

# 2018 ANNUAL REPORT

COOEC

OFFSHORE OIL ENGINEERING CO., LTD.

Stock abbreviation COOEC  
Stock code 600583

Higher  
cost  
performance  
leader



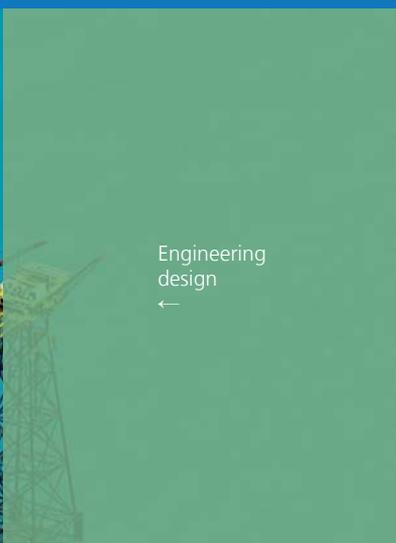
Welcome to

COOEC

COOEC

## Contents

001	Important Notices	047	Important Matters	088	Financial Report
002	Address from the Chairman & President	067	Ordinary Share Changes and Shareholders	200	List of Documents for Further Reference
005	Definitions	072	Particulars about Preferred Shares		
006	Company Profile and Primary Financial Indexes	073	Directors, Supervisors, Senior Managers and Employees		
010	Summary of Company Business	080	Corporate Governance		
018	Discussion and Analysis on Operation	087	Relevant Condition of Corporate Bonds		



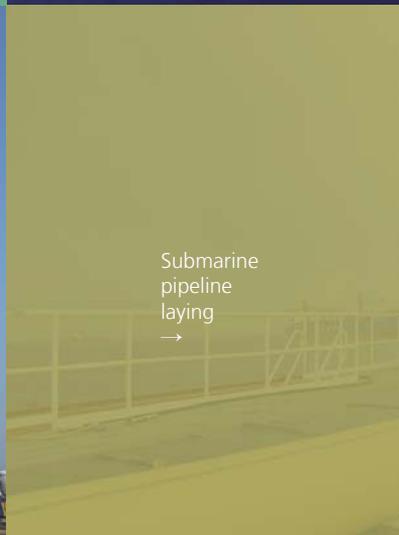
Engineering design  
←



Offshore installation  
←



Onshore construction  
→



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. Jin Xiaojian, the principal of the Company, Chen Yonghong, the principal of accounting, and Wang Yajun, 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 board of directors

The Company plans to distribute cash dividends of RMB 0.50 (including tax) 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 2018. The total cash dividends of about RMB 221 million will be allocated this time, accounting for 277% of the combined net profit realized in 2018, and the unallocated profits will be carried forward to subsequent years.

This distribution plan needs to be submitted to the shareholders meeting of 2018 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

During the report period, there's no significant risk that causes substantial influences on production and operation of the Company. 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



Chairman of the board and the President | Jin Xiaojian

## Address from the Chairman & President

Dear shareholders and friends,

On behalf of the board of directors, I hereby present to you the 2018 annual report of Offshore Oil Engineering Co., Ltd (COOEC) and the changes in COOEC's performance and development during the reporting period.

**In 2018, COOEC carried out reform in a timely and active manner and made important achievements in many aspects of work such as market development and deepwater business**

In the past year, as expected, the overall development of offshore oil and gas industry fell behind the performance of oil price, the industry still remained at a stage of slow recovery and development, and particularly, the service price was still at a relatively low level. 2018 was also a tough year for the Company in its history of development, in which operations in the industry were under great pressure. Under such challenging circumstances, the Company still achieved positive profits through efforts in various aspects. An operating income of RMB 11.052 billion Yuan was achieved in the full year 2018, including a net profit of RMB 80 million Yuan attributable to the shareholders of listed companies.

More reassuringly, the Company faced up to the difficulties boldly, and focusing on a deepwater and high end based international development strategy, carried out deep reform of the organization in a timely and active manner, reintegrated some subsidiaries, established several divisions, such as COOEC Management and Operations Center, COOEC Construction Division and COOEC Offshore Division, and three specialized branches including COOEC Offshore Engineering Technology Services Branch, COOEC Special Equipment Branch and COOEC LNG Engineering Technology Branch, and built up a professional management framework featuring "two strengths, three excellences, one core and five sharing centers". These establishments formed a business layout that was consistent with international competition demands and industrial development trend, which would play an active role in promoting the Company's operation efficiency and competitiveness.

It is to be noted that the Company's institutional reform was carried out at an opportune time and coincided with the national strategy for the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

The Company established COOEC Offshore Division with headquarters based in Shenzhen, plus its Zhuhai subsidiary and Hong Kong subsidiary, to deploy over a half of its total assets in the GBA. The GBA development plan presented express requirements for and would provide full support to vigorously developing marine economy, fostering and expanding emerging industries such as offshore engineering equipment manufacturing, and strengthening the construction of marine science and technology innovation platform. Therefore, the Company's business development, employee growth, scientific and technological research and innovation will benefit from the development strategy for the GBA. Besides such benefits, we will endeavor to serve the GBA development strategy, continuously increase the investment into deepwater technology research and development, strengthen scientific and technological innovations, gather high-end professional talents specializing in offshore engineering, build a highland for development of offshore engineering, provide stronger support to the energy supply, especially the supply of clean, in the GBA while making contributions to the scientific and technological innovations in the GBA, and finally achieve coordinated high-quality development of the Company and GBA.

For market development, the Company focused on making breakthroughs in the key target markets and entered into a long-term service agreement for offshore projects with Saudi Arabian Oil Company (Saudi Aramco), the largest oil company in the world, which would bring long-term businesses in the Middle East Region to the Company and assist the Company to achieve leap-forward development of its overseas business. The contracts for large deepwater projects such as Lingshui 17-2 project and Liuhua 16-2 project were signed successively and the total value of the contracts signed for projects in both domestic and international markets throughout the full year reached RMB 17.554 billion Yuan, representing an increase of 69% compared with that in the previous year.

# Higher cost performance leader

— Company  
Vision



Panorama for Construction of  
Qingdao Site

As the curtain of deepwater business development was raised, large deepwater projects in the South China Sea, such as Liuhua 16-2 project, Liuhua 29-1 project and Lingshui 17-2 project, were initiated successively, marking the dawning of the deepwater era in China. Overseas deepwater projects such as Petrobras FPSO project and Penguins FPSO project progressed simultaneously. Petrobras FPSO project was successfully completed with better results than expected, which further strengthened the international influence of Company's EPCI contracting businesses in FPSO markets.

In summary, thanks to the solid foundation laid in 2018, the Company's business development is seeing a positive trend.

### The Company has the confidence and competence to achieve steady growth in 2019

Looking forward to 2019, the Company's development will benefit from many positive factors. In view of China's increasing dependence on external crude oil supply and considering the complex international environment, energy security and other factors in an integrated manner, the country has put forward express requirements for promoting the development of oil production technologies and increasing domestic crude oil output. China's three largest domestic oil companies have made successive arrangements accordingly to ensure that increasing oil and gas reserve and output will remain a prioritized direction of oil companies' business development for a long period in the future. This will provide long-term opportunities for development of the industry and the Company.

The Company's overseas market development is expected to progress further. A large number of overseas large LNG module construction projects, after the decision-making and arrangements in the past two years, will gradually proceed to the tendering and bidding stage. It is highly probable that the tendering and bidding will be finalized in 2019. Currently, the Company is closely following up on the progress of these projects. At the same time, the LTA agreement signed with Saudi Aramco is also expected to create more business opportunities in the Middle East Region. Relying on these opportunities, the Company will strengthen its integrated capability in engineering, commerce, legal affairs, procurement support and operation support in the Middle East region, further increase its market share in the region, accelerate its internationalization process and promote its international operation capability.

2019 will also be a year for the Company to greatly develop its deepwater business. The Company will simultaneously operate a large number of large deepwater projects, including Lingshui and Liuhua projects in the South China Sea, Petrobras FPSO project, etc., which will pose challenges that the Company face for the first time in its history of development, in terms of either technical difficulty, operating water depth, or business diversity. The Company will concentrate superior resources, temper its capabilities in various business sectors including engineering, construction, offshore installation and project management, as well as inter-sector collaboration, strictly ensure project quality, strengthen progress control and provide quality services to the clients in an efficient manner. Additionally, the Company will accelerate the breakthrough in a series of deepwater and subsea technologies to provide stronger support to its business development.

