assets:	4,661,230,094.25	4,661,230,094.25	
Total current assets	13,907,621,656.23	13,907,621,656.23	
<b>Non-current assets:</b>			
Issued loans and advances			
Debt investment	Inapplicable		
Available-for-sale financial assets	158,099,778.00	Inapplicable	-158,099,778.00
Other debt investment	Inapplicable		
Held-to-maturity investment		Inapplicable	
Long-term receivables			
Long-term equity investment	2,226,837,618.49	2,226,837,618.49	
Investment in other equity instruments	Inapplicable	158,099,778.00	158,099,778.00
Other non-current financial assets	Inapplicable		
Investment real estate			
Fixed assets	9,565,140,378.45	9,565,140,378.45	
Projects under construction	2,381,041,517.05	2,381,041,517.05	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	1,156,963,479.71	1,156,963,479.71	
Development expenditure			
Business reputation	13,075,057.26	13,075,057.26	
Long-term unamortized expenses	87,232,309.27	87,232,309.27	
Deferred income tax assets	653,188,775.33	653,188,775.33	
Other non-current assets			
Total non-current assets	16,241,578,913.56	16,241,578,913.56	
Total assets	30,149,200,569.79	30,149,200,569.79	
<b>Current liabilities:</b>			
Short-term loan			
Loans from the Central Bank			
Loans from other banks			
Transaction financial liabilities	Inapplicable		
Financial liabilities accounted with fair value with their changes included into the current profit and loss		Inapplicable	
Derivative financial liability			
Notes receivable			
Accounts payable	3,940,765,468.72	3,940,765,468.72	
Advance receipts	1,966,300,647.30	1,966,300,647.30	
Financial assets sold for repurchase			



Item	December 31, 2018	January 1, 2019	Adjustments
Accepting money deposits and due from banks			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee salary payable	277,872,237.15	277,872,237.15	
Payable taxes	449,995,333.01	449,995,333.01	
Other payables	74,401,069.57	74,401,069.57	
Wherein: interest payable	29,486.11	29,486.11	
Dividends payable			
Handling charges and commission payable			
Reinsurance accounts receivable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other non-current liabilities	7,300,330.85	7,300,330.85	
Total current liabilities	6,716,635,086.60	6,716,635,086.60	
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term loan	220,000,000.00	220,000,000.00	
Bonds payable			
Wherein: preferred shares			
Perpetual bond			
Lease liability			
Long-term receivables	27,316,350.24	27,316,350.24	
Employee salary payable for long-term			
Estimated liabilities	105,746,387.29	105,746,387.29	
Deferred income	156,163,722.90	156,163,722.90	
Deferred income tax liabilities	18,899,268.91	18,899,268.91	
Other non-current liabilities			
Total non-current liabilities	528,125,729.34	528,125,729.34	
Total liabilities	7,244,760,815.94	7,244,760,815.94	
<b>Owners' equity (or shareholders' equity) :</b>			
Paid-in capital (or share capital)	4,421,354,800.00	4,421,354,800.00	
Investment in other equity instruments			
Wherein: preferred shares			
Perpetual bond			
Capital reserves	4,247,940,206.11	4,247,940,206.11	
Less: treasury stock			
Other comprehensive incomes	47,540,172.61	47,540,172.61	
Special reserve	482,270,903.18	482,270,903.18	
Surplus reserves	1,607,827,558.05	1,607,827,558.05	
General risk provision			
Undistributed profit	12,086,008,009.88	12,086,008,009.88	
Total equity attributable to the owners of parent company (or shareholders' equity)	22,892,941,649.83	22,892,941,649.83	
Minority stockholders' interest	11,498,104.02	11,498,104.02	
Total owners' equity (or shareholders' equity) :	22,904,439,753.85	22,904,439,753.85	
Total liability and owners' equity (or shareholders' equity)	30,149,200,569.79	30,149,200,569.79	

Description of adjustment of each item:

“√ Applicable” “□ Inapplicable”

On January 1, 2019, Japanese companies began to apply the new financial instrument standards, and according to the provisions of the new financial instrument standards, some equity instrument investments originally classified as available-for-sale financial instruments are designated as financial instruments accounted at fair value with fluctuations included in the comprehensive income, and these equity instrument investments are accordingly adjusted to other equity instrument investments.

#### Balance Sheet of the Parent Company

Unit: Yuan      Currency: RMB

Item	December 31, 2018	January 1, 2019	Adjustments
<b>Current assets:</b>			
Monetary capital	1,217,322,938.46	1,217,322,938.46	
Transaction financial assets	Inapplicable		
Financial asset accounted at the fair value and of which the fluctuations are included in the current profit and loss		Inapplicable	
Derivative financial assets			
Notes receivable			
Accounts receivable	3,858,091,286.22	3,858,091,286.22	
Receivable financing	Inapplicable		
Advance payment	46,477,628.38	46,477,628.38	
Other receivables	674,256,426.03	674,256,426.03	
Wherein: interest receivable			
Dividends receivable			
Inventory	2,686,448,143.15	2,686,448,143.15	
Assets held for sale			
Non-current assets due within one year			
Other current assets:	3,734,113,157.24	3,734,113,157.24	
Total current assets	12,216,709,579.48	12,216,709,579.48	
<b>Non-current assets:</b>			
Debt investment	Inapplicable		
Available-for-sale financial assets	158,099,778.00	Inapplicable	-158,099,778.00
Other debt investment	Inapplicable		
Held-to-maturity investment		Inapplicable	
Long-term receivables			
Long-term equity investment	9,205,974,170.87	9,205,974,170.87	
Investment in other equity instruments	Inapplicable	158,099,778.00	158,099,778.00
Other non-current financial assets	Inapplicable		
Investment real estate			
Fixed assets	3,417,054,227.08	3,417,054,227.08	
Projects under construction	2,113,313,515.76	2,113,313,515.76	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	403,030,394.29	403,030,394.29	
Development expenditure			
Business reputation			
Long-term unamortized expenses	71,854,468.44	71,854,468.44	
Deferred income tax assets	432,367,280.79	432,367,280.79	
Other non-current assets			
Total non-current assets	15,801,693,835.23	15,801,693,835.23	

Item	December 31, 2018	January 1, 2019	Adjustments
Total assets	28,018,403,414.71	28,018,403,414.71	
<b>Current liabilities:</b>			
Short-term loan			
Transaction financial liabilities	Inapplicable		
Financial liabilities accounted with fair value with their changes included into the current profit and loss		Inapplicable	
Derivative financial liability			
Notes receivable			
Accounts payable	6,574,816,227.05	6,574,816,227.05	
Advance receipts	1,939,072,850.28	1,939,072,850.28	
Employee salary payable	195,717,732.68	195,717,732.68	
Payable taxes	81,545,033.12	81,545,033.12	
Other payables	81,822,316.05	81,822,316.05	
Wherein: interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other non-current liabilities	4,033,653.30	4,033,653.30	
Total current liabilities	8,877,007,812.48	8,877,007,812.48	
<b>Non-current liabilities:</b>			
Long-term loan	220,000,000.00	220,000,000.00	
Bonds payable			
Wherein: preferred shares			
Perpetual bond			
Lease liability			
Long-term receivables	27,316,350.24	27,316,350.24	
Employee salary payable for long-term			
Estimated liabilities			
Deferred income	85,611,044.64	85,611,044.64	
Deferred income tax liabilities	9,394,129.50	9,394,129.50	
Other non-current liabilities			
Total non-current liabilities	342,321,524.38	342,321,524.38	
Total liabilities	9,219,329,336.86	9,219,329,336.86	
<b>Owners' equity (or shareholders' equity) :</b>			
Paid-in capital (or share capital)	4,421,354,800.00	4,421,354,800.00	
Investment in other equity instruments			
Wherein: preferred shares			
Perpetual bond			
Capital reserves	4,245,387,997.87	4,245,387,997.87	
Less: treasury stock			
Other comprehensive incomes	19,971,616.77	19,971,616.77	
Special reserve	438,785,312.37	438,785,312.37	
Surplus reserves	1,598,184,996.16	1,598,184,996.16	
Undistributed profit	8,075,389,354.68	8,075,389,354.68	
Total owners' equity (or shareholders' equity) :	18,799,074,077.85	18,799,074,077.85	
Total liability and owners' equity (or shareholders' equity)	28,018,403,414.71	28,018,403,414.71	

Description of adjustment of each item:

"√ Applicable" " ☐ Inapplicable"

On January 1, 2019, Japanese companies began to apply the new financial instrument standards, and according to the provisions of the new financial instrument standards, some equity instrument investments originally classified as available-for-sale financial instruments are designated as financial instruments accounted at the fair value with fluctuations included in the comprehensive income, and these equity instrument investments are accordingly adjusted to other equity instrument investments.

**(4) Description of comparative data from retroactive adjustment of previous financial data standards for the implementation of new financial instrument standards or new lease standards from 2019**

" ☐ Applicable" "√ Inapplicable"

**31. Others**

" ☐ Applicable" "√ Inapplicable"

**VI. Taxes**

**1. Key tax and tax rate**

Key tax and tax rate

"√ Applicable" " ☐ Inapplicable"

Tax type	Tax basis	Tax rate
VAT	The taxable income is included in output tax and shall be based on the balance of output tax for the period after deducting the input tax for the period.	16%, 13%, 10%, 9%, 6%, 3%, 0%
Sale tax		
Business tax		
Urban maintenance and construction tax	Use value-added tax payable and tax amount for the exempted value-added tax reviewed and approved by the state tax bureau as tax base	7%
Corporate income tax	Calculated based on taxable income	25%, 15%
Education surtax	Based on the VAT payable and the current tax deduction amount officially approved by the State Administration of Taxation as the tax basis	3%
Local educational additional fee	Based on the VAT payable and the current tax deduction amount officially approved by the State Administration of Taxation as the tax basis	2%
Property tax	70% of the original value of the property/rental income from the property	1.2%/12%

With the subject of taxation for different corporate income tax rates, disclosure statement

"√ Applicable" " ☐ Inapplicable"

Name of tax subject	Income tax rates (%)
Offshore Oil Engineering Co., Ltd.	15%
Offshore Oil Engineering (Qing Dao) Co., Ltd.	15%
Offshore Oil Engineering (Zhuhai) Co., Ltd.	25%
COOEC SUBSEA TECHNOLOGY CO., LTD.	15%
COOEC International Engineering Co., Ltd	25%
Beijing Gaotai Deep-sea Technologies Co., Ltd.	15%

Note: other taxes are calculated and paid in accordance with relevant tax provisions of the country. The taxes of overseas holding subsidiaries of the Company are calculated and paid in accordance with relevant tax provisions in the places where such subsidiaries are located.

**2. Tax incentives**

"√ Applicable" " ☐ Inapplicable"

- (1) In November 2018, the Company was jointly identified as a high-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Finance Bureau, Tianjin Municipal Office, SAT, and Tianjin Local Taxation Bureau, and obtained the Certificate of Hi-tech Enterprise with No. GR201812000296 and validity of 3 years (2018-2020), and will pay enterprise income tax at 15%.



- (2) In November 2018, the Offshore Oil Engineering (Qing Dao) Co., Ltd. was jointly identified as a high-tech enterprise by Qingdao Municipal Science and Technology Commission, Finance Bureau of Qingdao, Qingdao Provincial Office, SAT, and Qingdao Local Taxation Bureau, and obtained the Certificate of Hi-tech Enterprise with No. GR201837100123 and validity of 3 years (2018-2020), and will pay income tax of 15%.
- (3) In October 2017, COOEC SUBSEA TECHNOLOGY CO., LTD. was jointly identified as a high-tech enterprise by Science and Technology Innovation Committee of Shenzhen Municipality, Financial Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT, and Shenzhen Local Taxation Bureau, and obtained the Certificate of Hi-tech Enterprise with No. GR201744203099 and validity of 3 years (2017-2019), and the income tax rate is 15%.
- (4) In December 2016, Beijing Gaotai Deep-sea Technologies Co., Ltd. was jointly identified as a high-tech enterprise by Science and Technology Innovation Committee of Beijing Municipality, Financial Commission of Beijing Municipality, Beijing Municipal Office, SAT, and Beijing Local Taxation Bureau, and obtained the Certificate of Hi-tech Enterprise with No. GR201611001366 and validity of 3 years (2016-2018). As of the date of this financial report, Beijing Gaotai Deep-sea Technologies Co., Ltd. is applying for 2019 high-tech enterprise qualification review and corporate income tax incentives from 2019 to 2021. According to the Announcement on Issues Concerning Preferential Policies, Beijing Gaotai Deep Sea Technology Co., Ltd. shall temporarily accrue and prepay corporate income tax at a rate of 15% in 2019.

### 3. Others

“√ Applicable” “ ☐ Inapplicable”

- (1) The method of “tax exemption, offset and reimbursement” is adopted during the sales of originating offshore engineering structure products for the offshore oil and gas exploitation enterprises by the Company and its subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd., Offshore Oil Engineering (Zhuhai) Co., Ltd., according to Notice of the Ministry of Finance and the State Administration of Taxation on VAT for Consumption Tax Policies for Exported Goods and Labor Services (CS [2012] No. 39). The policy of “tax exemption, offset and reimbursement” is no longer applicable to the contract of the sales of originating offshore engineering structure products to the offshore oil and gas exploitation enterprises after January 1, 2017 by the Company and its subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd., Offshore Oil Engineering (Zhuhai) Co., Ltd., according to Notice of Specifying VAT Policies of Financial Services, Real Estate Development, Education Ancillary Services, etc. (CS [2016] No. 140).
- (2) Upon the approval of the State Council and according to the Finance and Tax [2016] No. 36 Notice on the Pilot Work of Levying Value-Added Tax in Lieu of Business Tax released by Ministry of Finance and the State Administration of Taxation, the Company and domestic subsidiaries began to adopt relevant provisions of the above Notice since May 1, 2016. According to Article I in 2017 No. 11 announcement of the State Administration of Taxation - Announcement of the State Administration of Taxation on Further Clarifying the Collection and Management of Replacing Business Tax with VAT, which says that “provision of construction and installation services by the taxpayer while selling such self-produced goods as portable house, machines and equipment and steel structures does not belong to mixed sale specified in Article XL of Measures for the Pilot Implementation of Replacing Business Tax with VAT (CS (2016) No. 36), so the sales volume of the goods and construction services shall be separately calculated with different tax rates or charge rates applied respectively”, in the EPC contract or sub-contract signed by the Company, different tax rates or charge rates shall be adopted for the labor price of the construction industry, and price of self-produced goods and provision of VAT taxable labor service.
- (3) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjustment of VAT Rate (CS [2018] No. 32), the original applicable rate for VAT payable of sales behavior and import goods has been reduced respectively from 17% and 11% to 16% and 10%. The Group has implemented the new tax rate policy from May 1, 2018.
- (4) According to the “Announcement on Deepening the Reform of Value Added Tax Policies” (CS [2019] No. 39), if taxpayers engage in VAT taxable sales or import goods, the original tax rates of 16% and 10% shall be adjusted to 13% and 9% respectively. The Company has implemented the new tax rate policy from April 1, 2019.