In terms of operation, the quantity of work to be completed by the Company will increase to a certain extent in 2019. However, the profit margin of some projects will continue to fluctuate at low levels. For this reason, the Company still needs to continuously promote its management and countermeasures, strengthen all-round project management and control in a refined manner, strictly control the cost and risks, and thus improve the profit level.

While focusing on the development of its main businesses, the Company will also maintain the awe and sensitivity to new technologies, new formats and new models, constantly monitor the possible impact of new technologies in the field of offshore engineering, and particularly, deeply reflect on and plan "intelligent COOEC" and the direction of digital development, strengthen the construction of the Company's intelligent and digital systems step by step, and thus continuously improve its core competitiveness.

Finally, on behalf of the board of directors, I would like to express our sincere gratitude to the whole staff for working diligently to contribute to the Company's development, and to all shareholders and friends for your assistance and support!

Chairman of the board and the President  
Jin Xiaojian



Hoisting of Brazil FPSO  
Project

# 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.

# Company Profile and Primary Financial Indexes

## I. Company Information

Chinese title of the Company	Offshore Oil Engineering Co., Ltd.
Company Name in Chinese for Short	COOEC
Company Name in English	OFFSHORE OIL ENGINEERING CO.,LTD.
Company Name in English for Short	COOEC
Company Legal Person	Jin Xiaojian

## 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="http://www.cnoocengineering.com">http://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	<i>China Securities Journal, Shanghai Security News</i>
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, An Hang

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

### (i) Main Accounting Data

Unit: Yuan Currency: RMB

Major accounting data	2018	2017	Increase and decrease in current period compared with last year (%)	2016
operating income	11,052,121,177.54	10,252,537,178.27	7.80	11,991,683,252.92
Net profit attributable to the shareholders of listed company	79,778,008.87	491,055,511.44	-83.75	1,315,307,148.50
Net profit attributable to shareholders of listed company after deducting non-recurring profits/ losses	-149,211,028.41	169,816,985.51	-187.87	742,555,781.99
Net Cash Flow from Business Operation	376,455,428.85	531,374,147.29	-29.15	3,287,991,401.58
	End of 2018	End of 2017	Increase or decrease at end of current period compared with that of last year (%)	End of 2016
Net assets attributable to the shareholders of the listed company	22,892,941,649.83	23,117,079,340.91	-0.97	23,155,451,200.80
Total assets	30,149,200,569.79	28,395,956,227.87	6.17	29,811,198,010.73
Total capital stock at end of the period (shares)	4,421,354,800	4,421,354,800	0.00	4,421,354,800

### (ii) Main Financial Indexes

Primary financial indexes	2018	2017	Increase and decrease in current period compared with last year (%)	2016
Basic earnings per share (EPS) (yuan / share)	0.02	0.11	-81.82	0.30
Diluted EPS (yuan / share)	0.02	0.11	-81.82	0.30
Basic earnings per share after deducting non-recurring profit and loss (yuan/share)	-0.03	0.04	-175.00	0.17
Weighted average rate of return on (common shareholders') equity (%)	0.35	2.13	- 1.78	5.72
Weighted average rate of return on (common shareholders') equity after deduction of non-recurring profit and loss (%)	-0.65	0.73	- 1.38	3.23

Major 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. Major 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	1,256,190,911.81	2,319,528,265.40	3,076,419,335.64	4,399,982,664.69
Net profit attributable to the shareholders of listed company	-360,247,681.91	177,837,359.03	42,775,870.84	219,412,460.91
Net profits attributable to shareholders of listed company after deducting nonrecurring profit and loss	-401,206,113.79	158,414,850.79	-14,563,903.69	108,144,138.28
Net Cash Flow from Business Operation	-858,173,597.55	-772,574,445.93	11,417,646.40	1,995,785,825.93

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: 1      Currency: RMB

Items of Non-recurring profit and loss	Amount in 2018	Note (if applicable)	Amount in 2017	Amount in 2016
Profit and loss from disposal of non-current assets	-2,210,381.13		-2,528,828.62	440,157,342.86
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	198,410,227.13	It is mainly appropriation for national scientific research projects and consumption tax refund.	138,350,598.34	1,059,926,452.66
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	80,005,983.59	Income from buying bank financial products	87,664,482.19	91,915,540.97
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.				

Items of Non-recurring profit and loss	Amount in 2018	Note (if applicable)	Amount in 2017	Amount in 2016
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 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	It was affected by settlement of forward foreign exchange contract of Offshore Oil Engineering (Qing Dao) Co., Ltd.	87,922,809.38	-150,912,043.14
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	9,821,718.39		40,176,314.66	16,912,185.96
Other profit and loss items in conformity with definition of non-recurring profit and loss	36,515,210.65		36,546,702.64	-704,201,727.11
Affected minority Interest	-286,812.73		-413,217.48	-511,141.69
Affected income tax	-49,281,908.62		-66,480,335.18	-180,535,244.00
Total	228,989,037.28		321,238,525.93	572,751,366.51

## 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
Available-for-sale financial assets - Lanpec Technologies' shares	168,104,200.00	87,428,400.00	-80,675,800.00	0
Total	168,104,200.00	87,428,400.00	-80,675,800.00	0

## XII. Others

□ Applicable   √ Inapplicable

# Summary of Company Business

## I. Major Businesses Engaged in the Report Period, Business Model and Industry Conditions

### (I) Core 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 8,000 employees, constituting an all-round, 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 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 22 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.



Brazil FPSO P67 Project reached Brazil,  
with float-off work completed

Panorama of Tianjin LNG Project



# 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

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

Ocean engineering manufacturing base around Tianjin Harbor (under construction)

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

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

# 300 m

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

# 22 sets

22 offshore construction vessels including 7,500 t crane vessel

# 30,000 t

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

# 1,500 m

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

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 accelerated 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. In 2018, the company was included into the list of long-term suppliers of Saudi Aramco, which demonstrated that the company's international operation capability improved significantly. By accelerating product structure 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.

COOEC will continue focusing on offshore engineering and make greater efforts to promote management, realize scientific development, upgrade related equipment to build top-ranking upstream and midstream & downstream engineering capacity, and develop COOEC into a world-class energy engineering company and a leader of creating higher cost performance.



Construction of Grouping Area  
of Tianjin LNG Project

## (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 and onshore LNG 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 situation

1. In 2018, the global offshore oil and gas industry is generally in a slow recovery and development stage.

The recovery of global offshore oil and gas industry falls behind the international crude oil price. Although the number of projects approved to enter the bidding and development stage in the world increased in 2018, according to the report of Rystad Energy, the number of offshore projects approved in 2018 worldwide may be more than 100, showing certain growth compared with 60 in 2017. However, most projects require over one year from decision-making through approval, bidding, contract signing and construction. Besides, affected by the low oil price in recent years, the average scale of project

Float-on Preparatory Work of Brazil  
FPSO P67 Project



investment is somehow reduced, so the project service price is still under pressure.

**2. Domestic offshore oil and gas capital expenditure increases year by year.**

Public data showed that, the capital expenditure of domestic offshore oil and gas development in 2018 was about RMB 63 billion, viz. an increase of 26% compared with that in 2017. Benefiting from the increase in capital expenditure of domestic offshore oil and gas development, the Company seized the opportunity to expand the domestic market and strive to provide owners with high-quality service plans, and signed more contracts than last year, thus providing an important guarantee for the sustainable development of the Company.

In 2018, China also put forward clear requirements for promoting oil production technology and increasing crude oil output, so domestic large oil companies successively made relevant arrangements to ensure that increase in oil and gas reserves and output would be the prioritized direction for long-term business development of oil companies in the future, which would bring long-term development opportunity for domestic offshore oil and gas industry.

**3. The domestic and foreign LNG market development is expected to achieve significant growth in 2019.**

Due to the huge demand for LNG and other types of clean energy in China, the development of LNG industry is generally stabler than the upstream oil and gas industry. Along with the completion of preliminary research and investment decisions on some large LNG projects, it is expected that the bidding results of these projects will be announced in 2019, and projects will enter into construction stage. The Company is now closely tracking the key projects in domestic coastal areas, Canada and Russia, and striving to achieve favorable market development results.