## VII. Notes to Items of Consolidated Financial Statement

### 1. Monetary capital

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Cash on hand	12,160.77	13,092.77
Bank deposits	1,732,060,580.28	1,943,750,568.50
Other monetary capital	131,929.26	131,929.26
Total	1,732,204,670.31	1,943,895,590.53
Wherein: total amount of the deposit abroad	413,690,415.23	267,135,532.63

Other description:

The details of monetary funds that are restricted in use due to mortgage, pledge or frozen withdrawal, and that are placed overseas and whose remittance is restricted are as follows:

Item	Balance at end of period	Balance at end of last year
Guarantee security	131,929.26	131,929.26
Total	131,929.26	131,929.26

### 2. Accounts receivable

#### (1) Disclosure by accounting age

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Accounting age	Balance at end of period
< 1 year	
Of which: subentry within 1 year	
< 1 year (including 1 year)	4,790,026,428.16
Subtotal within 1 year	4,790,026,428.16
1 to 2 years	55,318,769.10
2 to 3 years	15,113,787.77
Above 3 years	11,365,017.53
Less: reserve for bad debt	-34,296,124.94
Total	4,837,527,877.62

## (2) Classification disclosure by withdrawal method of bad debt reserves

"√ Applicable" "□ Inapplicable"

Unit: Yuan Currency: RMB

Category		Balance at end of period				
		Book value		Bad debt reserves		Book value
		Amount	Percentage (%)	Amount	Provision proportion (%)	
Separate withdrawal of bad debt reserves						
Combined withdrawal of bad debt reserves		4,871,824,002.56	100.00	34,296,124.94		4,837,527,877.62
Wherein:						
	Accounting age combination	571,920,118.02	11.74	34,296,124.94	6.00	537,623,993.08
	Related parties combination	4,299,903,884.54	88.26			4,299,903,884.54
Total		4,871,824,002.56	/	34,296,124.94	/	4,837,527,877.62

Category		Balance at beginning of period				Book value
		Book balance		Bad debt reserve		
		Amount	Percentage (%)	Amount	Provision proportion (%)	
Separate withdrawal of bad debt reserves						
Combined withdrawal of bad debt reserves		4,204,154,540.10	100.00	17,822,064.67	0.42	4,186,332,475.43
Wherein:						
	Accounting age combination	448,669,148.44	10.67	17,822,064.67	3.97	430,847,083.77
	Related parties combination	3,755,485,391.66	89.33			3,755,485,391.66
Total		4,204,154,540.10	/	17,822,064.67	/	4,186,332,475.43

Separate withdrawal of bad debt reserves:

"□ Applicable" "√ Inapplicable"

Combined withdrawal of bad debt reserves:

"√ Applicable" "□ Inapplicable"

Item for combined withdrawal: age combination

Unit: Yuan Currency: RMB

Name	Balance at end of period		
	Accounts receivable	Bad debt reserve	Provision proportion (%)
Age combination	571,920,118.02	34,296,124.94	6.00
Total	571,920,118.02	34,296,124.94	6.00

Recognition standards of combined withdrawal of bad debt and description

"□ Applicable" "√ Inapplicable"

**(3) Bad debt reserves**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Category	Balance at beginning of period	Change in current period			Balance at end of period
		Provision	Reclaimed or turned back	Retake or cancel	Others
Bad debt reserve for accounts receivable	17,822,064.67	18,478,839.08	2,004,778.81		34,296,124.94
Total	17,822,064.67	18,478,839.08	2,004,778.81		34,296,124.94

**(4) Receivables gathered based on debt party with top five balances at end of period**“√ Applicable” “ ☐ Inapplicable”

Company name	Balance at end of period		Bad debt reserves
	Accounts receivable	Proportion to total number of receivables at end of year (%)	
China National Offshore Oil Corporation	4,051,909,442.31	83.17	
CNOOC Gas & Power Group	227,840,855.59	4.68	
DYNAMIC INDUSTRIES SAUDI ARABIA LTD	122,144,172.99	2.51	
Hengyi Industries Sdn.Bhd	91,442,747.41	1.88	
Zhejiang Petroleum & Chemical Co. Ltd.	64,040,436.30	1.31	
Total	4,557,377,654.60	93.55	

**3. Advance payment****(1) Prepayment listed by the accounting age**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Accounting age	Balance at end of period		Balance at beginning of period	
	Amount	Percentage (%)	Amount	Percentage (%)
< 1 year	331,916,719.03	98.08	105,183,407.73	88.20
1 to 2 years	6,485,443.24	1.92	13,469,806.87	11.29
2 to 3 years			610,519.02	0.51
Above 3 years				
Total	338,402,162.27	100.00	119,263,733.62	100.00

**(2) Repayment of the top five of balance at end of period collected by prepayment objects**“√ Applicable” “ ☐ Inapplicable”

Prepayment object	Balance at end of period	Proportion to the total number of prepayment balance at end of year (%)
Soil Machine Dynamics Ltd	90,619,874.65	26.78
China Construction Third Engineering Bureau Co. Ltd.	27,891,136.30	8.24
Unique Group FZC	19,183,192.78	5.67
Ariel Corporation	17,968,159.47	5.31
Tianjin Wugang Steel Sales Co., Ltd.	16,767,965.72	4.96
Total	172,430,328.92	50.96



#### 4. Other receivables

##### List of items

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable	2,815,811.42	4,931,006.22
Dividends receivable		
Other receivables	20,239,204.29	93,852,565.14
Total	23,055,015.71	98,783,571.36

##### Interest receivable

##### (1) Classification of interest receivable

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed deposit		
Entrusted loans		
Bond investment		
Interest on deposits of CNOOC Finance Co., Ltd.	1,099,709.06	1,177,695.18
Interests of bank financial products	1,716,102.36	3,753,311.04
Total	2,815,811.42	4,931,006.22

##### Other receivables

##### (1) Disclosure by accounting age

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Accounting age	Balance at end of period
< 1 year	
Of which: subentry within 1 year	
< 1 year (including 1 year)	12,027,187.28
Subtotal within 1 year	12,027,187.28
1 to 2 years	1,354,915.54
2 to 3 years	3,901,506.46
Above 3 years	8,171,512.81
Total	25,455,122.09

**(2) Classification by nature of payment**

"√ Applicable" " □ Inapplicable"

Unit: Yuan Currency: RMB

Nature of fund	Book balance at end of period	Book balance at beginning of period
Insurance claim payment	3,449,064.00	70,502,000.00
Imprest, deposit and cash deposit	16,354,374.90	16,098,751.98
Advance money	5,461,973.76	10,115,874.48
Export tax rebate	189,709.43	1,196,782.70
Total	25,455,122.09	97,913,409.16

**(3) Withdrawal of bad debt reserves**

"√ Applicable" " □ Inapplicable"

Unit: Yuan Currency: RMB

Bad debt reserves	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss during the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on January 1, 2019	1,478,641.67		2,582,202.35	4,060,844.02
Balance of current period on January 1, 2019				
-- carried forward to second stage				
-- carried forward to third stage				
-- carried forward to second stage				
-- carried forward to first stage				
Withdrawal in current period	43,526.09		2,166,318.08	2,209,844.17
Retake in current period	1,054,770.39			1,054,770.39
Write-off in current period				
Cancellation in current period after verification				
Others				
Balance on December 12, 2019	467,397.37		4,748,520.43	5,215,917.80

Explanation of significant changes in the book balance of other receivables with changes in loss reserves in the current period:

" □ Applicable" "√ Inapplicable"

**(4) Bad debt reserves**

"√ Applicable" " □ Inapplicable"

Unit: Yuan Currency: RMB

Category	Balance at beginning of period	Change in current period				Balance at end of period
		Provision	Reclaimed or turned back	Retake or cancel	Others	
Age combination of other receivables	1,478,641.67	43,526.09	1,054,770.39			467,397.37
Separate withdrawal of bad debt reserve for other receivables	2,582,202.35	2,166,318.08				4,748,520.43
Total	4,060,844.02	2,209,844.17	1,054,770.39			5,215,917.80

Among them, the amount of bad debt reserves claimed or turned back in the current period is important:

" ☐ Applicable " "√ Inapplicable"

(5) Other receivables actually cancelled in the current period

" ☐ Applicable " "√ Inapplicable"

(6) Other receivables with top five balance gathered by debt party at end of period

"√ Applicable " " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Company name	Nature of fund	Balance at end of period	Accounting age	Proportion of other receivables accounting for the total balance at end of the period (%)	Balance of bad debt reserves at end of period
Shenzhen Customs District People's Republic of China	Security	5,609,011.03	Notes	22.03	
Ping An Property & Casualty Insurance Company of China, Ltd.	Insurance claim payment	3,449,064.00	< 1 year (including 1 year)	13.55	
Taiyuan Rongli Trading Co., Ltd.	2 to 3 years (including 3 years)	2,151,453.41	2 to 3 years (including 3 years)	8.45	2,151,453.41
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	Transaction expense	1,711,324.79	Above 3 years	6.72	1,711,324.79
Shenzhen Keda Real Estate Management Co., Ltd.	Deposit	1,303,212.00	< 1 year (including 1 year)	5.12	
Total	/	14,224,065.23	/	55.87	3,862,778.20

Note: The final balance of the security of Shenzhen Customs of the People's Republic of China is 5,609,011.03 yuan, of which it is 1,500,000.00 yuan for 1-2 years, 973,510.76 yuan for 2-3 years and 3,135,500.27 yuan for more than 3 years.

Other description:

"√ Applicable " " ☐ Inapplicable"

Disclosure by category

Category	Balance at end of period				Book value
	Book balance		Bad debt reserves		
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Separate withdrawal of bad debt reserves	4,748,520.43	18.65	4,748,520.43	100.00	
Wherein:					
Other receivables with less significant unit amount and separate withdrawal of bad debt reserves	4,748,520.43	18.65	4,748,520.43	100.00	
Combined withdrawal of bad debt reserves	20,706,601.66	81.35	467,397.37	2.26	20,239,204.29
Wherein:					
Age combination	4,236,726.09	16.65	467,397.37	11.03	3,769,328.72
Combination of imprest and deposit	16,354,374.90	64.25			16,354,374.90
Combination of related parties	115,500.67	0.45			115,500.67
Total	25,455,122.09	100.00	5,215,917.80		20,239,204.29

(Continued)

Category	Balance at end of last year				Book value
	Book balance		Bad debt reserves		
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Other receivables with significant unit amount and separate withdrawal of bad debt reserves					
Other receivables with withdrawal of bad debt reserves based on credit risk feature combination	95,331,206.81	97.36	1,478,641.67	1.55	93,852,565.14
Other receivables with unit amount and separate withdrawal of bad debt reserves	2,582,202.35	2.64	2,582,202.35	100.00	
Total	97,913,409.16	100.00	4,060,844.02		93,852,565.14

Separate withdrawal of bad debt reserves:

Name	Balance at end of period			
	Book balance	Bad debt reserves	Provision proportion (%)	Cause for withdrawal
Taiyuan Rongli Trading Co., Ltd.	2,151,453.41	2,151,453.41	100.00	Insolvency of other party
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,711,324.79	1,711,324.79	100.00	Insolvency of other party
Bassam Mohsen Foundations Contractors	511,985.69	511,985.69	100.00	Insolvency of other party
Abdullah Hashim Industrial Gases	364,640.95	364,640.95	100.00	Insolvency of other party
samel	9,115.59	9,115.59	100.00	Insolvency of other party
Total	4,748,520.43	4,748,520.43		

Combined withdrawal of bad debt reserves:

Name	Balance at end of period		
	Other receivables	Bad debt reserves	Provision proportion (%)
Age combination	4,236,726.09	467,397.37	11.03
of which: < 1 year (including 1 year)	3,488,609.11		
1-2 years (including 2 years)	401,028.01	120,308.40	30.00
2-3 years (including 3 years)			
Above 3 years	347,088.97	347,088.97	100.00
Combination of imprest and deposit	16,354,374.90		
Combination of related parties	115,500.67		
Total	20,706,601.66	467,397.37	



## 5. Inventory

### (1) Classification of inventories

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period			Balance at beginning of period		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw material						
Work-in-process						
Inventory commodity						
Revolving Materials						
Consumable biological assets						
Asset completed but not settled under construction contract						
Project construction	4,569,892,182.81	168,982,424.43	4,400,909,758.38	2,399,779,390.34	133,062,265.72	2,266,717,124.62
Project material preparation	788,978,069.34	60,509,561.83	728,468,507.51	693,558,117.58	62,159,051.16	631,399,066.42
Total	5,358,870,252.15	229,491,986.26	5,129,378,265.89	3,093,337,507.92	195,221,316.88	2,898,116,191.04

Engineering material preparation is detailed as follows:

Item	Balance at end of period			Balance at end of last year		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Project material preparation	788,978,069.34	60,509,561.83	728,468,507.51	693,558,117.58	62,159,051.16	631,399,066.42
Wherein:						
Common steel products	96,799,548.40	50,616,843.65	46,182,704.75	77,063,002.83	52,266,332.98	24,796,669.85
Imported materials	59,043,756.14	1,441,755.57	57,602,000.57	42,475,052.49	1,441,755.57	41,033,296.92
Electrical engineering materials	52,708,837.62	416,325.18	52,292,512.44	46,568,275.86	416,325.18	46,151,950.68
Other materials	580,425,927.18	8,034,637.43	572,391,289.75	527,451,786.40	8,034,637.43	519,417,148.97

**(2) Falling price reserve of inventory**

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at beginning of period	Increased amount in current period		Decreased amount in current period		Balance at end of period
		Withdrawal	Others	Retake or write-off	Others	
Raw material						
Work-in-process						
Inventory goods						
Revolving Materials						
Consumable biological assets						
Asset completed but not settled under construction contract						
Project construction	133,062,265.72	239,514,017.26		203,593,858.55		168,982,424.43
Engineering material preparation	62,159,051.16	4,659,159.03		6,308,648.36		60,509,561.83
Total	195,221,316.88	244,173,176.29		209,902,506.91		229,491,986.26

Details of engineering material preparation are as follows:

Item	Balance at end of last year	Increased amount in current period		Decreased amount in current period		Balance at end of period
		Withdrawal	Others	Retake or write-off	Others	
Engineering material preparation	62,159,051.16	4,659,159.03		6,308,648.36		60,509,561.83
Wherein:						
General steel	52,266,332.98	4,659,159.03		6,308,648.36		50,616,843.65
Imported materials	1,441,755.57					1,441,755.57
Electrical materials	416,325.18					416,325.18
Other materials	8,034,637.43					8,034,637.43

**(3) Completed and unsettled assets formed by construction contracts at end of period**

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance
Cumulative cost incurred	15,218,761,093.42
Cumulative confirmed gross profit	334,946,218.86
Less: anticipated loss	168,982,424.43
Settled amount	10,983,815,129.47
Asset completed but not settled under construction contract	4,400,909,758.38

Significant debt investment and other debt investment at end of period:

“□ Applicable” “√ Inapplicable”

## 6. Other current assets:

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Bank financial products	4,070,000,000.00	4,310,000,000.00
Offset against VAT input tax	367,894,991.33	334,406,807.83
Advance payment of corporate income tax	5,806,929.54	16,823,286.42
Others		
Total	4,443,701,920.87	4,661,230,094.25

## 7. Long-term equity investment

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Acquiree	Balance at beginning of period	Increase and decrease variation in current period							Balance at end of period	Depreciation reserve balance at end of period	
		Additional investment	Negative investment	Recognized profit and loss on investment under equity method	Adjustment of other comprehensive incomes	Other equity variation	Cash dividends or benefit to be issued	Withdrawal of depreciation reserves			Others
I. Joint venture											
COOEC-Fluor Heavy Industries Co., Ltd.	2,226,837,618.49			-258,049,884.39					36,105,352.77	2,004,893,086.87	
Subtotal	2,226,837,618.49			-258,049,884.39					36,105,352.77	2,004,893,086.87	
II. Associates											
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.											
Tianjin Zhonghe Marine Energy Engineering Co., Ltd.		1,666,665.00		-307,178.69						1,359,486.31	
Subtotal		1,666,665.00		-307,178.69						1,359,486.31	
Total	2,226,837,618.49	1,666,665.00		-258,357,063.08					36,105,352.77	2,006,252,573.18	

Other description:

Shareholding ratio of the subsidiary, Offshore Oil Engineering (Qing Dao) Co., Ltd. in Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd. in Qingdao by is 40%, with initial investment cost of RMB 8,125,788.00, and adjusted profit and loss of RMB -8,125,788.00, and ending balance of RMB 0.00.

## 8. Investment in other equity instruments

### (1) Investment in other equity instruments

“√ Applicable” “ ☐ Inapplicable” e

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Lanpec Technologies Limited	110,351,700.00	87,428,400.00
CNOOC Finance Co., Ltd.	70,671,378.00	70,671,378.00
Total	181,023,078.00	158,099,778.00

### (2) Investment in non-trading equity instruments

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Dividend income recognized in the current period	Cumulative gains	Cumulative loss	Amount of retained earnings carried forward from other comprehensive incomes	Cause for being measured at fair value with changes included in other comprehensive incomes.	Cause for carrying forward other comprehensive incomes to retained earnings
Lanpec Technologies Limited		73,667,589.51			Non-trading equity instruments	
CNOOC Finance Co., Ltd.	8,258,981.42				Non-trading equity instruments	

## 9. Fixed assets

### List of items

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed assets	10,757,084,043.86	9,564,120,250.79
Liquidation of fixed assets	4,487,115.44	1,020,127.66
Total	10,761,571,159.30	9,565,140,378.45

Other description:

“ ☐ Applicable” “√ Inapplicable”



## Fixed assets

## (1) Fixed assets

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Item	Housings and buildings	Machinery equipment	Transportation means	Electronic equipment	Total
<b>I. Original book value:</b>					
1. Balance at beginning of period	3,605,635,441.01	3,214,563,547.77	11,449,072,730.98	168,689,449.84	18,437,961,169.60
2. Increased amount in current period	5,363,602.22	140,079,345.36	2,108,886,025.55	8,271,091.65	2,262,600,064.78
(1)Purchase		69,781,741.43	23,424,124.69	8,172,329.66	101,378,195.78
(2)Transferred from projects under construction	5,316,160.10	67,533,252.70	2,079,567,609.64		2,152,417,022.44
(3)Increased from merger					
(4)Conversion of foreign currency financial statement	47,442.12	2,764,351.23	5,894,291.22	98,761.99	8,804,846.56
3. Decreased amount in current period	110,751,309.54	28,496,201.22	35,749,444.44	3,743,361.79	178,740,316.99
(1)Disposal or scrapping		5,698,639.28	35,749,444.44	3,743,361.79	45,191,445.51
(2)Other (Note)	110,751,309.54	22,797,561.94			133,548,871.48
4. Ending balance	3,500,247,733.69	3,326,146,691.91	13,522,209,312.09	173,217,179.70	20,521,820,917.39
<b>II. Cumulative depreciation</b>					
1. Balance at beginning of period	1,410,914,410.59	2,338,989,856.71	4,819,416,094.84	139,025,201.57	8,708,345,563.71
2. Increased amount in current period	147,378,827.39	183,715,654.89	641,399,536.48	7,013,015.24	979,507,034.00
(1)Provision	147,378,827.39	183,634,034.57	635,505,245.26	6,974,427.47	973,492,534.69
(2)Conversion of foreign currency financial statement		81,620.32	5,894,291.22	38,587.77	6,014,499.31
3. Decreased amount in current period	35,532,831.31	17,485,816.07	32,161,500.00	3,430,931.90	88,611,079.28
(1)Disposal or scrapping		5,070,151.03	32,161,500.00	3,430,931.90	40,662,582.93
(2)Other (Note)	35,532,831.31	12,415,665.04			47,948,496.35
4. Ending balance	1,522,760,406.67	2,505,219,695.53	5,428,654,131.32	142,607,284.91	9,599,241,518.43
<b>III. Depreciation reserves</b>					
1. Balance at beginning of period	154,675,004.24	10,820,350.86			165,495,355.10
2. Increased amount in current period					
(1)Provision					
3. Decreased amount in current period					
(1)Disposal or scrapping					
4. Ending balance	154,675,004.24	10,820,350.86			165,495,355.10
<b>IV. Book value</b>					
1. Book value at end of period	1,822,812,322.78	810,106,645.52	8,093,555,180.77	30,609,894.79	10,757,084,043.86
2. Book value at beginning of period	2,040,046,026.18	864,753,340.20	6,629,656,636.14	29,664,248.27	9,564,120,250.79

Note: Other decrease in original book value and cumulative depreciation of fixed assets of the Group in current period is due to extension of slideways and transfer of trencher to construction in progress.

**(2) Fixed assets leased out through operating lease**" ☐ Inapplicable "

Unit: Yuan      Currency: RMB

Item	Book value at end of period
Transportation equipment	450,757,947.95

**(3) Fixed assets with uncompleted certificate of property title**"√ Applicable" " ☐ Inapplicable "

Unit: Yuan      Currency: RMB

Item	Book value	Reasons for the property certificate failure
House buildings	318,828,716.65	In progress

**Liquidation of fixed assets**"√ Applicable" " ☐ Inapplicable "

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Machinery equipment		1,020,127.66
Transportation equipment	4,487,115.44	
Total	4,487,115.44	1,020,127.66

**10. Projects under construction****List of items**"√ Applicable" " ☐ Inapplicable "

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Projects under construction	670,874,018.36	2,381,041,517.05
Engineering materials		
Total	670,874,018.36	2,381,041,517.05

## Projects under construction

## (1) Projects under construction

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Project name	Balance at end of period			Balance at beginning of period		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Port-surrounding base construction project	248,458,199.84		248,458,199.84	106,615,898.46		106,615,898.46
Extension project of skidway 5	154,167,007.54		154,167,007.54	49,197,069.96		49,197,069.96
Purchase of trenching plough and Crane A	104,318,084.51		104,318,084.51	104,237,690.87		104,237,690.87
National oil and gas pipe for emergency rescue project	70,262,291.45		70,262,291.45	67,737,007.96		67,737,007.96
Phase III Water Dredging Project	22,769,086.36		22,769,086.36			
Two 3,000 m working ROVs-LARS part	22,213,809.63		22,213,809.63	21,935,156.93		21,935,156.93
Transformation of pipeline connection with existing pipelines of Bluewhale	17,057,580.78		17,057,580.78	10,414,047.07		10,414,047.07
Equipment purchase	8,143,809.27		8,143,809.27	5,344,548.80		5,344,548.80
Emergency command center construction	5,681,598.13		5,681,598.13			
Purchase of 3,000 tons coil system	5,519,525.66		5,519,525.66			
Capacity promotion project of Offshore Oil 201				2,001,331,835.26		2,001,331,835.26
Other projects	12,283,025.19		12,283,025.19	14,228,261.74		14,228,261.74
Total	670,874,018.36		670,874,018.36	2,381,041,517.05		2,381,041,517.05

(2) Changes in major construction projects of current period

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Project name	Budget amount	Balance at beginning of period	Increased amount in current period	Transferred fixed assets amount in current period	Other amount decrease in current period	Balance at end of period	Proportion of project cumulative investment in budget (%)	Project schedule	Cumulative amount of interest capitalization	Wherein: amount of interest capitalization of current period	Interest capitalization rate of current period (%)	Capital source
Port-surrounding base construction project	3,999,496,000.00	106,615,898.46	141,842,301.38			248,458,199.84	16.00	20.00				Self-raised
Extension project of skidway #5	99,120,000.00	49,197,069.96	104,969,937.58			154,167,007.54	79.90	84.00				Self-raised
Purchase of trenching plough and Crane A	228,472,100.00	104,237,690.87	80,393.64			104,318,084.51	45.66	51.00				Self-raised
National oil and gas pipe for emergency rescue project	220,000,000.00	67,737,007.96	2,525,283.49			70,262,291.45	31.94	35.00				Fund allocated by the government
Phase III Water Dredging Project	89,820,000.00		22,769,086.36			22,769,086.36	25.00	29.00				Self-raised
Two 3,000 m working ROVs-LAPS part	22,300,000.00	21,935,156.93	278,652.70			22,213,809.63	99.61	99.00				Self-raised
Transformation of pipeline connection with existing pipelines of Bluewhale	26,781,800.00	10,414,047.07	6,643,533.71			17,057,580.78	63.69	67.00				Self-raised
Equipment purchase	45,225,684.75	5,344,548.80	23,050,061.47	20,250,801.00		8,143,809.27	82.00	85.00				Self-raised
Emergency command center construction	7,500,000.00		5,681,598.13			5,681,598.13	75.75	79.00				Self-raised
Purchase of 3,000 tons coil system	9,500,000.00		5,519,525.66			5,519,525.66	58.10	60.00				Self-raised
Capacity promotion project of Offshore Oil 201	181,762,700.00	2,001,331,835.26	86,472,716.02	2,087,804,551.28			79.00	100.00				Self-raised
Other projects	326,693,000.00	14,228,261.74	43,214,433.61	44,361,670.16	798,000.00	12,283,025.19						Self-raised
Total	5,256,671,284.75	2,381,041,517.05	443,047,523.75	2,152,417,022.44	798,000.00	670,874,018.36						

Note: The budget for extension of skidway #5 only includes the investment amount of extension; the budget for capacity promotion project of offshore oil 201 does not include hull value.



## 11. Intangible assets

### (1) Intangible assets

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Land use right	Software	Total
<b>I. Original book value</b>			
1. Balance at beginning of period	1,320,659,101.97	162,587,817.02	1,483,246,918.99
2. Increased amount in current period		15,557,095.55	15,557,095.55
(1)Purchase		15,557,095.55	15,557,095.55
(2)Internal R&D			
(3)Increased from merger			
3. Decreased amount in current period			
(1)Disposal			
4. Ending balance	1,320,659,101.97	178,144,912.57	1,498,804,014.54
<b>II. Cumulative amortization</b>			
1. Balance at beginning of period	182,602,836.19	143,680,603.09	326,283,439.28
2. Increased amount in current period	26,997,350.82	10,893,679.96	37,891,030.78
(1)Provision	26,997,350.82	10,893,679.96	37,891,030.78
3. Decreased amount in current period			
(1)Disposal			
4. Ending balance	209,600,187.01	154,574,283.05	364,174,470.06
<b>III. Depreciation reserves</b>			
1. Balance at beginning of period			
2. Increased amount in current period			
(1)Provision			
3. Decreased amount in current period			
(1)Disposal			
4. Ending balance			
<b>IV. Book value</b>			
1. Book value at end of period	1,111,058,914.96	23,570,629.52	1,134,629,544.48
2. Book value at beginning of period	1,138,056,265.78	18,907,213.93	1,156,963,479.71

Intangible asset formed balance by internal R&D takes up 0% of the phase-end book value of intangible assets.

## 12. Goodwill

### (1) Goodwill original book value

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Acquiree name or goodwill-related matters	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
		Formed by merger of enterprise	Disposal	
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	13,075,057.26			13,075,057.26
Total	13,075,057.26			13,075,057.26

### (2) Depreciation reserves for goodwill

" ☐ Applicable" "√ Inapplicable"

### (3) Information about the asset group or combination of asset groups of goodwill

" ☐ Applicable" "√ Inapplicable"

### (4) Explain the process and major parameters of goodwill impairment testing (such as growth rate in the forecast period and in the stable period, profit rate, discount rate, forecast period (as applicable) in estimation of present value of expected future cash flow), as well as the method of confirming impairment loss

" ☐ Applicable" "√ Inapplicable"

### (5) Impact of goodwill impairment testing

" ☐ Applicable" "√ Inapplicable"

Other description:

"√ Applicable" " ☐ Inapplicable"

Note: The goodwill of the Group was formed by means of the M&A of 90% equities from the company other than under the same control in 2009, and at end of period, the goodwill was not impaired based on the results of evaluation performed for asset group of goodwill of the company, in other words, recoverable value of asset group of goodwill is higher than the book value.

## 13. Long-term unamortized expenses

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Increased amount in current period	Balance at beginning of period	Increased amount in current period	Current amortization amount	Decreased amount in current period	Balance at end of period
Rental charge	67,218,008.13	838,005.90	4,714,395.53		63,341,618.50
Renovation costs	18,101,448.30		6,312,701.17		11,788,747.13
Software royalty	1,912,852.84	1,803,773.58	1,003,800.17	177,760.77	2,535,065.48
Total	87,232,309.27	2,641,779.48	12,030,896.87	177,760.77	77,665,431.11

#### 14. Deferred income tax assets/liabilities

##### (1) Non-offset deferred income tax assets

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period		Balance at beginning of period	
	Deductible temporary difference	Deferred income tax Asset	Deductible temporary difference	Deferred income tax Asset
Assets depreciation reserve	237,481,140.46	35,622,171.09	334,142,911.17	50,121,436.68
Internal unrealized profit	595,034,461.05	148,767,608.68	631,139,813.82	157,793,946.91
Deductible loss	1,176,057,799.11	177,390,188.40	2,528,610,806.51	380,954,267.31
Estimated liabilities	105,746,387.29	15,861,958.09	105,746,387.29	15,861,958.09
Dismission welfare			2,612,958.77	391,943.82
Not-invoiced costs on account	682,879,527.03	102,431,928.84	132,734,561.55	19,910,184.23
Deferred income	180,722,037.66	27,108,305.64	187,700,255.23	28,155,038.29
Total	2,977,921,352.60	507,182,160.74	3,922,687,694.34	653,188,775.33

##### (2) Non-offset deferred income tax liability

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period		Balance at beginning of period	
	Taxable temporary difference	Deferred income tax Liabilities	Taxable temporary difference	Deferred income tax Liabilities
Asset evaluation increment of business combination under different common control				
Changes in fair value caused by other debt investments				
Changes in fair value caused by other equity instrument investments				
Changes in the fair value of financial assets included in other comprehensive incomes	73,667,589.51	11,050,138.43	50,744,289.51	7,611,643.43
Depreciation, amortization and depletion differences of assets	77,809,622.91	11,671,443.44	75,250,836.54	11,287,625.48
Total	151,477,212.42	22,721,581.87	125,995,126.05	18,899,268.91

##### (3) Deferred tax assets and deferred tax liabilities listed by the offset net amount

“ ☐ Applicable” “√ Inapplicable”

##### (4) Details of unrecognized deferred income taxes

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Deductible temporary difference	256,890,723.24	567,114.04
Deductible loss	6,696,294.83	9,909,009.88
Total	263,587,018.07	10,476,123.92

**(5) Deductible losses of unrecognized deferred income tax assets will expire in the following years**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Year	Balance at end of period	Balance at beginning of period	Remarks
2021	1,637,276.12	3,643,826.76	
2022	2,163,379.04	2,163,379.04	
2023	2,895,639.67	4,101,804.08	
Total	6,696,294.83	9,909,009.88	/

**15. Accounts payable****(1) List of payables**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Engineering project and material collections	6,862,938,533.84	3,940,765,468.72
Total	6,862,938,533.84	3,940,765,468.72

**(2) Major payables with accounting age over 1 year**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Reasons for arrear or carry down
Tianjin, Zhongtie Jianye, Group Co., Ltd.	36,532,380.37	Unfinished settlement
S.B.SUBMARINE SYSTEMS CO.,LTD	32,439,330.00	Unfinished settlement
CSSC Huangpu Wenchong Shipbuilding Company Limited	12,262,421.78	Unfinished settlement
Total	81,234,132.15	/

**16. Advance receipts****(1) List of advance receipts**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Engineering project payment	896,271,614.58	1,965,520,366.62
Others	569,432.25	780,280.68
Total	896,841,046.83	1,966,300,647.30



## (2) Projects completed but unsettled under construction contracts at end of period

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Amount
Cumulative cost incurred	1,820,917,371.70
Cumulative confirmed gross profit	343,301,205.44
Less: anticipated loss	
Settled amount	3,060,490,191.72
Projects completed but not settled under construction contract	896,271,614.58

## 17. Payroll payable

## (1) List of payroll payable

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
I. Short-term compensation	275,259,278.38	1,912,997,407.70	2,124,900,371.48	63,356,314.60
II. Defined contribution plans for welfare after dismissal		370,498,859.04	296,430,578.02	74,068,281.02
III. Dismission welfare	2,612,958.77	-2,612,958.77		
IV. Other welfares to expire within one year				
Total	277,872,237.15	2,280,883,307.97	2,421,330,949.50	137,424,595.62

## (2) List of short-term salary

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
I. Salary, bonus, allowance, and subsidy	221,838,755.32	1,388,284,812.94	1,610,123,568.26	
II. Employee welfare	880.00	81,154,466.12	81,155,346.12	
III. Social insurance fee		144,259,621.52	144,259,621.52	
Inc.: Medical insurance premiums		128,434,584.16	128,434,584.16	
Industrial injury insurance		6,492,733.63	6,492,733.63	
Birth insurance premium		9,332,303.73	9,332,303.73	
IV. Legal reserves of housing acquisition		168,923,364.92	168,923,364.92	
V. Labor union expenditure and personnel education fund	49,654,845.03	47,677,652.68	39,223,602.73	58,108,894.98
VI. Short-term compensated absences				
VII. Short-term profit sharing plan				
VIII. Others	3,764,798.03	82,697,489.52	81,214,867.93	5,247,419.62
Total	275,259,278.38	1,912,997,407.70	2,124,900,371.48	63,356,314.60

**(3) List of defined contribution plans**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
1. Primary endowment insurance		221,617,032.50	221,617,032.50	
2. Unemployment insurance expense		6,835,758.82	6,835,758.82	
3. Enterprise annuity		142,046,067.72	67,977,786.70	74,068,281.02
Total		370,498,859.04	296,430,578.02	74,068,281.02

**18. Payable taxes**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
VAT	291,516,418.71	215,509,919.93
Sale tax		
Business tax		
Corporate income tax	94,834,238.52	113,588,632.83
Individual income tax	25,240,354.84	44,726,709.19
Urban maintenance and construction tax	3,943,491.89	23,391,934.56
Land value increment tax	9,072,777.12	24,072,777.74
Property tax	2,923,745.20	3,039,961.28
Stamp tax	2,872,488.84	1,353,677.44
Education surtax	2,815,360.83	16,707,087.40
Land use tax	1,656,354.15	3,198,272.00
Anti-flood fees		1,324,706.34
Others	4,247,601.27	3,081,654.30
Total	439,122,831.37	449,995,333.01

**19. Other payables****List of items**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest payable	29,486.11	29,486.11
Dividends payable		
Other payables	153,786,659.76	74,371,583.46
Total	153,816,145.87	74,401,069.57

**Interest payable****(1) Classification list**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest of long-term loans for which the interest is paid by installment and principal is repaid on maturity	29,486.11	29,486.11
Corporate bond interest		
Payable interest of short-term loans		
Preferred share\perpetual bond interest divided as financial liabilities		
Total	29,486.11	29,486.11

Interest of major overdue payment:

“ ☐ Applicable” “√ Inapplicable”

Other description:

“ ☐ Applicable” “√ Inapplicable”**Dividends payable****(1) Classification list**“ ☐ Applicable” “√ Inapplicable”**Other payables****(1) Other payables listed by nature of payment**“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
External - all kinds of retention money and deposit	51,706,010.63	5,364,641.70
External - employee reimbursement	27,612,647.73	3,125,863.02
External - research funding	21,311,656.43	15,754,475.09
External - deduction and withholding	12,450,791.82	19,090,140.06
External - receivables and payables of purchase and sale	2,622,738.26	
External - all kinds of retention money and deposit	1,126,469.90	
External - receivables and payables	402,026.94	101,024.70
Internal - receivables and payables		117,933.82
External - temporary collection and withholding		3,182,527.75
External - others	36,554,318.05	27,634,977.32
Total	153,786,659.76	74,371,583.46

**(2) Other payables with accounting age over 1 year**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Cause for arrear or carry down
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,513,680.05	The settlement period is not expired
Total	1,513,680.05	/

Other description:

" ☐ Applicable" "√ Inapplicable"**20. Other current liabilities**

Other current liabilities

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Short-term bonds payable		
Government subsidies		7,300,330.85
Total		7,300,330.85

**21. Long-term loan****(1) Classification of long-term loan**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Pledge loan		
Mortgage loan		
Guaranteed loan		
Credit loan	220,000,000.00	220,000,000.00
Total	220,000,000.00	220,000,000.00

Description of long-term loan classification:

Note: In March 2017 and February 2018, the Company signed three-party entrusted loan contract with CNOOC and CNOOC Finance Co., Ltd. CNOOC entrusted CNOOC Finance Co., Ltd. to borrow a loan of RMB 90 million and RMB 130 million from the Company respectively with the loan period of five years. All loan funds will be used in constructing national oil and gas pipe for emergency rescue of the South China Sea Base project.