## 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 2.381 billion, which showed a year-on-year increase of RMB 2.201 billion, viz. 1,223.69%, mainly because that "Offshore Oil 201" was classified as a projects under construction due to its transformation and upgrade in 2018, hence causing an increase of RMB 2.001 billion in the total asset value of projects under construction.

Wherein: overseas asset is RMB 18.77 (unit: 100 million yuan, currency: RMB), accounting for 6.23% of total assets.



Jacket Offshore Installation of Wenchang 13-2  
Comprehensive Adjustment Project

# III. Analysis on Core Competitiveness

in the Report Period

√ Applicable □ Inapplicable

Liuhua 16-2 Oilfields Development Project

Jacket Land Construction of Penglai 19-3 Oilfield Comprehensive Adjustment Project



**Unique market position.** 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.

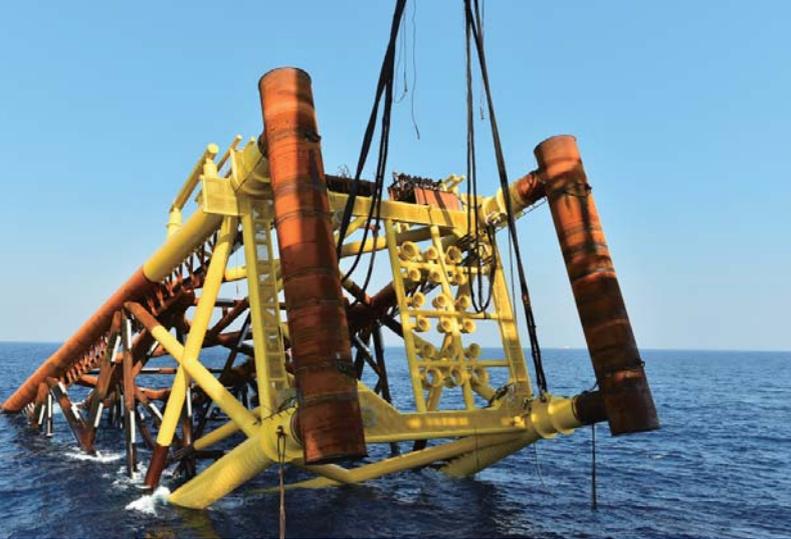
**High EPCI contracting capability.** Based on years of development and accumulation, the Company has developed a complete set of proven technology, equipment and capacity systems for the design, construction, installation and maintenance of offshore oil and gas field projects in waters within a depth of 300 m, and completed the construction of over one hundred oil and gas field projects at home. Through successful execution of Liwan 3-1 deepwater gas field project in the South China Sea, the Company achieved a leap forward in its engineering, construction and installation project contracting capacity from 10,000t to 30,000t and its subsea pipe-laying capacity from less than 300m to 1,500m, thus gaining important experiences in deepwater projects.

**Rich experiences in offshore oil engineering project management.** The Company owns more than 160 project managers with certified qualification and operates more than 20 large and medium-scale offshore engineering projects annually in recent years. They are distributed in the Bohai

Sea, the South China Sea, and the East China Sea. The Company possesses abundant experience in construction and management of projects in conventional sea areas with water depth less than 300 m. In terms of international project operation, in the past five years, the Company has been placed more than 40 overseas orders, provided engineering services to owners from Russia, Australia, Saudi Arabia, Myanmar, Brunei, Malaysia and Northern Europe, with its offshore operation footprint throughout Southeast Asia and the Middle East areas, and cumulative certain international project management and operation experiences.

**High detailed design capability.** The Company has more than 1,300 designers to provide professional services in the areas of feasibility study, conceptual design, FEED, detailed design, processing design, installation design, etc. It possesses design capacity for various oil and gas field projects in conventional waters within depth of 300 m. Meanwhile, it actively carries out technical reserve for deepwater design, 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.

**30,000-ton 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



Jacket Offshore Installation of Wenchang 13-2 Comprehensive Adjustment Project



Compressor Manufacturing of Central Bohai Bay 34-9 Oilfield Development Project

structures, and has construction capacity for 30,000-ton extra-large marine structures such as jacket and module as well as large LNG module and skid and FPSO EPC project contracting capacity.

#### **Globally competitive modular construction capability.**

In recent years, relying on its strong onshore construction resources and capabilities, the Company has undertaken a large number of international LNG modular construction projects, including construction of modules for Gorgon LNG project, Ichthys LNG project in Australia and Yamal LNG project in Russia. The construction of the core process modules of Yamal LNG modular plant was carried out in China for the first time, showing that large international oil and gas suppliers recognized the Company's professional capabilities for modular construction.

#### **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 22 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 excellent performance. Besides,

the Company has the capacity for offshore transportation and installation of 30,000-ton extra-large marine/offshore structures, possesses multiple installation technologies like hoisting, DP floating installation, moored floating installation, slippage launching, etc. Relying on these vessels, the Company is capable of installing single jacket or module as heavy as 32,000 tons, laying the subsea pipelines in waters as deep as 1,409 meters, and laying subsea pipelines with a single vessel at a speed of more than 6 km/day.

#### **Continuously increased comprehensive underwater engineering capability.**

The Company is continuously promoting the development of capability for deep underwater engineering equipment to significantly improve the underwater engineering capability. It now owns such large equipment as 5 dynamic positioning (DP) underwater vessels, 17 underwater robots, one deepwater flexible pipe-laying system and one trenching plough, is capable of underwater operations in 3,000 m deep waters, has carried out tens of underwater engineering projects in last five years involving such underwater engineering works as subsea production system installation, handling of mooring system, deepwater flexible pipe laying, seabed trenching, and underwater facilities inspection and maintenance, and has developed the technical capacity for relevant underwater engineering work.

## List of the Company's ship equipment:

No.	Type	Ship name	Means of acquisition	Year of construction	Year of purchase	Investment (RMB 10,000)	Capability introduction
1	Pipe-laying crane vessel	Binhai 106	Purchase	1974	1974	3,574	Rated lifting capacity: 200 t; range of pipe diameter: 4~30"; tensioner 23 t
2	Crane vessel	Binhai 108	Purchase	1979	1979	7,567	Rated lifting capacity: 900 t
3	Pipe-laying crane vessel	Binhai 109	Purchase	1976	1987	5,747	Rated lifting capacity: 318 t; range of pipe diameter: 6~60"; tensioner 67.5 t
4	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
5	Crane vessel	Bluewhale	Purchase	2009	2009	141,730	Rated lifting capacity: 7,500 t
6	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
7	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
8	Engineering auxiliary vessel	Offshore Oil 221	Investment and construction	2004	-	9,493	Load capacity: 29,000 t
9	Engineering auxiliary vessel	Offshore Oil 222	Investment and construction	2005	-	3,314	Load capacity: 7,000 t
10	Engineering auxiliary vessel	Offshore Oil 223	Investment and construction	2005	-	3,348	Load capacity: 7,000 t
11	Engineering auxiliary vessel	Offshore Oil 228	Investment and construction	2013	-	28,071	Load capacity: 57,784 t
12	Engineering auxiliary vessel	Offshore Oil 229	Investment and construction	2008	-	58,508	Load capacity: 89,000 t
13	Engineering auxiliary vessel	Offshore Oil 278	Investment and construction	2012	-	84,212	Load capacity: 53,500 t
14	Engineering auxiliary vessel	Offshore Oil 225	Purchase	2009	2009	23,965	Load capacity: 17,289 t
15	Engineering auxiliary vessel	Offshore Oil 226	Purchase	2009	2009	24,166	Load capacity: 16,800 t
16	Engineering auxiliary vessel	Offshore Oil 698	Purchase	2009	2009	24,221	Load capacity: 2,940 t; maximum speed: 14.5 sea miles/h; cruising ability: 12,000 sea miles
17	Underwater vessel	Offshore Oil 289	Purchase	2014	2014	94,234	Working moonpool: 7.2x7.2 m; ROV moonpool: 4.8x5.5 m; rated lifting capacity: 250 t
18	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.
19	Underwater vessel	Offshore Oil 291	Purchase	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.
20	Underwater vessel	Offshore Oil 285	Purchase	2016	2017	53,000	Hoisting capacity of main crane is 250 t (AHC); moonpool parameters: 7.2x7.2 m
21	Underwater vessel	Offshore Oil 287	Purchase	2016	2017	53,000	Hoisting capacity of main crane is 250 t (AHC); moonpool parameters: 7.2x7.2 m
22	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

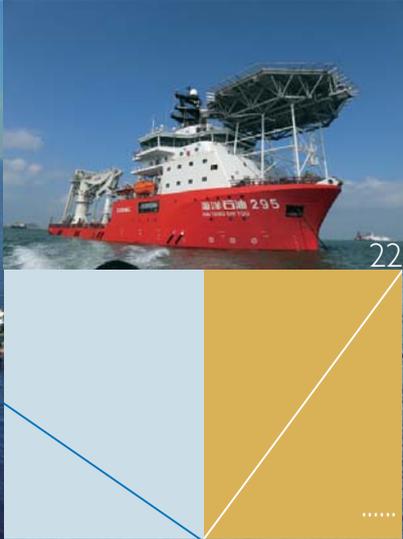
Subsequent events: Binhai 106 was abandoned in January 2019.