## 22. Long-term payables

## List of items

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Long-term receivables		
Special payables	26,908,456.91	27,316,350.24
Total	26,908,456.91	27,316,350.24

## Long-term receivables

## (1) Long-term payables listed by nature of payment

“ ☐ Applicable” “√ Inapplicable”

## Special payables

## (1) Special payables listed by nature of payment

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period	Cause
Appropriation of scientific research funds for 863 Project	27,316,350.24		407,893.33	26,908,456.91	State appropriation
Total	27,316,350.24		407,893.33	26,908,456.91	

## 23. Employee salary payable for long-term

“ ☐ Applicable” “√ Inapplicable”

## 24. Estimated liabilities

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Balance at end of period	Cause
Provide external guarantee			
Pending litigation			
Product quality guarantee			
Obligation to restructure			
Onerous contract to be executed		159,593,029.77	Note 1
Others			
Pending matters	105,746,387.29	105,746,387.29	Note 2
Total	105,746,387.29	265,339,417.06	/

Other description, including description of relevant important assumption and estimation of important estimated liabilities:

Note 1: According to the requirements of the Accounting Standards for Business Enterprises No. 15-Construction Contracts, impairment tests shall be conducted for the projects under the construction contract at the end of the period. If the estimated total cost of the construction contract exceeds the total contract revenue, which results in an estimated loss, impairment loss shall be accrued. The estimated loss of RMB 159,593,029.77 at the end of the period is the estimated impairment loss recognized according to the completion schedule for the items whose estimated total cost exceeds the total contract income.

Note 2: The subsidiary - Offshore Oil Engineering (Qing Dao) Co., Ltd. received question investigation report from painter supplier and insulation subcontractor of ICHTHYS project respectively on February 24, 2017 and June 1, 2017, stating that quality problem was discovered in the paint used in and insulation system of the module constructed by Offshore Oil Engineering (Qing Dao) Co., Ltd., but no consensus was reached upon the reasons of defect by the

parties till the balance sheet date. Based on the fact that quality guarantee is a demand guarantee and according to the contract term that Offshore Oil Engineering (Qing Dao) Co., Ltd. should bear certain guarantee liability for no defect of project in terms of material, design, construction and process, the guarantee amount of USD 16,183,600 will be the estimated compensation. This matter has no substantial progress as of the approval date of the financial report.

## 25. Deferred income

Condition of deferred income

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period	Cause
Government subsidies	156,163,722.90	60,819,903.15	58,389,111.64	158,594,514.41	Fund allocated by the government
Total	156,163,722.90	60,819,903.15	58,389,111.64	158,594,514.41	/

Projects involving government subsidies

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Newly-added subsidy amount in current period	Amount included in non-operating income of current period	Other income amount included in the current period	Others	Balance at end of period	Related to assets/income
Return of site supporting facilities fee	50,964,666.35	1,365,125.04		1,365,125.04		50,964,666.35	Related to assets
Deed tax return of office building in bonded area	4,500,750.00	353,000.00		353,000.00		4,500,750.00	Related to assets
Financial allocation for scientific research of significant national projects	100,698,306.55	59,101,778.11		34,851,793.01	21,819,193.59	103,129,098.06	Related to income

## 26. Capital stock

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

	Balance at beginning of period	Increase and decrease in this change (+, -)					Balance at end of period
		Issued new shares	Donated shares	Shares transferred from accumulation fund	Others	Subtotal	
Total shares	4,421,354,800.00						4,421,354,800.00

## 27. Capital reserves

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
Capital premium (share capital premium)	4,229,620,443.55			4,229,620,443.55
Other capital reserves	18,319,762.56			18,319,762.56
Total	4,247,940,206.11			4,247,940,206.11

## 28. Other comprehensive incomes

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Balance at beginning of period	Pre-tax accrual in current period	Amount incurred in current period					Balance at end of period
			Minus: amount included in other delayed comprehensive income and then converted into current profit and loss	Minus: amount included in other delayed comprehensive income and then converted into retained earnings	Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	
I. Other comprehensive incomes which cannot be reclassified into the profit and loss in future	43,132,646.08	22,923,300.00			3,438,495.00	19,484,805.00		62,617,451.08
Of which: Change due to re-measurement of defined benefit plans								
Other comprehensive incomes that cannot be reclassified into the profit and loss under the Equity Method								
Changes in fair value caused by other equity instrument investments	43,132,646.08	22,923,300.00			3,438,495.00	19,484,805.00		62,617,451.08
Changes in fair value caused by enterprise's own credit risk								
II. Other comprehensive incomes which will be reclassified into the profit and loss	4,407,526.53	1,856,683.86				1,856,683.86	-22,219.02	6,264,210.39
Of which: Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method								
Changes in fair value caused by other debt investment								
Amount of financial assets reclassified into other comprehensive incomes								
Creditor's rights investment depreciation reserves								
Effective portion of hedging profit and loss for cash flow								
Translation differences in foreign currency financial statements	4,407,526.53	1,856,683.86				1,856,683.86	-22,219.02	6,264,210.39
Total of other comprehensive incomes	47,540,172.61	24,779,983.86			3,438,495.00	21,341,488.86	-22,219.02	68,881,661.47

## 29. Special reserve

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
Work safety expenses	482,270,903.18	206,604,225.40	267,105,951.49	421,769,177.09
Total	482,270,903.18	206,604,225.40	267,105,951.49	421,769,177.09

## 30. Surplus reserves

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
Withdrawal of surplus reserves	1,518,681,689.64	48,819,153.44		1,567,500,843.08
Other surplus reserves	89,145,868.41			89,145,868.41
Reserve funds				
Enterprise development fund				
Others				
Total	1,607,827,558.05	48,819,153.44		1,656,646,711.49

## 31. Undistributed profits

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Item	Current period	Last period
Undistributed profits at end of previous period before adjustment	12,086,008,009.88	12,385,180,367.63
Total undistributed profit at beginning of adjustment (increase +, decrease -)		
Undistributed profit at beginning of later period of adjustment	12,086,008,009.88	12,385,180,367.63
Plus: Net profit attributable to owners of the parent company	27,926,761.89	79,778,008.87
Minus: withdrawal legal surplus	48,819,153.44	157,882,626.62
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common-stock dividends payable	221,067,740.00	221,067,740.00
Common stock dividends that converted to capital stock		
Undistributed profit at end of period	11,844,047,878.33	12,086,008,009.88

Details on undistributed profit at the beginning of period:

1. Retroactive adjustment shall be made according to Accounting Standards for Business Enterprises and related new regulations, and undistributed profit affected at the beginning of period is RMB 0.
2. The undistributed profit affected by alteration of accounting policy at the beginning of period is RMB 0.
3. The undistributed profits affected by correction of significant accounting errors at the beginning of period is RMB 0.
4. The undistributed profits affected by changes in merger scope caused by the same control at the beginning of period is RMB 0.
5. The undistributed profits affected by other adjustments at the beginning of period is RMB 0.



## 32. Operating income and operating costs

### (1) Operating income and operating costs

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period		Accrued in last period	
	Income	Cost	Income	Cost
Major business	14,663,904,759.14	12,909,869,936.76	10,979,885,912.22	9,999,584,536.89
Other businesses	46,489,571.34	12,041,352.98	72,235,265.32	28,134,983.63
Total	14,710,394,330.48	12,921,911,289.74	11,052,121,177.54	10,027,719,520.52

Other description:

#### Top 5 clients' operating income

Customer name	Operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	9,446,778,143.38	64.22
TUPI B.V.	1,358,083,153.40	9.23
Husky Oil China Ltd.	832,579,209.53	5.66
CNOOC Gas & Power Group	732,520,277.37	4.98
Dangote Oil Refining Company Limited	621,860,660.88	4.23
Total	12,991,821,444.56	88.32

#### Main business income classified by product

Product name	Amount in current period	Amount in last period
(1) Revenue from offshore engineering EPCI contract project	11,640,743,281.21	8,590,870,930.38
(2) Revenue from offshore engineering Non-EPCI contract project	1,868,115,446.95	2,065,931,804.84
Wherein: revenue from offshore installation and subsea pipe-laying	1,086,175,332.89	1,328,566,519.38
Maintenance service income	452,668,111.97	432,500,058.95
Revenue from onshore construction	180,893,102.17	160,312,958.21
Engineering design income	148,378,899.92	144,552,268.30
(3) Income from non-ocean engineering projects	1,155,046,030.98	323,083,177.00
Total	14,663,904,759.14	10,979,885,912.22

### 33. Taxes and surcharges

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Sale tax		
Business tax		
Urban maintenance and construction tax	16,679,572.79	29,605,679.40
Education surtax	7,079,437.61	13,225,304.10
Resource tax		
Property tax	22,222,357.20	20,287,885.26
Land use tax	6,119,536.97	13,341,475.37
Vehicle and vessel use tax	632,262.32	676,294.64
Stamp tax	17,051,129.71	7,372,255.71
Local educational additional fee	4,847,422.09	7,915,995.30
Others	-767,134.01	3,493,340.18
Total	73,864,584.68	95,918,229.96

### 34. Sales cost

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Publicity and exhibition expenses	4,327,772.12	6,762,168.01
Employee salary	17,846,564.68	3,538,221.92
Traveling expense	2,971,375.16	2,913,370.81
Amortization of long-term unamortized expenses	962,685.96	401,119.17
Low-value consumables	85,010.56	389,156.94
Depreciation cost and amortization of intangible assets	450,561.60	52,337.27
Office, water, electricity and communication expenses	213,919.36	12,024.48
Rental charge	1,957,629.76	
Others	7,023,318.03	1,563,051.06
Total	35,838,837.23	15,631,449.66

## 35. Administration expense

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	140,477,988.56	175,373,746.93
Depreciation cost and amortization of intangible assets	13,317,867.05	21,057,954.01
Auditing and consulting expense	9,110,266.98	15,851,047.09
Rental charge	10,869,913.49	8,933,161.32
Property management and afforestation expense	8,557,069.04	8,502,900.01
Traveling expense	4,699,770.70	5,293,910.23
Tax	4,801,825.40	4,877,458.92
Transportation expense	4,673,473.34	3,957,535.61
Office, water, electricity and communication expenses	4,549,410.21	3,693,634.79
Business entertainment expenses		191,387.79
Others	38,071,072.68	45,591,463.69
Total	239,128,657.45	293,324,200.39

## 36. R&amp;D costs

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	138,763,736.83	163,769,601.75
Machinery consumables	29,650,885.87	65,635,100.96
Traveling expense	4,642,322.67	4,771,666.20
Design expenses	2,017,445.49	2,890,763.13
Rental charge	4,787,940.49	2,882,741.41
Expert consultation expenses	620,042.28	775,212.55
Office, water and electricity expenses	603,670.12	640,222.14
Others	693,264,918.06	428,132,784.13
Total	874,350,961.81	669,498,092.27

## 37. Financial expense

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Interest expenses	978,402.78	877,291.67
Minus: interest income	-18,094,932.98	-50,124,776.13
Exchange profit and loss	-9,559,847.86	-37,782,598.02
Others	13,887,630.78	15,645,232.12
Total	-12,788,747.28	-71,384,850.36

## 38. Other incomes

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Consumption tax refund	61,159,446.43	77,677,549.47
R&D subsidy	32,867,308.62	90,544,877.53
Refund of charge for sea area utilization	32,336,700.00	5,242,000.00
Post subsidies	4,533,062.04	
Refund of land supporting facilities fee	1,365,125.04	
Reimbursement of individual income tax commissions	1,224,144.79	2,319,822.09
Reimbursement of guarantee commissions	1,222,100.00	5,000,000.00
Deed tax return of office building in bonded area	353,000.00	353,000.00
Subsidies for enterprises listed by District Administration of Industry and Information Technology		200,000.00
Additional deduction of input tax	138,354.17	
Total	135,199,241.09	181,337,249.09

## 39. Return on investment

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Long-term equity investment income accounted by equity method	-222,251,710.31	-91,735,268.69
Investment income during disposing long-term equity investment		
Investment income gained in the holding period of financial assets accounted at their fair values and with the variation included in the current profit and loss		
Investment income gained in the disposition period of financial assets accounted at their fair values and with the variation included in the current profit and loss		-43,985,000.00
Held-to-maturity investment income during holding period		
Investment incomes obtained from the disposal of held-to-maturity investment		
Investment income from available-for-sale financial assets during their holding period		9,006,827.26
Investment income from available-for-sale financial assets		
Investment income from trading financial assets during holding period		
Dividend income from investments in other equity instruments during the holding period	8,258,981.42	
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income gained by disposing trading financial assets		
Investment incomes obtained from the disposal of investments in other equity instruments		
Investment incomes obtained from the disposal of debt investment		
Investment incomes obtained from the disposal of other debt investments		
Investment income from bank financial products	147,704,228.94	80,005,983.59
Total	-66,288,499.95	-46,707,457.84



## 40. Impairment loss of credit

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Bad debt loss of other receivables	-1,155,073.78	
Impairment loss of debt investment		
Impairment loss of other debt investment		
Loss on bad debt of long-term receivables		
Loss on bad debt of accounts receivable	-16,463,361.07	
Total	-17,618,434.85	

## 41. Asset impairment loss

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
I. Bad debt loss		-7,249,535.88
II. Loss of falling inventory	-450,485,251.77	-44,696,909.60
III. Impairment loss for available-for-sale financial assets		
IV. Impairment losses on held-to-maturity investments		
V. Impairment loss of value of long-term equity investment		
VI. Impairment losses on investment property		
VII. Impairment loss of fixed assets		
VIII. Impairment losses on projects under construction		
IX. Impairment losses of construction in progress		
X. Impairment losses of productive biological assets		
XI. Impairment losses of oil and gas assets		
XII. Impairment loss of intangible assets		
XIII. Impairment loss of goodwill		
XIV. Others		
Total	-450,485,251.77	-51,946,445.48

## 42. Gain on assets disposal

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Profit and loss from disposal of fixed assets	151,900.93	131,993.49
Total	151,900.93	131,993.49

#### 43. Non-operating income

Non-operating income

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period	Amount included in extraordinary profit and loss of current period
Disposal income sum on non-current assets			
Wherein: Disposal income on fixed assets			
Disposal income on intangible assets			
Gains from debt restructuring			
Gains from exchange of non-monetary assets			
Donation received			
Government subsidies	330,000.00	17,072,978.04	330,000.00
Others	34,312,043.51	17,960,781.70	34,312,043.51
Total	34,642,043.51	35,033,759.74	34,642,043.51

Government subsidies included in current profit and loss

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Subsidy items	Amount incurred in current period	Amount incurred in last period	Related to assets/income
Science and technology award issued by Science, Technology and Innovation Commission	300,000.00		Related to income
Subsidies by Market Supervision Administration of Shenzhen Municipality	30,000.00		Related to income
Return of site supporting facilities fee		1,365,125.04	Related to income
Support funds		14,820,000.00	Related to income
Special funds for trading expansion from financial bureau		593,000.00	Related to income
Others		294,853.00	Related to income
Total	330,000.00	17,072,978.04	

#### 44. Non-operating expense

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period	The amount included in current non-recurring profit and loss
Disposal loss sum on non-current assets	184,034.60	2,342,374.62	184,034.60
Wherein: Disposal loss on fixed assets			
Disposal loss on intangible assets			
Loss from debt restructuring			
Profit and loss from non-monetary assets exchange			
External donations	199,940.00	205,000.00	199,940.00
Others	4,563,990.75	7,934,063.31	4,563,990.75
Total	4,947,965.35	10,481,437.93	4,947,965.35

#### 45. Income tax expense

##### (1) Table of income tax expense

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Income tax expense for current period	33,792,464.09	24,502,946.77
Deferred income tax expense	146,303,062.65	24,440,375.02
Total	180,095,526.74	48,943,321.79

##### (2) Accounting profit and income tax expense adjustment process

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Accrued in current period
Total profit	208,741,780.46
Income tax expense calculated according to legal/applicable tax rate	31,311,267.07
Influence of different tax rate application of subsidiary corporation	-38,101,566.86
Adjustment for influence of income tax in former period	-2,250,419.83
Influence for non-taxable income	117,279,305.85
Influence for cost, expense and losses that cannot be deductible	42,846,225.32
Influence of deductible losses from using unconfirmed deferred income taxes in former period	-2,634,610.03
Deductible temporary difference or Influence for deductible losses of unconfirmed deferred income taxes in this period	38,451,100.85
Others	-6,805,775.63
Income tax expenses	180,095,526.74

Other description:

"√ Applicable" " ☐ Inapplicable"

#### 46. Items of cash flow statement

##### (1) Other cashes received relating to operating activities

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
R&D and fund allocated by the government	163,481,835.62	197,698,620.11
Insurance claim payment	234,879,783.27	53,729,315.75
Interest income	18,094,932.98	49,819,483.05
Imprest, deposit and cash deposit	15,163,069.31	2,641,793.25
Others	90,161,417.05	25,022,461.37
Total	521,781,038.23	328,911,673.53

**(2) Other cash paid relating to operating activities**

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Imprest, deposit and cash deposit	51,747,323.86	41,197,637.29
Auditing and consulting expense	10,804,080.76	16,626,259.64
Service charge	13,887,630.78	15,645,232.12
Traveling expense	12,313,468.53	12,978,947.24
Rental charge	22,768,443.87	11,815,902.73
Property management and afforestation expense	10,412,503.52	8,502,900.01
Article of consumption and repair charge	33,343,998.86	8,389,156.94
Publicity and advertising expense	6,517,231.15	6,762,168.01
Office expense	5,589,121.30	4,345,881.41
Transportation expense	5,200,544.21	3,957,535.61
Design expenses	2,017,445.49	2,890,763.13
Healthy, safety and environmental protection fees	981,536.02	1,561,545.97
Property insurance	251,205.46	261,412.55
Business entertainment expenses	9,399.40	191,387.79
Meeting expense	178,544.20	155,056.90
Meal fee	1,084,304.31	13,011.54
Others	38,606,187.76	29,759,376.97
Total	215,712,969.48	165,054,175.85

**(3) Other cash paid relating to investment activities**

“√ Applicable” “ □ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Future foreign exchange settlement contract loss		43,985,000.00
Total		43,985,000.00



## 47. Supplementary data of cash flow statement

## (1) Supplementary data of cash flow statement

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Supplementary data	Amount in current period	Amount in last period
<b>1. Adjust the net profit into business cash flow:</b>		
Net profit	28,646,253.72	79,838,874.38
Plus: Assets depreciation reserve	450,485,251.77	51,946,445.48
Plus: Impairment loss of credit	17,618,434.85	
Loss on disposal of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	973,492,534.69	981,081,232.79
Amortization of use right assets		
Amortization of intangible assets	37,891,030.78	33,634,571.85
Amortization of long-term unamortized expenses	12,030,896.87	6,372,159.98
Loss on disposal of fixed assets, intangible assets and other long-term assets (list earnings with “-”)	-151,900.93	-131,993.49
Loss on retirement of fixed assets (list earnings with “-”)	184,034.60	2,342,374.62
Loss from fair value change (list earnings with “-”)		
Financial expense (list earnings with “-”)	-8,581,445.08	-36,905,306.35
Investment loss (list earnings with “-”)	66,288,499.95	46,707,457.84
Decrease of deferred tax assets (list increase with “-”)	146,006,614.59	20,636,762.14
Increase of deferred income tax liabilities (list decrease with “-”)	383,817.96	3,913,101.06
Inventory decrease (list increase with “-”)	-2,265,532,744.23	-839,716,574.86
Decrease of business receivables (list increase with “-”)	-796,720,469.99	-1,287,332,195.21
Increase of business receivables (list decrease with “-”)	1,323,653,811.84	1,335,076,348.28
Others	-60,501,726.09	-21,007,829.66
Net cash flow from business activities	-74,807,104.70	376,455,428.85
<b>2. Major investments and financing activities not involving cash deposit and withdrawal:</b>		
Conversion of debt into capital		
Convertible corporate bonds to mature within one year		
Fixed assets acquired under finance leases		
<b>3. Net amount variations of cash and cash equivalent:</b>		
Cash balance at end of period	1,732,072,741.05	1,943,763,661.27
Less: cash balance at beginning of period	1,943,763,661.27	4,628,562,169.78
Plus: cash equivalent balance at end of period		
Less: cash equivalent balance at beginning of period		
Net increase of cash and cash equivalent	-211,690,920.22	-2,684,798,508.51

## (2) Net cash received from the subsidiaries in the current period

“□ Applicable” “√ Inapplicable”

## (3) Net cash received from disposal of subsidiaries in current period

“□ Applicable” “√ Inapplicable”

**(4) Composition of cash and cash equivalents**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
I. Cash	1,732,072,741.05	1,943,763,661.27
Wherein: Cash on hand	12,160.77	13,092.77
Bank deposits payable anytime	1,732,060,580.28	1,943,750,568.50
Other monetary capital payable anytime		
Fund payable in Central Bank		
Deposits in other banks		
Inter-bank borrowing		
II. Cash equivalents		
Wherein: bond investment maturing within three months		
III. Cash and cash equivalent balance at end of period	1,732,072,741.05	1,943,763,661.27
Wherein: Cash and cash equivalent in limited use for the parent company or subsidiaries of the Group		

Other description:

" ☐ Applicable" "√ Inapplicable"**48. Assets with the ownership or use right limited**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item	Book value at end of period	Limit reason
Monetary capital	131,929.26	Guarantee security
Notes receivable		
Inventory		
Fixed assets		
Intangible assets		
Total	131,929.26	/

## 49. Foreign currency monetary items

## (1) Foreign currency monetary items

“√ Applicable” “□ Inapplicable”

Unit: Yuan

Item	Foreign currency balance at end of period	Exchange rate for conversion	RMB converted at end of period Balance
Monetary capital	-	-	
Wherein: USD	100,231,103.68	6.9762	699,232,225.49
EUR			
HKD	1,258,170.93	0.8958	1,127,069.52
SAR	65,932.48	1.8597	122,614.63
Qatari Rial	1,052,004.76	1.8848	1,982,818.57
NGN	5,436,042.65	0.0225	122,310.96
AED	172,801.94	1.8994	328,220.00
BND	99,094.13	5.1752	512,831.94
CAD	11,278,393.75	5.3421	60,250,307.25
THB	8,843,323.56	0.2328	2,058,725.72
IDR	31,356,348,431.00	0.0005	15,678,174.22
BRL	873,615.69	1.7334	1,514,325.44
Accounts receivable	-	-	
Wherein: USD	38,914,656.12	6.9762	271,476,424.02
EUR			
HKD	3,034,870.87	0.8958	2,718,637.33
CAD	30,730,663.73	5.3421	164,166,278.71
Other receivables	-	-	
Wherein: USD	196,412.42	6.9762	1,370,212.32
HKD	310,574.32	0.8958	278,212.48
Qatari Rial	104,080.00	1.8848	196,169.98
CAD	88,093.97	5.3421	470,606.80
IDR	658,451,501.00	0.0005	329,225.75
BRL	536.25	1.7334	929.54
Accounts payable	-	-	
Wherein:			
USD	97,648,193.47	6.9762	681,213,327.29
HKD	488,350.91	0.8958	437,464.75
CAD	20,134,291.67	5.3421	107,559,399.53
IDR	90,649,312.00	0.0005	45,324.66
BRL	14,196.58	1.7334	24,608.35
Other payables	-	-	
Wherein:			
USD	453,698.86	6.9762	3,165,093.99
HKD	254,869.74	0.8958	228,312.31
CAD	49,887.00	5.3421	266,501.34
IDR	812,332,911.00	0.0005	406,166.46
BRL	102,324.98	1.7334	177,370.12

(2) Specification for business entity overseas, including the disclosure of the main business location overseas, recording currency and selection basis for the important business entity overseas as well as the reason for the change of recording currency.

“√ Applicable” “ ☐ Inapplicable”

Important overseas operation entities	Main overseas operation location	Recording currency	Selection criterion
Lanhai International Limited	British Virgin Islands	USD	Operation business is mainly priced and settled with the currency.
COTEC INC. (originally translated into Ketai Co., Ltd.)	Houston USA	USD	Operation business is mainly priced and settled with the currency.
COOEC International Co., Limited	Hong Kong	USD	Operation business is mainly priced and settled with the currency.
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	Hong Kong	HKD	Operation business is mainly priced and settled with the currency.
COOEC Nigeria Limited	Nigeria	USD	Operation business is mainly priced and settled with the currency.
PT. COOEC Indonesia	Indonesia	IDR	Operation business is mainly priced and settled with the currency.
COOEC NIGERIA FZE	Nigeria	USD	Operation business is mainly priced and settled with the currency.
COOEC CANADA COMPANY LTD.	Canada	CAD	Operation business is mainly priced and settled with the currency.
COOEC (Thailand) Co., Ltd.	Thailand	THB	Operation business is mainly priced and settled with the currency.
COOEC Brasil Offshore Ltda.	Brazil	BRL	Operation business is mainly priced and settled with the currency.

## 50. Government subsidies

### (1) Basic information of government subsidies

“√ Applicable” “ ☐ Inapplicable”

Unit: Yuan Currency: RMB

Type	Amount	Projects presented	Amount included in the current profit and loss
Government subsidy relevant to both business activities and assets	1,718,125.04	Other incomes	1,718,125.04
Government subsidy relevant to both business activities and income	133,481,116.05	Other incomes	133,481,116.05
Government subsidy irrelevant to business activities but relevant to income	330,000.00	Non-operating income	330,000.00

### (2) Government subsidies return

“ ☐ Applicable” “√ Inapplicable”



## VIII. Change of Merger Scope

### 1. Merger under different controls

" ☐ Applicable" "✓ Inapplicable"

### 2. Merger under same control

" ☐ Applicable" "✓ Inapplicable"

### 3. Counter purchase

" ☐ Applicable" "✓ Inapplicable"

### 4. Disposing subsidiaries or businesses

Whether single disposal of subsidiary investment will lead to loss of control right.

" ☐ Applicable" "✓ Inapplicable"

Other description:

" ☐ Applicable" "✓ Inapplicable"

Whether a situation that the investment in subsidiaries is disposed step by step through multiple transactions and the control right is lost in the current period

" ☐ Applicable" "✓ Inapplicable"

### 5. Change of merger scope by other reasons

Specify the change of merger scope and other related situation caused by other reasons (such as new establishment of subsidiaries and liquidation of subsidiaries).

" ☐ Applicable" "✓ Inapplicable"

## IX. Equities in other subjects

### 1. Equities in subsidiaries

#### (1) Composition of corporate group

“√ Applicable” “ □ Inapplicable”

Subsidiary Name	Main operation location	Registration place	Business nature	Shareholding proportion (%)		Acquisition Mode of determining remuneration
				Direct	Indirect	
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	Hong Kong	Hong Kong	Detection	90.00		Subsidiary obtained through business combination not under common control
Offshore Oil Engineering (Qing Dao) Co., Ltd.	Qingdao	Qingdao	Project contracting	99.00	1.00	Establishment
COOEC SUBSEA TECHNOLOGY CO., LTD.	Shenzhen	Shenzhen	Engineering contracting and labor service	100.00		Establishment
PT. COOEC Indonesia	Indonesia	Indonesia	Project contracting		100.00	Establishment
COOEC Nigeria Limited	Nigeria	Nigeria	Project contracting	95.00	5.00	Establishment
COOEC International Co., Limited	Hong Kong	Hong Kong	Project contracting	100.00		Establishment
COOEC International Engineering Co., Ltd	Beijing	Beijing	Project contracting	100.00		Establishment
Lanhai International Limited	British Virgin Islands	British Virgin Islands	Project contracting	100.00		Establishment
Offshore Oil Engineering (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai	Project contracting	100.00		Establishment
COOEC NIGERIA FZE	Nigeria	Nigeria	Project contracting		100.00	Establishment
COTEC INC.	Houston USA	Houston USA	Engineering contracting and labor service		70.00	Establishment
Beijing Gaotai Deep-sea Technologies Co., Ltd.	Beijing	Beijing	Labor service		70.00	Establishment
COOEC CANADA COMPANY LTD.	Canada	Canada	Engineering contracting and labor service		100.00	Establishment
COOEC Brasil Offshore Ltda.	Brazil	Brazil	Engineering contracting and labor service		100.00	Establishment
COOEC (Thailand) Co., Ltd.	Thailand	Thailand	Project contracting		100.00	Establishment

Other description:

Note: COTEC INC. (originally translated into Ketai Co., Ltd.). The financial data of COTEC INC. below are all consolidated statement data.

#### (2) Important non-wholly-owned subsidiaries

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Subsidiary name	Shareholding of minority shareholders Proportion	Profit and loss attributable to minority shareholders in the current period	Dividends declared to distribute to minority stockholders in current period	Balance of minority shareholders' equities at end of period
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	10.00	23,628.85		1,089,127.51
COTEC INC. (originally translated into Ketai Co., Ltd.)	30.00	695,862.98		11,106,249.32
Beijing Gaotai Deep-sea Technologies Co., Ltd.	30.00	601,965.19		7,706,765.87

Description on proportion of shareholding of minority shareholder in subsidiaries inconsistent with proportion of votes:

" ☐ Applicable " "√ Inapplicable "

Other description:

" ☐ Applicable " "√ Inapplicable "

### (3) Main financial information of important non-wholly-owned subsidiaries

"√ Applicable " " ☐ Inapplicable "

Unit: Yuan Currency: RMB

Subsidiary name	Balance at end of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	13,402,621.86	1,471,382.60	14,874,004.46	3,982,729.12		3,982,729.12
COTEC INC. (originally translated into Ketai Co., Ltd.)	80,566,973.61	5,203,709.69	85,770,683.30	43,968,918.53	4,780,933.66	48,749,852.19
Beijing Gaotai Deep-sea Technologies Co., Ltd.	67,138,158.14	4,773,201.69	71,911,359.83	41,441,206.59	4,780,933.66	46,222,140.25

Subsidiary name	Balance at beginning of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	11,296,894.85	1,606,501.86	12,903,396.71	2,409,647.11		2,409,647.11
COTEC INC. (originally translated into Ketai Co., Ltd.)	45,953,866.14	603,866.23	46,557,732.37	11,728,635.50		11,728,635.50
Beijing Gaotai Deep-sea Technologies Co., Ltd.	33,057,539.62	50,338.03	33,107,877.65	9,425,208.71		9,425,208.71

Subsidiary name	Accrued in current period			
	operating income	Net Profit	Total comprehensive income	Cash flow from operating activities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	19,797,163.60	236,288.56	397,525.74	-2,801,536.49
COTEC INC. (originally translated into Ketai Co., Ltd.)	116,080,078.09	2,319,543.27	2,191,734.24	6,071,467.33
Beijing Gaotai Deep-sea Technologies Co., Ltd.	92,928,815.72	2,006,550.64	2,006,550.64	-524,752.29

Subsidiary name	Accrued in last period			
	operating income	Net Profit	Total comprehensive income	Cash flow from operating activities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	14,453,597.46	-2,703,907.44	-2,063,390.79	-1,419,228.77
COTEC INC. (originally translated into Ketai Co., Ltd.)	38,269,145.06	1,104,187.51	1,384,944.60	-4,520,797.94
Beijing Gaotai Deep-sea Technologies Co., Ltd.	21,625,430.88	633,630.64	633,630.64	-195,897.34

## 2. Transactions causing the owner's equity share change but still controlling the subsidiary

" ☐ Applicable " " ☐ Inapplicable "

### 3. Equities in joint venture or associates

“√ Applicable” “ □ Inapplicable”

#### (1) Important joint venture or associates

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Name of the joint venture or associates	Main operation location	Registration place	Business nature	Shareholding proportion (%)		Accounting treatment method for investment for joint venture or associates
				Direct	Indirect	
COOEC-Fluor Heavy Industries Co., Ltd.	Zhuhai	Zhuhai	Project contracting	51.00		Perform subsequent measurement based on equity method
Tianjin Zhonghe Marine Energy Engineering Co., Ltd.	Tianjin	Tianjin	Service	33.33		Perform subsequent measurement based on equity method
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	Qingdao	Qingdao	Design and technical consultation services	40.00		Perform subsequent measurement based on equity method

Proportion of shareholding in joint venture or associates is inconsistent with description of proportion of votes:

Note: The Company's subsidiary - Offshore Oil Engineering (Zhuhai) Co., Ltd. and Fluor Co., Ltd. - subordinated to Fluor Corporation, jointly invested to found "COOEC Fluor Heavy Industry Co., Ltd. in February 2016, with 51% equity held by Offshore Oil Engineering (Zhuhai) Co., Ltd. in the form of assets and cash, and 49% equity held by Fluor Co., Ltd. The Board of Directors of the joint venture comprises of 7 directors, including 4 from Offshore Oil Engineering (Zhuhai) Co., Ltd. and 3 from Fluor Co., Ltd. Any board meeting needs at least 5 directors to vote, including two directors from each side. According to the joint venture agreement and Articles of Association, major operation decisions need to be agreed by all directors present in the board meeting. Any party cannot individually control and can prevent the counterparty controlling such decisions. Therefore, COOEC Fluor Heavy Industry Co., Ltd. is a joint venture.