5



21



22



17



19

# Discussion and Analysis on Operation

## I. Discussion and analysis on operation

In 2018, international crude oil price was affected to varying degrees by various factors, including supply and demand, politics, geographical relationship and large-scale shale oil development technology, which showed a trend of rise followed by drop, reflected the complexity of oil price fluctuation and influenced the market expectation to varying degrees. As we have predicted at the beginning of year, the overall development of offshore oil and gas industry fell behind the oil price presentation and was still in slow recovery stage. Despite minor increase in total investment, the service price was still relatively low with industry operation pressure.

Facing the complicated internal and external environments and huge production and operation pressure, the Company responded actively, comprehensively carried out deep reform of organization, reintegrated some subsidiaries, built up COOEC Management and Operations Center, COOEC Construction Division and COOEC Offshore Division, and formed the specialized management organization and business layout, which would definitely play an active role in promoting the operation efficiency and competitiveness.

In terms of international and domestic market development, the Company focused on making breakthroughs in key target market, and signed long-term service agreement on offshore engineering with Saudi Aramco, which was expected to bring long-term business in the Middle East region to the Company. Contracts for large-scale domestic deepwater engineering projects such as Lingshui 17-2 and Liuhua 16-2 were successively signed.

The curtain of deepwater business development was raised. Such large-scale deepwater projects as Liuhua 16-2, Liuhua 29-1 and Lingshui 17-2 in the South China Sea were successively launched, marking the dawning of deepwater age of China. Overseas deepwater projects such as Brazil FPSO and Penguin FPSO were carried out simultaneously, marking the new progress made by the Company in its overseas deepwater business.

Domestic LNG terminal business developed rapidly. The Company has successfully contracted new LNG storage tank and receiving terminal projects, including Ningbo LNG Phase II Project in Zhejiang, marking the continuous expansion of LNG business scale.

At present, as the mainstream development trend of global oil and gas industry, deepwater business, FPSO business and LNG business are showing stronger and stronger vitality. The Company constantly enhances the comprehensive construction capability in the aforementioned fields, exploits the market and promotes the market share, which will generate the impetus for the company to adjust and optimize the industry structure, improve the technical content of products and seize the new development opportunities.





Installation of Underwater Structure of  
Lihua 16-2 Oilfields Development Project

COOEC has gained business income of RMB 11.052 billion in the whole year, including the net profit of RMB 80 million attributable to shareholders of the listed company. By the end of 2018, the Company had the total assets of RMB 30.149 billion, including net assets of RMB 22.893 billion attributable to shareholders of listed company, with asset-liability ratio of 24%. Its closing cash balance was RMB 6.254 billion (including bank financial product balance of RMB 4.310 billion).

Offshore Oil 287 Activity in South China Sea



Brazil FPSO P67 Project Reached Guanabara  
Bay of Brazil



**(i) The Company made timely and active reforms and carried out deep reform of organization to adapt to the international demands**

In order to release the vigor of reform, foster new drivers of growth and adapt to international, deepwater and high-end based development strategy, the Company carried out deep reform of its organization in an active manner/actively, integrated some of its subsidiaries and established a professional management framework featuring “two powers, three excellences, one core and five sharing centers”.

1. Established COOEC Management and Operations Center, constructed and completed “one core” of the chain, and improved the EPCI project contracting and management capability

The Company integrated the domestic marketing department, international marketing department and project management center to form the COOEC Management and Operations Center for overall arrangement of the market development and operation of the Company's projects. As the main management

Construction Site in Zhuhai



and operation body at the company level, COOEC Management and Operations Center has Market Development Center, Project Management Center, the Middle East Region Center and Bidding Management Office as well as other business units, to comprehensively reshape the EPCI management links through integrated design, market and project management resources by taking design as the head, market as the guidance and project management as the means, so as to fully integrate bidding decision-making and project execution, effectively identify and control the project risks and further promote the intensive control of projects, thus satisfying the fierce competition requirements of international market and improving the Company's core competitiveness.

**2. Established COOEC Construction Division and COOEC Offshore Division and centralized the advantages of two traditional main businesses, construction and installation ("two powers"), to build the new engine for development.**

The Company integrated some businesses of Offshore Oil Engineering (Qing Dao) Co., Ltd., Engineering Division and Zhuhai Subsidiary, built up COOEC Construction Division with the headquarters in Qingdao and revoked the original Engineering Division.

The Company integrated some businesses of Shenzhen Subsidiary, Installation Division and Zhuhai Subsidiary, built up COOEC Offshore Division with the headquarters in Shenzhen and revoked the original Installation Division.

The Company constructed the COOEC Construction Division centered on Qingdao and COOEC Offshore Division centered on "Shenzhen and Zhuhai", which aim at centralizing the advantages of traditional main businesses (construction and installation) relying on "Qingdao brand" and the leading-edge advantages of Shenzhen, and integrating to create the new engine for traditional main businesses, so as to further develop the competitiveness of international high-end module construction business and deepwater installation ability, thus guaranteeing the significant improvement of its core competitiveness.

**3. Established three specialized branches: technical service, special equipment and LNG ("three excellences") on the original basis.**

Focusing on such emerging formats as special equipment, specialized service, intelligent manufacturing and clean energy construction, the Company established three specialized branches, namely, technical service, special equipment and LNG, to further expand the supply of special equipment such as mechanical and electrical apparatus, further increase the proportion of service income, and particularly, seize the opportunity of rapid development of domestic LNG industry to make the construction business of LNG storage tank and receiving terminal projects bigger and stronger, deeply promote the industry structure transformation and replace old growth drivers with new ones, and create the new growth pole for the Company.

**4. Established sharing centers ("five sharing centers") to explore new management models**

The Company established five sharing centers for

international exchange, procurement, human resources, finance, and information technology, and separated some operations and service functions of two levels of the company headquarters and the subsidiaries, to provide more professional support and special services for the Company's business development.

Through organizational reforms, the Company's business management interface is clearer, the management chain is more controllable, and more in line with the current fierce competition in the international market. It is expected that with the gradual release of the reform bonus, the Company's EPC capability, international market development capabilities, project management capabilities and comprehensive operational efficiency are expected to reach a new level, core competitiveness and international business capabilities will be further enhanced. They can play a more active role in high quality development and sustainable development of the Company.

**(ii) The Development Program for Guangdong-Hong Kong-Macao Greater Bay Area (GBA) was released, and the Company's institutional reform and business layout coincided and complied timely with the national strategy.**

**1. The GBA development strategy is a major strategic deployment made by the Party and the government, showing a grand blueprint and providing tremendous development opportunities.**

On February 18, 2019, the government released the *GBA Development Program*, which opened the prelude to the GBA construction. GBA includes two special administrative regions of Hong Kong and Macao, as well as nine mainland cities including Guangzhou, Shenzhen and Zhuhai, with a total area of 56,000 km<sup>2</sup> and a total population of about 70 million. It is the one of the regions with the highest degree of openness and the strongest economic vitality and has an important strategic position in the overall development of the country. The GBA construction is a new attempt to promote a new pattern of comprehensive opening up in the new era. It aims to give full play to the comprehensive advantages of Guangdong, Hong Kong and Macao, deepen cooperation between the Mainland and Hong Kong and Macao, and further enhance the supporting and leading role of Guangdong, Hong Kong and Macao in the national economic development and opening up, supporting Hong Kong and Macao to integrate into the overall situation of national development, enhancing the well-being of Hong Kong and Macao compatriots, maintaining the long-term prosperity and stability of Hong Kong and Macao, allowing Hong Kong and Macao compatriots to share the historical responsibility of national rejuvenation and sharing the great glory of the prosperity of the motherland.

The government requires GBA to emancipate the mind and explore boldly, continuously deepen the mutually beneficial cooperation among Guangdong, Hong Kong and Macao, further establish mutually beneficial and win-win regional cooperative relations, promote the coordinated development of regional economy, inject new kinetic energy into the development of Hong Kong and Macao, and promote supply-side structural reform,

implement innovation-driven development strategies, build an open economic new system, promote the construction of the “Belt and Road”, build a dynamic and internationally competitive first-class bay area and world-class urban agglomerations, and create a model of high-quality development.

Throughout the program, the GBA development strategy not only shows the grand goal, but also puts forward a very detailed implementation plan. The development of marine economy including the development of marine engineering equipment industry is one of the important contents of planning. The second section specifically mentions the need to nurture and strengthen strategic emerging industries, and implement a number of major projects in the strategic emerging industries around key areas and key links such as offshore engineering equipment. The fourth section emphasizes the need to vigorously develop marine economy, cultivate and expand the marine engineering equipment manufacturing and other emerging industries, strengthen the construction of marine science and technology innovation platform, and promote innovation and efficient transformation of innovation achievements.

## 2. The Company's reform coincides and complies with the GBA development strategy

The Company began to vigorously reform from the beginning of 2018, and completed the deep-level reform of the organization by the end of the third quarter of the year. The Company's reform coincides and complies with the GBA development strategy. Through institutional reforms, the Company establishes the COOEC Offshore Division, which is based in Shenzhen. The original intention is to give full play to Shenzhen's cutting-edge advantages, facing the South China Sea, facing deep water and global business, and doing the best in offshore installation. The Company has a subsidiary in Zhuhai, and its 51% joint venture the COOEC-Fluor Heavy Industries Co., Ltd. is also in Zhuhai, with a manufacturing base of 2.07 million m<sup>2</sup>. Its major business is marine engineering equipment manufacturing. The Company also has a subsidiary in Hong Kong.

So far, more than half of the Company's assets are located in GBA. The total assets of the three divisions of the COOEC Offshore Division, Zhuhai subsidiary and Hong Kong subsidiary are RMB 14.6 billion,

RMB 4.1 billion and RMB 1.4 billion respectively, totaling RMB 20.1 billion, accounting for 67% of the Company's total assets; the net value of fixed assets of the COOEC Offshore Division was RMB 7.7 billion, and the net assets of Zhuhai and Hong Kong subsidiaries were RMB 3.9 billion and RMB 400 million respectively, totaling RMB 12 billion, accounting for 52% of the Company's net assets.

The Company's main business in GBA includes not only onshore construction of offshore structures, but also a wide spectrum of underwater engineering and deep water installation, especially the deep water high-end product manufacturing and engineering have significant characteristics of science and technology innovation. There is still a certain gap for China in the sector compared with the global advanced level. We need to vigorously carry out technological innovation, overcome difficulties, and catch up.

## 3. The Company benefits from the GBA development strategy and also serves the development strategy to achieve coordinated development

The implementation and continuous promotion of the GBA development strategy will surely bring about the all-round development of the economic, social and cultural sectors of the GBA, and will also increase support for the marine economy and strategic emerging industries such as marine engineering equipment. The support of the industry has brought more opportunities and impetus to the Company's business development, attraction of talents, employee growth, technology R&D and innovation, and the transformation of scientific and technological achievements.

While benefiting from the development of GBA, the Company will continue to increase the investment in R&D and scientific and technological innovation in deepwater technology, attract high-end marine engineering professionals to gather, and strive to build a highland for marine engineering development, and continuously improve the Company's business through technological innovation. The development capability, while contributing to the technological innovation of the GBA, also provides better protection for the supply of energy resources in the region, especially clean energy, and ultimately achieves coordinated development and high-quality development of the Company and the GBA.



Construction Site in Qingdao

Jacket Land Construction



### (iii) All projects were promoted rapidly as scheduled

Throughout the year, the Company operated a total of 33 projects, including 19 offshore oil and gas field development projects and 5 onshore modular construction projects, and 9 projects awaiting commencement. A group of large projects were newly started, including Lihua 29-1 Deepwater Project, Lingshui 17-2 Deepwater Project, Lvda 21-2/Lvda 16-3 Oilfield Development Project, Zhejiang Ningbo LNG Receiving Terminal Phase II Project, Fujian Zhangzhou LNG Receiving Terminal and Storage Tank Project, Nexen Long Lake Southwest Oil Sand Project. Three projects were completed, including Huizhou Oilfield Project and Tianjin LNG Alternative Storage Tank Project. It has completed onshore construction of 6 jackets and 8 modules, and implemented offshore installation of 8 jackets and 6 modules and laying of 256 km subsea pipelines within the year.





# 33

Throughout the year, the Company operated a total of 33 projects, including 19 offshore oil and gas field development projects and 5 onshore modular construction projects, and 9 projects awaiting commencement.

## 6

Onshore construction  
of 6 jackets and 8  
modules

## 8

## 8

Offshore installation  
of 8 jackets and 6  
modules

## 6

## 256

Laying of 256 km subsea  
pipelines

120 items

17 modules

25,000 t

Ensuring the smooth progress of the project and more than 120 technical and process innovations, as well as the construction, integration and commissioning of 17 functional modules with a total weight of more than 25,000 tons.



Module Installation of Brazil FPSO P70 Project

Module Integration of Brazil FPSO P67 and P70 Project



## 1. FPSO P67 Project in Brazil was completed successfully, improving the Company's FPSO business capability

The FPSO P67 Project in Brazil was completed in the first half of 2018. The ship has a displacement of 350,000 tons and is one of the largest DWT FPSOs in the world. During the implementation of the P67 Project, the Company's team overcame many difficulties such as cultural differences, numerous coordination issues, defective design drawings, massive technical clarifications and material procurement, ensuring the smooth progress of the project and more than 120 technical and process innovations, as well as the construction, integration and commissioning of 17 functional modules with a total weight of more than 25,000 tons.

The implementation of the project further honed the Company's comprehensive project implementation capabilities in the management, procurement, engineering and construction of complex projects, and large-scale structure ocean towing, demonstrating the Company's capabilities of rapid resource allocation, technical breakthrough and collaborative management in new areas and complex projects, which also significantly enhanced the Company's operational strength in the field of FPSO engineering.

The project was successfully completed, and the effect was better than expected, which widened the Company's international influence in the EPC sector of the FPSO market, laid a good foundation for the next step of exploring the huge FPSO sector in South America and even the global EPC market.

The construction of the topside of the FPSO P70 Project in Brazil is under implementation and approximately two-thirds of the work has been completed.



Towing of Brazil FPSO P67 Project



150,000<sup>t</sup>

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

1,500<sup>m</sup>

The First 1,500 m-deep Floating Platform in China

## 2. Large deepwater projects such as Lihua and Lingshui were started, and several key deepwater projects are being operated steadily

The construction of the FPSO hull of the Lihua 16-2 Oilfields Development Project started in Qingdao. This is the first deepwater FPSO contracting project independently designed and constructed in China. It is also the first self-implemented all-water development project in the country. The project is located in the eastern part of the South China Sea. The operation depth is about 400 m. The Company will build a 150,000DWT FPSO and several sets of subsea production systems, as well as lay several submarine pipelines, cables and umbilical cables. The project has been implemented by more than 20% as of the end of the reporting period.

The Lihua 29-1 Deepwater Project was started in the third quarter. The project is located in the eastern part of the South China Sea. The operation depth is between 500m and 1,150m. The Company will carry out installation and commissioning of submarine pipelines, hoses, sea pipe connection terminals, jumper pipes and subsea production system for the project. The project has been implemented by about 10% as of the end of the reporting period.

The Lingshui 17-2 Deepwater Natural Gas Project was officially started. The Lingshui 17-2 Gas Field is located in the northern sea area of the Qiongdongnan Basin, with a water depth of 1,220 to 1,560 m. The project has many domestic and even the world's first, including the world's first condensate storage semi-submersible platform, the first domestic floating platform of 1,500 m water depth, the first domestic polyester cable mooring system, the first domestic application of steel catenary (SCR) riser, the first domestic design of subsea production system integrating downhole and subsea production systems and deepwater risers, the first construction of large semi-submersible platform and the design and installation of a comprehensive deepwater system, which pose new challenges for the Company. At the same time, the project schedule is tight, and the Company will ensure smooth completion and delivery to owners in the third quarter of 2021 through various efforts.