#### (2) Main financial information of important joint ventures

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

	Balance at end of period/amount incurred in current period	Balance at beginning of period/amount incurred in last period
	COOEC-Fluor Heavy Industries Co., Ltd.	COOEC-Fluor Heavy Industries Co., Ltd.
Current assets	830,515,438.16	1,415,081,266.27
Wherein: cash and cash equivalent	187,997,393.70	339,848,086.74
Non-current assets	4,960,363,091.74	4,806,284,751.90
Total assets	5,790,878,529.90	6,221,366,018.17
Current liabilities	693,279,295.09	617,786,617.94
Non-current liabilities	6,960,000.00	6,960,000.00
Total liabilities	700,239,295.09	624,746,617.94
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	5,090,639,234.81	5,596,619,400.23
Net assets share calculated based on shareholding proportion	2,596,226,009.75	2,854,275,894.12
Adjusting events	-591,332,922.88	-627,438,275.63
- Goodwill		
--Profit unrealized in internal transaction	-595,034,461.05	-631,139,813.82
- Others	3,701,538.17	3,701,538.19

	Balance at end of period/amount incurred in current period	Balance at beginning of period/amount incurred in last period
	COOEC-Fluor Heavy Industries Co., Ltd.	COOEC-Fluor Heavy Industries Co., Ltd.
Book value for equity investment of cooperative enterprises	2,004,893,086.87	2,226,837,618.49
Fair value for equity investment of cooperative enterprises with public offer		
operating income	411,472,120.58	1,417,175,269.15
Financial expense	-4,468,543.82	-16,491,107.93
Income tax expenses	-170,641,611.29	-80,800,024.98
Net Profit	-505,980,165.47	-251,471,528.12
Net profit for discontinuing operation		
Other composite incomes		
Total comprehensive income	-505,980,165.47	-251,471,528.12
Dividend received from cooperative enterprises in current year		

### (3) Main financial information of important associates

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

	Balance at end of period/amount incurred in current period	Balance at beginning of period/amount incurred in last period
	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.
Current assets	509,679.06	529,360.52
Non-current assets	158,216.35	1,174,206.88
Total assets	667,895.41	1,703,567.40
Current liabilities	26,158,517.53	26,062,651.77
Non-current liabilities		
Total liabilities	26,158,517.53	26,062,651.77
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	-25,490,622.12	-24,359,084.37
Net assets share calculated based on shareholding proportion	-10,196,248.85	-9,743,633.75
Adjusting events		
- Goodwill		
--Profit unrealized in internal transaction		
- Others		
Book value for equity investment of associates		
Fair value for equity investment of associates with public offer		
operating income		
Net Profit	-1,131,537.75	-1,824,300.89
Net profit for discontinuing operation		
Other composite incomes		
Total comprehensive income	-1,131,537.75	-1,824,300.89
Dividend received from associates in current year		



**(4) Financial information of unimportant joint venture or associates**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

	Balance at end of period/amount incurred in current period	Balance at beginning of period/amount incurred in last period
Joint venture:		
Total book value of investment		
The total number of the following items calculated according to the shareholding ratio		
--Net Profit		
--Other composite incomes		
--Total comprehensive income		
Associate:		
Total book value of investment	1,359,486.31	
The total number of the following items calculated according to the shareholding ratio		
--Net Profit	-307,178.69	
--Other composite incomes		
--Total comprehensive income		

**(5) Excess deficit incurred in joint venture or associates**"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Name of the joint venture or associates	Cumulative unrecognized pre-period loss	Unrecognized loss at end of current period (or net profit shared in current period)	Cumulative unrecognized loss at end of current period
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	9,743,633.75	452,615.10	10,196,248.85

## X. Risks in Connection to Financial Instruments

“√ Applicable” “ □ Inapplicable”

The main financial instruments of the Company include loan, receivables, payables, transaction financial assets and trading financial liabilities. For details of all financial instruments see Annex V. The risks in connection to the financial instruments and the risk management policies adopted by the Company for reducing those risks are as follows. In order to ensure all the above risks to be controlled within a limited scope, the management layer of the Company has controlled and supervised the risk exposure.

### (I) Credit risk

On December 31, 2019, the maximum credit risk exposure that may cause financial loss of the Company was mainly from the loss of financial assets of the Company caused by failure of obligation performance by the other party under the contract and the financial guarantee undertaken by the Company. Specific risk management policies are as follows: to reduce the credit risk, the Company sets special department to determine credit lines and conduct credit approval as well as execute other monitoring procedures, so as to ensure to take necessary measures to recycle stale claim. In addition, the Company examined and verified the recovery of each receivable at every date of balance sheet to ensure that bad debt reserves could be fully drawn for accounts irrecoverable. Therefore, the management layer of the Company think that the credit risk has been significantly reduced.

The Company adopts necessary policies to ensure good credit record for all trade debtors. Besides top five amount of payables, the Company has no major centralized credit risks.

As of December 31, 2019, the receivables of top five clients of the Company took up 93.55% of the total of the Company.

The credit risks of current capital of the Company is very low since it deposits in a bank with higher credit rating.

### (II) Market risks

Market risks of financial instruments indicate the fluctuation risks caused by changes of the fair value of financial instruments and future cash flow due to market price, including foreign exchange risks and other risks.

#### (1) Exchange rate risk

Foreign exchange risks indicate the fluctuation risks caused by changes of the fair value of financial instruments and future cash flow due to foreign exchange rate change. The Company makes efforts to balance the foreign currency income and expense to reduce foreign exchange risks. Besides, the Company may sign the forward foreign exchange contract or currency swap contract to avoid foreign exchange risks.

The main business of the Company is located within Chinese territory and is settled in RMB; however, FX risk exists still for foreign currency assets and liabilities confirmed by the Company as well as foreign currency exchange in the future. The FX risk of the Company is mainly related to US dollar. As of September 31, 2019, the foreign currency financial assets and foreign currency financial liabilities held by the Company were shown as follows. The FX risk incurred for the assets and liabilities of USD balance may have impact on the business performance of the Company.

Item	Balance at end of period	Balance at end of last year
Monetary capital - USD	100,231,103.68	48,442,019.04
Accounts receivable - USD	38,914,656.12	38,492,273.22
Other receivables - USD	196,412.42	32,607,692.45
Accounts payable - USD	97,648,193.47	55,410,256.82
Other payables - USD	453,698.86	7,225,151.28
Advance receipts - USD	46,466.50	195,386.08
Advance payment - USD	15,465,235.62	10,919,567.73
Total	252,955,766.67	193,292,346.62

The Company pays close attention to the impact of exchange rate fluctuation on itself and emphasizes on the study of exchange rate risk management policy and strategy. To avoid the fluctuation risk of exchange rate, the Company has signed forward foreign exchange contracts with banks for some receivables to be settled in foreign currency, so as to lock the exchange rate at the time of receiving and avoid adverse effect on the Company's operation due to exchange rate fluctuation. Meanwhile, with the constant development of the Company on international market and in case of uncontrolled risks for the Group as appreciation of the RMB, the Company shall adjust the relevant policies to reduce the risks aroused.

#### (2) Other price risk

The Company provides design, building and marine installation services for offshore oil and gas field development and supporting engineering based on market price, and, therefore, will be affected by the price fluctuation.

### (III) Liquidity risk

Liquidity risk refers to the risk that the financial obligation of the Company is failed to be performed before expiring date. The method for liquidity risk management of the Company is to ensure enough financial liquidity to perform the matured debts without causing unacceptable loss or damage to enterprise reputation. The Company analyzes the liability structure and duration regularly to ensure abundant fund reserves. Management layer will monitor the use of bank loans, ensure the use is in compliance with the borrowing agreements, and meanwhile, negotiate with financial institutions on financing, to keep certain line of credit and lower liquidity risk.

Financial liability of the Group is listed as follows by undiscounted contract cash flow at due date:

Item	Balance at end of period			
	< 1 year	1-2 year (s)	2-5 years	Total
Accounts payable	6,862,938,533.84			6,862,938,533.84
Employee salary payable	137,424,595.62			137,424,595.62
Other payables	153,816,145.87			153,816,145.87
Long-term loans			220,000,000.00	220,000,000.00
Total	7,154,179,275.33		220,000,000.00	7,374,179,275.33

Item	Balance at end of last year			
	< 1 year	1-2 year (s)	2-5 years	Total
Accounts payable	3,940,765,468.72			3,940,765,468.72
Employee salary payable	277,872,237.15			277,872,237.15
Other payables	74,401,069.57			74,401,069.57
Long-term loans			220,000,000.00	220,000,000.00
Total	4,293,038,775.44		220,000,000.00	4,513,038,775.44

### (IV) Sensitivity analysis

Sensitivity analysis technology is used by the Company to analyze the rationality for risk variable and possible impact of potential change on current profit and loss or owner's equity. Risk variable always occurs not in isolation, and the dependency between variables will have a great effect on the final influence amount with a risk variable changed, so the following are performed supposing that the each variable is changed independently.

For foreign currency assets and liabilities on the balance sheet date, supposing other variables do not change, the impact of the possible reasonable change for exchange rate on current profit and loss and entities is as follows:

Item	Exchange rate fluctuation	Current period	
		Impact on net profit	Impact on owner's equity
All foreign currencies	Appreciation of RMB by 5%	19,763,242.88	19,763,242.88
All foreign currencies	Depreciation of RMB by 5%	-19,763,242.88	-19,763,242.88

## XI. Disclosure of Fair Value

### 1. Fair value at end of period of assets and liabilities measured by fair value

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Item	Fair value at end of period			Total
	Measuring of the first layer fair value	Measuring of the second layer fair value	Measuring of the third layer fair value	
I. Measuring of the continuous fair value				
(I) Trading financial assets				
1. Financial assets which are measured at the fair value and of which the fluctuations are included in the current profit and loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Designation of financial assets measured at their fair values and with the variation included in the current profit and loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other debt investment				
(III) Investment in other equity instruments	110,351,700.00			110,351,700.00
(IV) Investment real estate				
1. Right to use for lands for rent				
2. Buildings leased				
3. Use to right for lands held and prepared for transfer after value-adding				
(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets measured continuously by fair value	110,351,700.00			110,351,700.00
(VI) Trading financial liabilities				
1. Financial liabilities which are measured at the fair value and of which the fluctuations are included in the current profit and loss				
Wherein: issued trading bond				
Derivative financial Liabilities				
Others				
2. Designated as financial liabilities measured by fair value with their changes included in current profit and loss				
Total liabilities measured continuously by fair value				
II. Metering of the non-continuous fair value				
(I) Assets held for sale				
Total assets measured non-continuously by fair value				
Total liabilities measured non-continuously by fair value				

## 2. Basis for determining of the continuous and non-continuous project market price metered by the first layer of fair value

☒ Applicable ☐ Inapplicable

The investment in other equity instruments metering by fair value of the Company are the stock of listed company held, and the fair value of the assets shall be determined based on the closing price of the stock at end of period.

## 3. Qualitative and quantitative information on valuation techniques and important parameters for continuous and non-continuous project market price metered by the second layer of fair value

☐ Applicable ☒ Inapplicable

## 4. Qualitative and quantitative information on valuation techniques and important parameters for continuous and non-continuous project market price metered by the third layer of fair value

☒ Applicable ☐ Inapplicable

For the determination of fair value, the input value of the third layer shall be used. If the recent information used to determine the fair value is insufficient, or the estimated amount of the fair value is widely distributed, and the cost represents the best estimate of the fair value within the range, the cost may represent the appropriate estimate of the fair value within the distribution range.

## XII. Related Parties and Connected Transactions

### 1. Profile of parent company of the enterprise

☒ Applicable ☐ Inapplicable

Unit: 10,000 yuan Currency: RMB

Name of parent company	Registration place	Business nature	Registered capital	Shareholding proportion of parent company to the enterprise (%)	Proportion of voting rights of parent company to the enterprise (%)
China National Offshore Oil Corporation	Beijing	Offshore oil and gas exploration, development, production and refining; petroleum and chemical products sales	11,380,000.00	48.36	55.33

Description of parent company of the enterprise

China National Offshore Oil Corporation (hereinafter referred to as CNOOC for short) holds the stock rights of 6.65%, 0.28% and 0.04% respectively via the wholly-owned subsidiaries CNOOC Nanhai West Corporation, CNOOC Bohai Corporation and the holding subsidiary CNOOC Finance Co., Ltd., so the proportion for voting rights is 55.33%.

The final controlling party of the enterprise is China National Offshore Oil Corporation.

### 2. Profile of subsidiaries of the enterprise

For details of the subsidiaries of the enterprise, please refer to the Note "IX. Equities in Other Subjects".

☐ Applicable ☒ Inapplicable

### 3. Profile of joint venture or associates of the enterprise

For details of key joint venture and associates of the enterprise, please refer to Note "IX. Equities in Other Subjects".

☐ Applicable ☒ Inapplicable

Other joint venture or associates having related-party transaction in current period or in previous period to form balance are listed as follows.