# 5 terminals

# 160,000 m<sup>3</sup>

The Company will complete the construction a total of five 160,000 m<sup>3</sup> storage tanks and receiving terminal projects for the Zhangzhou and Ningbo projects

### 3. Fully implement domestic onshore LNG receiving terminal and storage tank projects

In recent years, the Company accelerated the adjustment and upgrading of industrial structure, upgraded the technical level of LNG engineering, seized the opportunities for domestic LNG industry development, and contracted a number of large coastal LNG receiving terminal and storage tank construction projects, which not only contributed to the national guarantee of natural gas supply, but also opened up a new business with promising prospects. In 2018, the Fujian Zhangzhou LNG receiving terminal and storage tank project and the second phase of Zhejiang Ningbo LNG receiving terminal were started. The amount of these two projects exceeded RMB 1 billion, which is several times the amount of LNG projects in Tianjin and Guangxi in the past. The Company will complete the construction a total of five 160,000 m<sup>3</sup> storage tanks and receiving terminal projects for the Zhangzhou and Ningbo projects. As of the end of the reporting period, the overall progress of the two projects in Zhangzhou and Ningbo was 17% and 26% respectively, and the construction work was carried out in an orderly manner.

Promotion Meeting of Zhejiang LNG Receiving Station Phase II Project



### Progress of key projects (as of the end of report period):

No.	Project name	Cumulative progress
1	Liuhua 29-1 Project	10%
2	Lingshui 17-2 Gas field Development Project	10%
3	Lvda 21-2 and Lvda 16-3 Oilfield Development Project	16%
4	Penglai 19-3 Oilfield zone 4 adjustment / Penglai 19-9 Oilfield Phase II Development Project	17%
5	Zhangzhou LNG Receiving Terminal and Storage Tank Project in Fujian	17%
6	Nigeria Dangote project	18%
7	Liuhua 16-2 Oilfields Development Project	22%
8	Ningbo LNG Receiving Terminal Phase II Project in Zhejiang	26%
9	Nexen Oil Sand at Long Lake Southwest (LLSW) Project	28%
10	Hull Section of Shell Penguins FPSO Project	32%
11	Caofeidian 11-1 and 11-6 Oilfields Comprehensive Adjustment Project	51%
12	Topside of Brazil FPSO P70 Project	65%
13	Wenchang 13-2 Oilfield Comprehensive Adjustment and Development Project	68%
14	Qatar NFA Project	74%
15	Central Bohai Bay 34-9 oilfield development project	89%
16	Dongfang 13-2 project	95%
17	Penglai 19-3 oilfield zone 1/3/8/9 overall adjustment project	99%
18	Wenchang 9-2/9-3/10-3 gas fields development project	99%

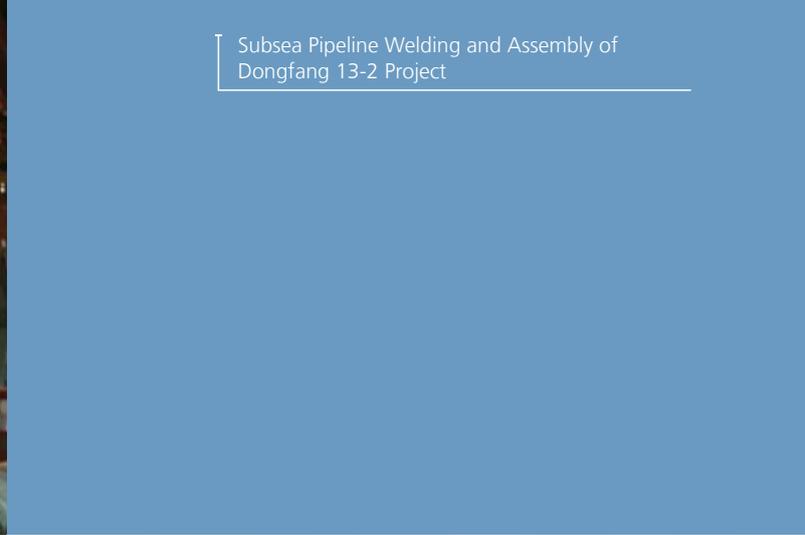
Jacket Offshore Installation of Wenchang  
13-2 Comprehensive Adjustment Project



Subsea Pipeline Welding and Assembly of Dongfang 13-2 Project during the Spring Festival



Subsea Pipeline Welding and Assembly of Dongfang 13-2 Project



Block Loadout of Central Bohai Bay 34-9 Oilfield Development Project

Trencher is hoisted into the sea for operation by Offshore Oil 295



**(iv) The Company focused on market development, achieve a 69% increase in contracted value compared with the same period of the previous year, and open up a new situation in market development**

During the reporting period, the Company achieved a contract value of approximately RMB 17.554 billion in the market, of which the domestic market contracted amount was RMB 16.429 billion, up 76% from the same period of last year being RMB 9.311 billion; the overseas market contracted amount was RMB 1.125 billion, slightly higher than RMB 1.055 billion in the same period of last year. By the end of report period, the amount of in-hand uncompleted orders is about RMB 18.5 billion.

1. **The domestic market contracted value experienced relative rapid growth, and the contracting of Lingshui, Liuhua and other deepwater projects as well as domestic LNG terminal projects led the Company's industrial upgrade.**

During the reporting period, the Company's domestic market development focused on the South China Sea deepwater projects, as well as some traditional offshore engineering projects and coastal onshore LNG terminals to strengthen communication with Party A, closely track project investment planning and customer needs, and enhance the pre-market development capabilities. The domestic orders for the whole year were about RMB

16.4 billion, and the order value reached a new high in five years. Among them, there were newly signed Liuhua 16-2 Oilfields Development Project, Lingshui 17-2 Deepwater Gas Field Project, Lvda 21-2/Lvda 16-3 Oilfield Development Project, Caofeidian 11-1/11-6 Comprehensive Adjustment Project and other large marine engineering projects as well as newly signed Zhejiang Ningbo LNG Phase II Project. The orders showed characteristics of optimization. The projects with high technical content such as deepwater gradually increased, and the LNG receiving terminals and storage tank projects maintained growth, which injected new impetus into the Company's business development.

2. **Made major breakthrough in international market development and signed Long Term Agreement (LTA) with Arabian American Oil Company (Saudi Aramco)**

In November 2018, the Company signed LTA with Saudi Aramco, the world's largest oil company, and became LTA contractor for offshore oil engineering of Saudi Aramco. LTA is Saudi Aramco's highest general contractor qualification. It was long-term monopolized by five European and American offshore engineering companies before the Company joined in. The Company's entry broke the ice.

The LTA contractors are mainly responsible for the Saudi Aramco Marine Sustainable Development Program, which aims to achieve rapid construction and production

through rapid bidding and tendering in the CRPO (Contract Release Purchase Orders) model. The general contractor with LTA qualification is eligible for the quick start of the project within LTA. According to the plan of Saudi Aramco, the total investment of the LTA projects in the next five years will exceed USD 28 billion.

The LTA does not involve specific contract amounts. After entering the LTA contractor list, the Company can directly participate in the bidding of the Saudi Aramco LTA project in the future, and hopes to undertake some projects, which will play a chain-driven role in stabilizing and consolidating the Saudi local market and the development of the entire Middle East market. The future Middle East market is likely to become a key area for the Company to achieve breakthrough development in overseas business.

Market development in other regions is also accelerating. In the North American market, for the first time, it has contracted a EPC project with a certain scale and nearly 90% of its workload abroad – the Long Lake Southwest Oil Sand Ground Project in Canada. In the Southeast Asian market, the Company has won the demolition of an offshore platform in the Gulf of Thailand. The Company will complete the demolition of four modules, and will use this project as a demonstration to continue to expand the emerging platform dismantlement business and vigorously develop overseas markets such as the North Sea and the Middle East and make this emerging business bigger and stronger step by step.

#### (v) The Company strengthened technological innovation and continuously made new progress in deepwater and underwater technology breakthrough

##### 1. It provided a technical basis for the implementation of the Liuhua and Lingshui deepwater projects through the deepwater subject research

The subject “Research on Key Design Technology of Deepwater Semi-submersible Platform” relies on FEED design and deepening design of Lingshui 17-2 semi-submersible platform, and researchers master key design technologies including the general hull layout of semi-submersible platform, overall performance analysis, hull structural strength and polyester cable mooring system.

Combined with the design of the floating platform of the Lingshui 17-2 Project, a set of design techniques suitable for the topside of the floating platform and the mainstream of the lower floating body are formed.

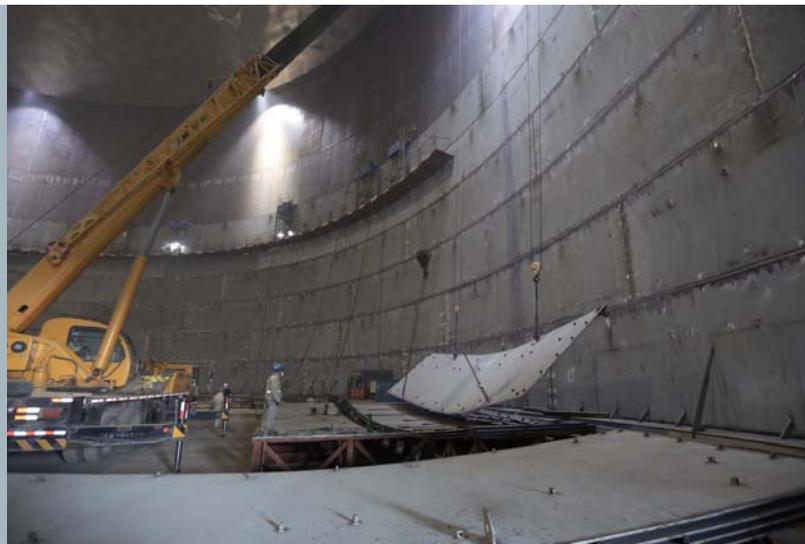
The subject “Research on Key Technology of Steel Catenary Riser X65 Pipe Welding in Deepwater Platform” passed the acceptance test, marking the successful development of the deepwater steel catenary riser welding process in the past three years, which reserves important technology for the construction of Lingshui deep water catenary riser project.

Relying on the subject research of the Ministry of Industry and Information Technology (MIIT) and the China National Offshore Oil Corporation, the Company has initially had the detailed design capabilities of the complete underwater system including the underwater control system, and completed the domestic underwater valve and tube assembly test, CHA and umbilical cable integration test and SUTU, FAT test.

Relying on the subject “Deepwater Flexible Hose Installation Technology R&D and Application”, the Company has formed the independent design, analysis and construction capabilities for the vertical laying of the deepwater flexible hose. It has been successfully applied to the hose laying of Wenchang project, filling the gap of the domestic hose vertical laying technology.

The scope of application for the floating technology is further expanded. During the loading of the FPSO P67 in Brazil, the Company completed the extremely difficult and challenging overweight and super large floating operation, and loaded the P67 into the semi-submersible carrier through shipment mode of floating installation, carrying P67 to Brazil through waterless dragging in the way of “ship carries ship”. The operation realized the application of floating technology from offshore floating installation of 10,000DWT module to the modular product, and then to large FPSO, which greatly expanded the application range of the technology and brought convenience to the business expansion and project execution. To a certain extent, it can be said that in the past ten years, the floating technology has brought great changes to the marine engineering industry and has had a profound and positive impact on the Company’s business development.

Hoisting of Nickered Steel Plate of Tianjin LNG Project



## 2. It enhanced the capability of scientific and technological R&D by strengthening the construction of innovation platform system

The Company will build a “four-in-one” innovation center including national enterprise technology center, product incubation and manufacturing center and digital technology center, and vigorously build a virtual reality simulation public service platform for offshore engineering operations, focusing on the development of a set of simulation test platform for large offshore engineering equipment and a set of simulation system software for offshore engineering operation, enabling the rehearsal and evaluation functions of typical operation schemes such as 500 m water depth lifting, pipe laying, underwater product installation and floating installation. The program verification, process rehearsal and safety evaluation through the simulation system can help the Company further improve teamwork, reduce the risk for offshore operations, and save operating costs.

### (vi) The Company strengthened reform and innovation and won two heavyweight awards

#### 1. COOEC won “Oscar” award in the world of innovation-Outstanding Corporate Innovator Award (OCI)

In November 2018, the Company won the OCI, which was established by the international association Product Development Management Association (PDMA), and was hailed as the “Oscar” award in the world of innovation. This is the first time that the OCI has been awarded to mainland Chinese companies since its establishment 31 years ago. To a certain extent, it shows that the Company’s management, innovation capabilities and brand value are internationally recognized.

The OCI award recognizes companies that have consistently launched new products, solutions and services for more than five years in the world. In terms of award evaluation standard, a large proportion is to measure the degree of open innovation of the enterprise, that is, the enterprise integrates the most efficient production operation with specialized production, and the parent company can obtain the full coverage of the upstream

and downstream industrial chain through the overall coordinated layout so as to get the most benefit.

The Company is able to win big award. It has something to do with the Company’s continuous strengthening of open innovation in recent years. The International Forum of Deepwater and Modular Fabrication Technology, co-organized with FLUOR, has been held for six sessions, and thousands of well-known experts and scholars at home and abroad have been invited to share experiences in the forum. The Company has thus enhanced international exchanges and cooperation. Through different ways of cooperation with overseas companies such as Shell, Technip, and FLUOR, joint development has been achieved in market development and project operations. The systematic operation in production, learning and research has helped the Company’s technical strength to gradually improve. Continuous R&D of new products has achieved outstanding results in breakthrough innovations such as the overall floating installation of offshore large modules. The scale of the product has been expanding, and onshore construction and offshore installation of 10,000DWT large jackets and modules have become commonplace and more efficient. The product mix and industrial structure are further optimized. The products are expanded from single module and jacket construction to high value-added products such as LNG, modular construction and FPSO. The service is gradually extended from the EPC of design, procurement, construction and installation projects to front-end engineering design (FEED), also to the later operations, maintenance and transformation, demolition and other aspects. International market development has also made new progress in recent years.

#### 2. The Company won Commendation Award of China Grand Awards For Industry

On December 9, 2018, the 5th Award Ceremony for China Grand Awards For Industry was held in the Great Hall of the People. The Company won Commendation Award of China Grand Awards For Industry, being the first time the Company won the highest award in the industrial field of this country. The China Grand Awards For Industry were created with approval from the State Council. The China Federation of Industrial Economics



Subsea Pipeline Welding and Assembly of Dongfang 13-2 Project during the Spring Festival

(CFIE) and 12 national industry associations jointly organized the first selection in 2004. The awards have been held for five times, including the China Grand Awards For Industry, Commendation Award and Nomination Award. In recognition of industrial enterprises and projects that have achieved outstanding results in innovation-driven development and adhering to the new industrialization road with Chinese characteristics in the new era.

The organizers gave high evaluation to the achievements of COOEC in transformation and upgrading, innovation and creation, quality brand, green development, deep integration of informatization and industrialization, opening up cooperation, human resources development, and corporate culture construction. The acquisition of relevant awards is also a testament to the Company's continued commitment to reform and continuous improvement.

## II. Core businesses in report period

In 2018, the Company achieved operating income of RMB 11.052 billion, an increase of 7.80% over the same period of last year. The net profit attributable to shareholders of the listed company was RMB 80 million, down 83.75% year-on-year. The performance declined, mainly due to the low service price level of global offshore oil and gas project in 2018.