☐ Applicable ☒ Inapplicable

Other description

☐ Applicable ☒ Inapplicable



#### 4. Profile of other related parties

“√ Applicable” “□ Inapplicable”

Name of other related parties	Relationship between other related parties and the enterprise
CNOOC Bohai Corporation	Wholly owned subsidiary of parent company
CNOOC Nanhai West Corporation	Wholly owned subsidiary of parent company, which is a shareholder holding more than 5% of the company's shares.
China National Offshore Oil Corporation	Holding subsidiary of parent company
China Oilfield Services Ltd.	Holding subsidiary of parent company
CNOOC Finance Co., Ltd.	Holding subsidiary of parent company
CNOOC Nanhai East Corporation	Wholly owned subsidiary of parent company
CNOOC Industrial Co., Ltd.	Wholly owned subsidiary of parent company
CNOOC Gas & Power Group	Wholly owned subsidiary of parent company
CNOOC Energy Technology & Services Limited	Holding subsidiary of parent company
CNOOC Oil & Petrochemicals Co., Ltd.	Wholly owned subsidiary of parent company
China Offshore Oil Service (Hong Kong) Co., Ltd.	Wholly owned subsidiary of parent company
CNOOC Research Institutes Co., Ltd.	Wholly owned subsidiary of parent company
CNCCC International Tendering Co., Ltd.	Wholly owned subsidiary of parent company
China National Chemical Construction Corporation	Wholly owned subsidiary of parent company
China BlueChemical Ltd.	Holding subsidiary of parent company
CNOOC Energy Technology & Development Institute	Wholly owned subsidiary of parent company

#### 5. Connected transactions

##### (1) Connected transactions for purchasing and selling commodities and providing and accepting labor service

Table for Purchasing Commodities and Accepting Labor Service

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Related parties	Contents of connected transaction	Accrued in current period	Accrued in last period
CNOOC Energy Technology & Services Limited	Engineering subcontracting, material procurement, transportation, fuel, estate management, etc.	1,509,386,955.72	1,172,982,158.33
COOEC-Fluor Heavy Industries Co., Ltd.	Engineering subcontracting	71,161,699.39	202,533,207.65
China National Offshore Oil Corporation	Staff insurance, software use and other services	25,311,232.85	58,479,872.96
CNOOC Bohai Corporation	Water, electricity and staff physical examination	22,034,026.78	40,163,678.51
China Offshore Oil Service (Hong Kong) Co., Ltd.	Material procurement	48,954,633.57	28,840,896.19
China Oilfield Services Ltd.	Transportation, vessel, etc.	30,555,861.60	16,059,843.24
CNOOC Industrial Co., Ltd.	Services such as real estate, engineering subcontracting, fuel, water & power, etc.	17,058,567.78	8,960,690.20
China Offshore Oil Nanhai East Corporation	Engineering subcontracting	1,867,077.63	4,068,017.63
CNOOC Oil & Petrochemicals Co., Ltd.	Engineering subcontracting	4,979,706.73	3,971,509.13
CNOOC Gas & Power Group	Engineering subcontracting	666,245.37	3,632,630.19
CNOOC Nanhai West Corporation	Property services	810,939.85	3,180,573.56
China BlueChemical Ltd.	Engineering subcontracting	30,362.38	2,200,000.00
CNOOC Research Institutes Co., Ltd.	Engineering subcontracting	624,960.00	1,828,687.15
CNOOC Energy Technology & Development Institute	Water, electricity and other services	1,121,825.66	1,001,346.17
China National Offshore Oil Corporation	Wharf service	4,145,977.52	499,149.29
CNCCC International Tendering Co., Ltd.	Bidding and tendering service	1,092,346.23	329,847.17

## Table for Selling Commodities/Providing Labor Services

"√ Applicable" "□ Inapplicable"

Unit: Yuan Currency: RMB

Related parties	Contents of connected transaction	Accrued in current period	Accrued in last period
China National Offshore Oil Corporation	Design, installation, construction and other professional services	9,446,778,143.38	7,159,596,386.31
CNOOC Gas & Power Group	Design, installation, construction and other professional services	732,520,277.37	468,281,524.23
CNOOC Energy Technology & Services Limited	Design, installation, construction and other professional services	3,198,768.52	299,340,660.76
China Oilfield Services Ltd.	Transportation, vessel, etc.	11,928,647.40	51,866,561.38
CNOOC Research Institutes Co., Ltd.	Design, installation, construction and other professional services	11,946,417.25	17,529,523.49
COOEC-Fluor Heavy Industries Co., Ltd.	Personnel sent abroad, material sales and detection	11,346,520.90	12,494,831.36

Description for connected transactions for purchasing and selling commodities and providing and accepting labor service.

"□ Applicable" "√ Inapplicable"

## (2) Associated commissioned management/contracting and entrusted management/outsourcing

Table for Trusteeship Management and Contracting of the Company:

"□ Applicable" "√ Inapplicable"

Associated management/contract description

"√ Applicable" "□ Inapplicable"

Associated trustee research

Subject client	Subject name	Subject funds	
		Balance at end of period	Balance at end of last year
China National Offshore Oil Corporation	Construction technology research of Liwan 3-1 and its peripheral deepwater oil and gas fields, development of key construction machinery, application research of Liwan 3-1 and its peripheral gas field underwater pipeline back jointing technology and supporting equipment, underwater production system failure mode analysis, and emergency maintenance technology application	45,407,777.33	31,313,784.20
CNOOC Research Institutes Co., Ltd.	Technology research of floating platform construction and installation, design and research of FLNG/FLPG device oil and gas pretreatment and upper liquidation module, key technology research of outward transportation system and cross-over pipe connection of West Africa deepwater technology research subject, research of platform module construction and installation technology, deepwater semi-submersible hoisting pipe-laying ship and auxiliary works	14,308,842.57	12,094,527.19
China National Offshore Oil Corporation	Light semi-submersible, deepwater riser monitoring, real-time analysis of pipe 201 laying system, new SAPR oil storage technology (phase II)	15,137,898.40	990,092.17

Commissioned management/contracting out of the Company

"□ Applicable" "√ Inapplicable"

Related Management/Contracting Out

"□ Applicable" "√ Inapplicable"

**(3) Associated lease**

The Company is the lessor:

" ☐ Applicable" "✓ Inapplicable"

The Company is the lessee:

" ☐ Applicable" "✓ Inapplicable"

Description of related lease

" ☐ Applicable" "✓ Inapplicable"

**(4) Associated guarantee**

The Company is the guarantee

" ☐ Applicable" "✓ Inapplicable"

The Company is the guarantee

" ☐ Applicable" "✓ Inapplicable"

Description of associated guarantee

"✓ Applicable" " ☐ Inapplicable"

Refer to "XIV, (II)" for details of the Company's guarantee to subsidiaries.

**(5) Borrowing of funds by related parties**

"✓ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Related parties	Amount borrowed	Starting day	Due date	Remarks
Borrowed				
China National Offshore Oil Corporation	90,000,000.00	March 2017	March 2022	
China National Offshore Oil Corporation	130,000,000.00	February 2018	February 2023	
Lending				

**(6) Asset transfer and debt restructuring of related parties**

" ☐ Applicable" "✓ Inapplicable"

**(7) Remuneration of key management personnel**

"✓ Applicable" " ☐ Inapplicable"

Unit: 10,000 yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Remuneration of key management personnel	790.53	788.58

**(8) Other connected transactions**

"✓ Applicable" " ☐ Inapplicable"

**1) Interest income on deposit of related parties**

Type and name of related parties	Amount at current period	Amount at last period
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	12,084,571.03	6,961,875.10
Total	12,084,571.03	6,961,875.10

## 2) Interest income on deposit of related parties

Related parties	Balance at end of period	Balance at end of last year
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	919,836,522.35	1,392,106,869.39
Total	919,836,522.35	1,392,106,869.39

## 3) Investment incomes gained by related parties

Type and name of related parties	Amount at current period	Amount at last period
	Amount	Amount
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	8,258,981.42	9,006,827.26
Subtotal	8,258,981.42	9,006,827.26
Joint venture		
COOEC-Fluor Heavy Industries Co., Ltd.	-221,944,531.62	-91,735,268.69
Subtotal	-221,944,531.62	-91,735,268.69
Associate		
Tianjin Zhonghe Marine Energy Engineering Co., Ltd.	-307,178.69	
Subtotal	-307,178.69	

## 4) Interest expense of related parties

Type and name of related parties	Amount at current period	Amount at last period
Other enterprises controlled by the same controlling shareholder and final controlling party		
China National Offshore Oil Corporation	978,402.78	877,291.67
Total	978,402.78	877,291.67

## 6. Receivables and payables of related parties

## (1) Receivables

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Related parties	Balance at end of period		Balance at beginning of period	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Accounts receivable	China National Offshore Oil Corporation	4,051,909,442.31		3,288,927,648.59	
Accounts receivable	CNOOC Energy Technology & Services Limited	2,991,137.29		230,110,468.51	
Accounts receivable	CNOOC Gas & Power Group	227,840,855.59		189,904,529.70	
Accounts receivable	China Oilfield Services Ltd.	11,829,779.35		26,109,660.00	
Accounts receivable	CNOOC Research Institutes Co., Ltd.	5,332,670.00		13,334,080.00	
Accounts receivable	CNOOC Oil & Petrochemicals Co., Ltd.			7,099,004.86	
Accounts receivable	COOEC-Fluor Heavy Industries Co., Ltd.	4,808,353.41		5,347,480.24	
Advance payment	CNOOC Energy Technology & Services Limited	6,808,681.14			
Other receivables	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,711,324.79	1,711,324.79	1,711,324.79	1,711,324.79

Item	Related parties	Balance at end of period		Balance at beginning of period	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Other receivables	COOEC-Fluor Heavy Industries Co., Ltd.	838,754.77		838,754.95	
Other receivables	China National Offshore Oil Corporation	3,779.77		88,881.95	
Other receivables	China Oilfield Services Ltd.	111,720.90			
Interest receivable	CNOOC Finance Co., Ltd.	1,099,709.06		1,177,695.18	

## (2) Payables

“√ Applicable” “□ Inapplicable”

Unit: Yuan      Currency: RMB

Item	Related parties	Book balance at end of period	Book balance at beginning of period
Accounts payable	CNOOC Energy Technology & Services Limited	756,881,568.53	471,072,020.96
Accounts payable	COOEC-Fluor Heavy Industries Co., Ltd.	83,011,259.83	130,611,504.53
Accounts payable	China Offshore Oil Service (Hong Kong) Co., Ltd.	16,022,755.75	11,675,013.16
Accounts payable	CNOOC Bohai Corporation	5,468,650.29	9,093,692.60
Accounts payable	CNOOC Gas & Power Group	404,686.39	7,722,386.42
Accounts payable	China National Offshore Oil Corporation	3,562,064.00	5,533,172.10
Accounts payable	China Oilfield Services Ltd.	12,954,157.13	3,494,434.21
Accounts payable	CNOOC Industrial Co., Ltd.	7,250,737.64	2,836,031.36
Accounts payable	CNOOC Nanhai West Corporation	477,415.72	2,364,446.33
Accounts payable	CNOOC Oil & Petrochemicals Co., Ltd.	359,771.44	2,344,200.18
Accounts payable	China BlueChemical Ltd.		2,200,000.00
Accounts payable	CNOOC Research Institutes Co., Ltd.	667,519.78	2,082,303.14
Accounts payable	China National Offshore Oil Corporation	3,393,427.52	123,290.10
Accounts payable	CNOOC Nanhai East Corporation	373,302.55	
Advance receipts	China National Offshore Oil Corporation	457,301,210.55	1,945,064,916.84
Advance receipts	CNOOC Gas & Power Group		2,033,446.33
Other payables	China National Chemical Construction Corporation		75,204.25
Other payables	CNOOC Energy Technology & Services Limited	872,803.28	42,729.57
Other payables	CNOOC Bohai Corporation	53,280.00	
Other payables	CNOOC Oil & Petrochemicals Co., Ltd.	200,386.62	
Other payables	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,513,680.05	1,513,680.05
Interest payable	China National Offshore Oil Corporation	29,486.11	29,486.11
Long-term loans	China National Offshore Oil Corporation	220,000,000.00	220,000,000.00

## 7. Commitment of related parties

“□ Applicable” “√ Inapplicable”



### XIII. Stock Payment

#### 1. Overall condition of stock payment

" ☐ Applicable" "√ Inapplicable"

#### 2. Equity-settled stock payment

" ☐ Applicable" "√ Inapplicable"

#### 3. Cash-settled stock payment

" ☐ Applicable" "√ Inapplicable"

#### 4. Modification and termination of stock payment

" ☐ Applicable" "√ Inapplicable"

#### 5. Others

" ☐ Applicable" "√ Inapplicable"

### XIV. Commitments and Contingencies

#### 1. Important commitments

"√ Applicable" " ☐ Inapplicable"

Important external commitments, property and amount on balance sheet date.

- (1) Resolution on Establishing Joint Venture with Fluor - Changing the Investment Project into Joint Venture was adopted upon deliberation at the 13th Meeting of the 5th Board of Directors convened on August 19, 2015 and the first extraordinary shareholders meeting of 2015 held on September 15, 2015. It was agreed to change Zhuhai Deepwater Ocean Engineering Equipment Manufacturing Base Project into joint venture mode. According to above documents, Offshore Oil Engineering (Zhuhai) Co., Ltd. and Fluor jointly found "COOEC Fluor Heavy Industry Co., Ltd." on January 8, 2016, with registered capital of USD 999.6 million, including USD 509.8 million from Offshore Oil Engineering (Zhuhai) Co., Ltd. in the form of fixed assets and cash. As of December 31, 2019, USD 482.8 million was contributed, and the rest contribution obligation of USD 27 million will be performed before December 31, 2020.
- (2) As of December 31, 2019, the Company has no contract that has been signed but not paid.

#### 2. Contingencies

##### (1) Important contingencies on balance sheet date

"√ Applicable" " ☐ Inapplicable"

As of December 31, 2019, the Company's guarantees in performance:

- 1) As approved upon deliberation by the 4th Meeting of the 5th Board of Directors held on July 23, 2014, the Company provided the parent company guarantee for the general contractor YAMZGA for Russia Yamal project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd. The guaranteed person is YAMZGA Company (general contractor of Yamal project). The guarantee amount is 35% of the total contract amount (about USD 575.1 million), thereof the maximum cumulative liability upper limit is 25% and the maximum defer penalty is 10% of the contract amount. And guarantee period is from the issue date to September 23, 2021. Commitments as above have been reviewed and approved by the second extraordinary shareholders meeting of 2014 held on September 16, 2014. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on www.sse.com.cn, website of Shanghai Stock Exchange on July 25 and September 17, 2014 respectively)
- 2) As approved on the 26th Meeting of the 5th Board of Directors on March 17, 2017, the Company would reissue three performance guarantees for three columns of modules involved in Yamal project of Offshore Oil Engineering (Qing Dao) Co., Ltd., with the validity period same as the warranty period of respective modules. The total amount guaranteed is USD 131 million. Wherein, the guarantee period of Train 1 module is as of December 23, 2020, that of Train 2 module is as of March 23, 2021 and that of Train 3 module is as of September 23, 2021. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on March 21, 2017).

- 3) As approved upon deliberation by the 19th Meeting of the 5th Board of Directors held on July 6, 2016, the Company provides parent company guarantee for Shell Netherland Company based on Shell SDA project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd. The contract of Shell SDA project is a unit price contract with estimated contract amount of USD 26.92 million (the final contract amount is subject to actual work quantity). Based on the agreement, the maximum claim amount is 10% of the contract amount, i.e. about USD 2.692 million, and the guarantee period starts from guarantee issuing date to April 7, 2020. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on July 8, 2016)
- 4) Upon approval on the 9th Meeting of the 6th Board of Directors of the Company held on May 21, 2018, the Company issued parent company guarantee for Nexen LLSW EPC Project undertaken by its subsidiary COOEC CANADA COMPANY LTD., with the contract amount of CAD 150 million and guarantee amount of CAD 75 million. The guarantee period starts from the date of issuing till December 20, 2026. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on May 22, 2018)
- 5) Upon approval on the 14th Meeting of the 6th Board of Directors of the Company held on March 22, 2019, the Company issued parent company guarantee to CEC INTERNATIONAL, LTD for Abandonment of 2 Platforms in SKL-C Block under EPC Contract undertaken by its subsidiary COOEC (Thailand) Co., Ltd., with the contract amount of USD 5.4363 million and guarantee amount of USD 8.1545 million. The guarantee period starts from the date of issuing till January 31, 2021. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on March 26, 2019)
- 6) Upon approval on the 17th Meeting of the 6th Board of Directors of the Company held on June 6, 2019, the Company issued parent company guarantee to JGC Fluor BC LNG Joint Venture for LNG Module Construction Project undertaken by its subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd., with the contract amount of RMB 4.898 billion and guarantee amount of RMB 2.449 billion. The guarantee period starts from the date of issuing till September 15, 2025. Commitments as above have been reviewed and approved by the first extraordinary shareholders meeting of 2019 held on June 25, 2019. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on June 7 and June 26, 2019 respectively)
- 7) Upon approval by all directors on the 20th Meeting of the 6th Board of Directors of the Company held on December 20, 2019, the Company issued a performance bank guarantee and an advance payment guarantee for offshore transportation and installation project of Dangote undertaken by its subsidiary COOEC NIGERIA FZE, with the guarantee amount of USD 38.2 million and guarantee period adjusted from "issuing date till December 31, 2018" to June 30, 2020. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on December 24, 2019)

Guarantees released in the report period:

- 1) As approved upon deliberation by the 13th Meeting of the 4th Board of Directors held on April 24, 2012, the Company provided parent company guarantee with JKC being the beneficiary for Offshore Oil Engineering (Qing Dao) Co., Ltd. as well as letter of commitment of the bank guarantee that Offshore Oil Engineering (Qing Dao) Co., Ltd. opened in the Standard Chartered Bank for JKC. The maximum compensation liability of the above two guarantees is 100% of the contract amount, viz. USD 305.4 million. Guarantee period of the parent company is from the issue date to May 2, 2019. Commitments as above have been reviewed and approved by the general meeting of shareholders of 2011 held on May 11, 2012. (See resolution announcement and guarantee announcement of Board of Directors and resolution announcement of shareholders meeting published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on April 26, 2012 and May 12, 2012 respectively)
- 2) Upon approval on the 6th Meeting of the 6th Board of Directors of the Company held on January 22, 2018, the Company issued parent company guarantee for Nyhamna project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd., with the guarantee amount adjusted from USD 1.1 million to USD 12.1 million and guarantee period adjusted from "issuing date till October 30, 2017" to the date of the owner issuing receiving certificate, i.e. expected to be June 14, 2019. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on January 23, 2018)

## (2) The important contingencies not required to be disclosed shall be explained as well:

☒ Applicable    ☐ Inapplicable

**Matters to be arbitrated**

On November 9, 2016, S. B. Submarine Systems Co., Ltd. initiate an arbitration to Hong Kong International Arbitration Centre for KJO Project sub-contract payment, requiring Saudi branch of the Company to pay changed engineering fund borne by it during implementing the project sub-contracting and requiring the Company to bear the liability to guarantee. For this issue, the Company and Saudi branch of the Company did not reach an agreement with S. B. Submarine Systems Co., Ltd., so the Company employed Pinsent Masons to defend the Company. The arbitration held a hearing in December 2018 and is now in the stage of waiting for a final decision. The result of the arbitration is uncertain. As of the date approving the financial report, the arbitration has no progress.

Except the aforesaid contingencies, the Company had no other major or contingent matters as of December 31, 2019.

**3. Others**

☐ Applicable    ☒ Inapplicable

**XV. Events after the Balance Sheet Date****1. Major non-adjusting events**

☐ Applicable    ☒ Inapplicable

**2. Profit-sharing**

☒ Applicable    ☐ Inapplicable

Unit: 100 million yuan    Currency: RMB

Profits or dividends to be allocated	2.65
Profits or dividends to be released upon approval	2.65

**3. Sales return**

☐ Applicable    ☒ Inapplicable

**4. Explanation to events after the balance sheet date**

☐ Applicable    ☒ Inapplicable

**XVI. Other Important Matters****1. Correction of early accounting error****(1) Retrospective restatement approach**

☐ Applicable    ☒ Inapplicable

**(2) Prospective application approach**

☐ Applicable    ☒ Inapplicable

**2. Debt restructuring**

☐ Applicable    ☒ Inapplicable

### 3. Assets replacement

#### (1) Non-monetary assets exchange

" ☐ Applicable" "√ Inapplicable"

#### (2) Other assets replacement

" ☐ Applicable" "√ Inapplicable"

### 4. Annuity plan

" ☐ Applicable" "√ Inapplicable"

### 5. Discontinuing operation

" ☐ Applicable" "√ Inapplicable"

### 6. Division information

#### (1) Determination basis and accounting policy of report divisions

" ☐ Applicable" "√ Inapplicable"

#### (2) Financial information of report divisions

" ☐ Applicable" "√ Inapplicable"

#### (3) If there's no report segments or total assets or liabilities of report divisions cannot be disclosed, explain the reasons.

" ☐ Applicable" "√ Inapplicable"

### 7. Other critical transactions or matters impacting investment decision

" ☐ Applicable" "√ Inapplicable"

## XVII. Notes to Main Items of Financial Statements of the Parent Company

### 1. Accounts receivable

#### (1) Disclosure by accounting age

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Accounting age	Book balance at end of period
< 1 year	
Of which: subentry within 1 year	
< 1 year (including 1 year)	4,724,774,048.07
Subtotal within 1 year	4,724,774,048.07
1 to 2 year(s)	67,437,400.94
2 to 3 years	11,709,612.57
Above 3 years	186,297,933.21
Total	4,990,218,994.79

## (2) Classification disclosure by withdrawal method of bad debt reserves

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Category	Balance at end of period				Book value
	Book balance		Bad debt reserves		
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Separate withdrawal of bad debt reserves					
Wherein:					
Combined withdrawal of bad debt reserves	4,990,218,994.79	100.00	3,940,375.64	0.08	4,986,278,619.15
Wherein:					
Age combination	310,681,419.65	6.23	3,940,375.64	1.27	306,741,044.01
Combination of related parties	4,679,537,575.14	93.77			4,679,537,575.14
Total	4,990,218,994.79	/	3,940,375.64	/	4,986,278,619.15

Category	Balance at beginning of period				Book value
	Book balance		Bad debt reserves		
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Separate withdrawal of bad debt reserves					
Wherein:					
Combined withdrawal of bad debt reserves	3,864,036,440.67	100.00		0.15	3,858,091,286.22
Wherein:					
Age combination	88,006,762.02	2.28			82,061,607.57
Combination of related parties	3,776,029,678.65	97.72			3,776,029,678.65
Total	3,864,036,440.67	/		/	3,858,091,286.22

Separate withdrawal of bad debt reserves:

“□ Applicable” “√ Inapplicable”

Combined withdrawal of bad debt reserves:

“√ Applicable” “□ Inapplicable”

Item for combined withdrawal: age combination

Unit: Yuan Currency: RMB

Name	Balance at end of period		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
Age combination	310,681,419.65	3,940,375.64	1.27
Total	310,681,419.65	3,940,375.64	1.27

Recognition standards of combined withdrawal of bad debt and description

“□ Applicable” “√ Inapplicable”



## (3) Provision of bad debt reserves

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Category	Balance at beginning of period	Change in current period			Balance at end of period
		Provision (%)	Reclaimed or turned back	Retake or cancel	Others
Age combination of accounts receivable	5,945,154.45		2,004,778.81		3,940,375.64
Total	5,945,154.45		2,004,778.81		3,940,375.64

## (4) Receivables gathered based on debt party with top five balances at end of period:

“√ Applicable” “ □ Inapplicable”

Company name	Balance at end of period		Bad debt reserves
	Accounts receivable	Proportion to total number of receivables at end of year (%)	
China National Offshore Oil Corporation	3,394,412,887.60	68.02	
COOEC SUBSEA TECHNOLOGY CO., LTD.	547,594,228.00	10.97	
Offshore Oil Engineering (Qing Dao) Co., Ltd.	279,291,823.07	5.60	
CNOOC Gas & Power Group	227,840,855.59	4.57	
COOEC International Co., Limited	130,024,444.49	2.61	
Total	4,579,164,238.75	91.77	

## 2. Other receivables

## List of items

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable	524,340.95	340,875.25
Dividends receivable	198,000,000.00	
Other receivables	583,365,088.33	673,915,550.78
Total	781,889,429.28	674,256,426.03

## Interest receivable

## (1) Classification of interest receivable

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed deposit		
Entrusted loans		
Bond Investment		
Interest on deposit of CNOOC Finance Co., Ltd.	524,340.95	340,875.25
Total	524,340.95	340,875.25

**(2) Important overdue interest**

" ☐ Applicable" "√ Inapplicable"

**Dividends receivable****(1) Dividends receivable**

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Item (or the acquiree)	Balance at end of period	Balance at beginning of period
Offshore Oil Engineering (Qing Dao) Co., Ltd.	198,000,000.00	
Total	198,000,000.00	

**(2) Important dividends receivable with account age over 1 year**

" ☐ Applicable" "√ Inapplicable"

**Other receivables****(1) Disclosure by accounting age**

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Accounting age	Book balance at end of period
< 1 year	
Of which: subentry within 1 year	
< 1 year	38,559,367.79
Subtotal within 1 year	38,559,367.79
1 to 2 year(s)	32,543,261.46
2 to 3 years	30,865,189.46
Above 3 years	486,429,082.53
Total	588,396,901.24

**(2) Classification by nature of payment**

" ☐ Applicable" "√ Inapplicable"

**(3) Provision of bad debt reserves**

"√ Applicable" " ☐ Inapplicable"

Unit: Yuan Currency: RMB

	First stage	Second stage	Third stage	Total
Bad debt reserves	Expected credit loss in the next 12 months	Expected credit loss during the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1, 2019	460,114.41		2,582,202.35	3,042,316.76
Balance of current period on January 1, 2019				
-- carried forward to second stage				
-- carried forward to third stage				
-- carried forward to second stage				
-- carried forward to first stage				
Withdrawal in current period	43,526.09		2,166,318.08	2,209,844.17

Bad debt reserves	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss during the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
Retake in current period	220,348.02			220,348.02
Write-off in current period				
Cancellation in current period after verification				
Others				
Balance on December 12, 2019	283,292.48		4,748,520.43	5,031,812.91

Explanation of significant changes in the book balance of other receivables with changes in loss reserves in the current period:

" ☐ Applicable " "√ Inapplicable"

**(4) Bad debt reserves**

"√ Applicable " " ☐ Inapplicable"

Unit: Yuan Currency: RMB

Category	Balance at beginning of period	Change in current period				Balance at end of period
		Provision (%)	Reclaimed or turned back	Retake or cancel	Others	
Age combination of other receivables	460,114.41	43,526.09	220,348.02			283,292.48
Separate withdrawal for other receivables	2,582,202.35	2,166,318.08				4,748,520.43
Total	3,042,316.76	2,209,844.17	220,348.02			5,031,812.91

Including recovered or withdrawn amount of important bad debt reserves in current period:

" ☐ Applicable " "√ Inapplicable"

**(5) Other receivables canceled actually after verification in current period**

" ☐ Applicable " "√ Inapplicable"

**(6) Other receivables with top five balance gathered by debt party at end of period**

" ☐ Applicable " "√ Inapplicable"

**(7) Receivables related to government subsidies**

" ☐ Applicable " "√ Inapplicable"

**(8) Other receivables derecognized due to transfer of financial assets**

" ☐ Applicable " "√ Inapplicable"

**(9) Amount of assets and liabilities formed by transfer of other receivables and their continuous involvement**

" ☐ Applicable " "√ Inapplicable"

### 3. Long-term equity investment

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Balance at end of period			Balance at beginning of period		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiaries	9,205,974,170.87		9,205,974,170.87	9,205,974,170.87		9,205,974,170.87
Investment for associated companies and cooperative venture						
Total	9,205,974,170.87		9,205,974,170.87	9,205,974,170.87		9,205,974,170.87

#### (1) Investment for subsidiaries

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

The acquiree	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period	Withdrawal of depreciation reserves in current period	Depreciation reserve balance at end of period
Offshore Oil Engineering (Zhuhai) Co., Ltd.	3,950,000,000.00			3,950,000,000.00		
Offshore Oil Engineering (Qing Dao) Co., Ltd.	2,970,000,000.00			2,970,000,000.00		
COOEC SUBSEA TECHNOLOGY CO., LTD.	2,192,473,625.85			2,192,473,625.85		
COOEC International Engineering Co., Ltd	60,000,000.00			60,000,000.00		
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	20,094,612.53			20,094,612.53		
Lanhai International Limited	6,698,104.00			6,698,104.00		
COOEC International Co., Limited	6,186,453.59			6,186,453.59		
COOEC Nigeria Limited	521,374.90			521,374.90		
Total	9,205,974,170.87			9,205,974,170.87		

### 4. Operating income and operating costs

#### (1) Operating income and operating costs

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Accrued in current period		Accrued in last period	
	Income	Cost	Income	Cost
Major business	12,070,947,129.94	10,800,469,521.28	9,323,112,615.97	8,723,945,243.79
Other businesses	23,091,276.87	5,623,738.92	44,572,849.92	8,238,407.99
Total	12,094,038,406.81	10,806,093,260.20	9,367,685,465.89	8,732,183,651.78

Other description:

Wherein: Top 5 clients' revenues:

Client name	Operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	8,323,228,609.44	68.82
TUPI B.V.	1,358,083,153.40	11.23
CNOOC Gas & Power Group	732,520,277.37	6.06
Qatar Petroleum	230,881,849.47	1.91
Huaneng Sheyang New Energy Power Generation Co., Ltd.	96,310,775.19	0.80
Total	10,741,024,664.87	88.82

## 5. Investment income

“√ Applicable” “□ Inapplicable”

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Investment income of long-term equity measured by cost method	198,000,000.00	1,485,000,000.00
Long-term equity investment income accounted by equity method		
Investment income during disposing long-term equity investment		
Investment income gained in the holding period of financial assets accounted at their fair values and with the variation included in the current profit and loss		
Investment income gained in the disposition period of financial assets accounted at their fair values and with the variation included in the current profit and loss		
Held-to-maturity investment income during holding period		
Investment incomes obtained from the disposal of held-to-maturity investment		
Investment income from available-for-sale financial assets during their holding period		9,006,827.26
Investment income gained by disposing available-for-sale financial assets		
Investment income from trading financial assets financial assets during holding period		
Dividend income from investments in other equity instruments during the holding period	8,258,981.42	
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income gained by disposing trading financial assets		
Investment incomes obtained from the disposal of investments in other equity instruments		
Investment incomes obtained from the disposal of debt investment		
Investment incomes obtained from the disposal of other debt investments		
Investment income from bank financial products	125,698,484.02	21,487,931.14
Total	331,957,465.44	1,515,494,758.40



## XVIII. Supplementary Data

### 1. Details of non-recurring profit and loss of current period

“√ Applicable” “ □ Inapplicable”

Unit: Yuan Currency: RMB

Item	Amount	Remarks
Profit and loss from disposal of non-current assets	-32,133.67	
Tax refund and allowance or exemption approved beyond authority level or without formal written approval		
Government subsidies included in the current profit and loss, except those which are closely related to the Company's businesses, and to which the Company is continuously entitled on the basis of a certain standard quota or fixed amount	135,529,241.09	It is mainly appropriation for national scientific research projects of 35.77 million yuan and consumption tax refund of 61.16 million yuan
Fund occupation expense charged from non-financial enterprises and included in the current profit and loss		
Gains generated when the Company's cost of investment into subsidiaries, associates and joint ventures is less than the fair value of the acquiree's identifiable net assets to which the Company should be entitled when it obtains the investment		
Profit and loss from non-monetary assets exchange		
Profit and loss from investment or assets management by others entrusted	147,704,228.94	Income from buying bank financial products
Provisions for impairment of various assets due to force majeure such as natural disaster		
Profit and loss from debt restructuring		
Corporate restructuring expenses, such as expenditure for staff settlement, integration expenses, etc.		
Profit and loss in excess of the fair value from transactions made at obviously unfair prices		
Current net profit and loss of subsidiaries generated from enterprise merger under the same control from the beginning of period to the merger day		
Profit and loss from items irrelevant or relevant to the Company's normal business operations		
Profit and loss from fair value changes generated by the holding of trading and derivative financial assets and liabilities, and investment income from the disposal of trading and derivative financial assets and liabilities and other creditors' investments, except profit and loss from effective hedging operations related to the Company's normal business operations		
Reversal of the provision for impairment in accounts receivable for which impairment tests are carried out separately		
Profit and loss from external entrusted loans		
Profit and loss from changes in the fair value of investment real estates to be subsequently measured using fair value measurement model		
Impact of one-off adjustment of current profit and loss made according to the requirements of tax, accounting and other applicable laws and regulations on current profit and loss		
Custody fee income from entrusted operations		
Other non-operating incomes and expenses than the items above	29,548,112.76	It is mainly accounts payable of 23.57 million

Item	Amount	Remarks
Other profit and loss items in conformity with definition of non-recurring profit and loss	36,105,352.77	It is mainly the unrealized internal trading profit and loss return of 36.11 million yuan of COOEC-Fluor Heavy Industries Co., Ltd.
Affected income tax	-60,142,853.78	
Affected minority Interest	-657,288.85	
Total	288,054,659.26	

## 2. Return on equity and earnings per share

"√ Applicable" " ☐ Inapplicable"

Profit in the report period	Weighted average rate of return on (common shareholders') equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.12	0.01	0.01
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	-1.15	-0.06	-0.06

## 3. Differences in accounting data under domestic and foreign accounting standards

" ☐ Applicable" "√ Inapplicable"

## List of Documents for Further Reference

List of Documents for Further Reference	Accounting statements signed and stamped by the legal representative, the person in charge of accounting and the person in charge of accounting department.
List of Documents for Further Reference	Original copy of auditing report stamped by accounting firm and signed and stamped by certified public accountants.
List of Documents for Further Reference	Original copy of all documents and announcements disclosed on www. sse. com. cn. and newspaper appointed by China Securities Regulatory Commission in the report period.

Chairman of the Board: Yu Yi  
Date of Submission to and Approval by Board of Directors: March 20, 2020