### (i) Analysis on major business

#### 1. Change Analysis on Items Relating to Profit Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount of same period of previous year	Change ratio (%)
operating income	11,052,121,177.54	10,252,537,178.27	7.80
Operating cost	10,027,719,520.52	8,084,528,622.45	24.04
Sales cost	15,631,449.66	13,983,924.34	11.78
Administration expense	293,324,200.39	258,026,229.27	13.68
R&D expense	669,498,092.27	620,680,260.33	7.87
Financial expense	-71,384,850.36	353,581,781.80	-120.19
Net Cash Flow from Business Operation	376,455,428.85	531,374,147.29	-29.15
Net Cash Flow from Investment Activities	-2,961,703,613.63	-640,634,953.04	Inapplicable
Net Cash Flow from Financing Activities	-91,925,170.56	-1,621,610,855.00	Inapplicable
Assets impairment loss	51,946,445.48	434,541,373.10	-88.05
Other incomes	181,337,249.09	98,281,908.12	84.51
Investment income	-46,707,457.84	-121,516,441.00	Inapplicable
Income from changes in fair value	0	212,302,530.08	-100.00
Non-operating income	35,033,759.74	80,509,340.08	-56.48
Non-operating expenses	10,481,437.93	2,793,163.82	275.25
Income tax expenses	48,943,321.79	137,041,828.10	-64.29
Net profits attributable to shareholders of the parent company	79,778,008.87	491,055,511.44	-83.75

#### 2. Income and cost analysis

√ Applicable □ Inapplicable

During the reporting period, the Company achieved operating income of RMB 11.052 billion, an increase of 7.80% over the same period of last year. The main reason was that with the rapid growth of the Company's new orders, the overall workload increased compared with last year. Among them, the land construction business completed processing of 126,900 t structure steels, increasing by 8.50% compared with the same period of last year, and the offshore installation and operation lasted 11,900 ship-days, a year-on-year increase of 70%, which led to an increase in income during current period.

The operating cost was RMB 10.228 billion, an increase of 24.04% over the same period of last year. The main reason was that the workload in current period rebounded compared with the same period of last year. At the same time, the increase in the prices of raw materials such as steel and paint led to a corresponding increase in operating costs.

The net profit attributable to shareholders of the parent company was RMB 80 million, down 83.75% year-on-year. The main reason was that the global service price level of offshore oil and gas engineering remained at a low level in 2018, and the cost increased, which affected the profit level.

## (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	103.36	94.12	8.94	61.35	57.42	+2.27
Non offshore engineering industry	6.43	5.87	8.71	-83.00	-71.70	-36.47
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	80.55	71.32	11.46	68.37	53.14	+8.81
Bohai Sea	31.78	26.78	15.73	102.29	73.45	+14.00
South China Sea	41.86	37.90	9.46	52.72	44.64	+5.04
East China Sea	2.23	2.59	-16.14	-30.83	-33.59	+4.81
Onshore LNG construction	4.68	4.04	13.68	213.49	292.79	-17.45
Abroad	29.25	28.68	1.95	-45.88	-15.55	-35.21
Total	109.80	100.00	8.93	7.76	24.17	-12.04

Statement of major businesses by industries, products and areas

√ Applicable □ Inapplicable

Judging from sectors, the increase in revenue and cost from the offshore engineering industry were mainly resulted from the increase in the workload of offshore oil and gas fields completed by the Company during the reporting period. The income from non-offshore engineering industry mainly comes from the construction income of projects such as onshore LNG storage tanks and receiving terminals in Fujian Zhangzhou, and the income from special equipment such as electric instrument products. The income scale is larger than that of RMB 3.783 billion in the same period of last year, mainly because the onshore construction project of Yamal LNG module in Russia achieved the income of RMB 3.509 billion and good gross profit margin level. In the current period, due to the decrease of onshore LNG construction business, the income, cost and gross profit margin all showed a large decline.

Judging from regions, with the gradual start of domestic projects, the revenue from domestic business has increased significantly, and the operating income has increased by 68% year-on-year. The operating income of the Bohai Sea Area and the South China Sea Area has increased greatly, pushed by the workload. Onshore LNG construction revenue was mainly from the construction income of domestic LNG projects such as onshore LNG storage tanks and receiving terminals in Fujian Zhangzhou. The significant increase in the volume of the project led to the corresponding increase in income scale. Revenue from overseas projects decreased by 46% compared with last year, mainly due to the reduction in workload from overseas projects and the corresponding decrease in business income. Last year, the large scale of overseas revenue resulted from the realization of the income of RMB 3.509 billion from the Yamal project.

## (2) Analysis schedule of production and sales

□ Applicable √ Inapplicable

## (3) Analysis schedule of costs

Unit: 100 million yuan

By industry						
Industry	Cost composition Items	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	24.03	17.91	22.15	34.56
	Labor costs	21.38	21.32	18.38	22.73	16.32
	Depreciation and amortization	9.91	9.88	9.49	11.74	4.43
	Fuel costs	4.60	4.59	2.49	3.08	84.74
	Engineering cost	40.28	40.17	32.58	40.30	23.63
	Total	100.28	100.00	80.85	100.00	24.03

Other statement on cost analysis

√ Applicable  Inapplicable

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 cost composition details are shown as follows:

Unit: 100 million yuan

Cost composition Items	Cost composition details	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 (%)
Engineering cost	Onshore construction subcontracting cost	32.90	81.68	25.54	78.39	28.82
	Vessel subcontracting cost	5.58	13.85	1.84	5.65	203.26
	Vessel berthing cost, port surcharges, etc.	1.80	4.47	5.20	15.96	-65.38
	Total	40.28	100.00	32.58	100.00	23.63

## (4) Information of major sales customers and suppliers

√ Applicable  Inapplicable

The sales amount of the top five customers was RMB 9.314 billion, accounting for 84.28% of the total annual sales amount, among which the sales amount of the related parties was RMB 7.927 billion, accounting for 71.73 % of the total annual sales amount.

The purchase amount of the top five suppliers was RMB 1.633 billion, accounting for 23.36% of the total annual purchase amount, among which the sales amount of the related parties was RMB 409 million, accounting for 5.84% of the total annual purchase amount.

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 293 million, showing an increase of RMB 35 million over the same period of last year, viz. 13.68%, mainly due to the increase in labor costs, consulting fees and rental fees.

- (2) Financial expenses achieved RMB -71 million, showing a year-on-year decrease of RMB 425 million, viz. 120.19%, mainly due to two reasons: on the one hand, the net income generated by the changing exchange rate of the US dollar was RMB 38 million, and the net loss of exchanges was RMB 344 million in the same period of last year, which caused the financial expenses to reduce by RMB 382 million; on the other hand, the net interest expense decreased by RMB 43 million compared with the same period of last year, mainly because the corporate bonds were redeemed after expiration. In the current period, there is no need to pay the annual interest of the bonds of RMB 62 million. Financial expenses have fallen sharply year-on-year.

#### 4. R&D investment

Table of R&D investment

Applicable  Inapplicable

Unit: Yuan

Expensing R&D investment in current period	669,498,092.27
Capitalized R&D investment in current period	0
Total research investment	669,498,092.27
Proportion of total R&D investment to operating income (%)	6.06
Number of R&D personnel in the Company	1,106
Proportion of R&D personnel to total number of the Company (%)	14
Proportion of R&D investment capitalization (%)	0

Description

Applicable  Inapplicable

The R&D investment in current period was RMB 669 million, a slight increase from the previous year's RMB 621 million, mainly thanks to the increase in income and the increase in the scale of R&D investment to meet the technical needs of production projects.

The Company insists on the philosophy of scientific research based on production, that is, scientific research shall solve production problem, closely combined with the actual needs of production, concentrating resources on deepwater technology research. 12 major subjects for deepwater projects were studied throughout the year. The main R&D projects have achieved initial results. The research subjects of the upgrade of "Offshore Oil 201" deepwater pipe-laying vessel stinger and the PLET (pipeline end termination) decentralization device completed several stinger upgrade schemes and the design of PLET side-down system, which provides key technical reserve for the evaluation of PLET installation schemes for Lihua 29-1 Project and Lingshui 17-2 Project. The research subject of the engineering application of the jacket skirt pile chuck has completed the research and design of the pile chuck as well as the processing, manufacturing and test of the engineering prototype. It is expected to be applied in the Nanpu Project, and then promoted to other projects to finally realize the pile chuck localization. Development of simulation test equipment for underwater engineering safety operation and key technology research is underway, developing a set of simulation test platform for large offshore engineering equipment and a set of simulation system software for offshore engineering operation, to strengthen the Company's verification, process preview and security evaluation capability of offshore operation schemes.

R&D investment plays an important role in helping the Company solve technical problems, promote the strength, improve the working efficiency and effectively reduce the cost.

#### 5. Cash flow

Applicable  Inapplicable

- (1) Net cash inflow from operating activities was RMB 376 million, showing a year-on-year decrease of RMB 155 million, viz. 29.15%. It was mainly because that the receiving node of some projects of the Company was not due, leading to decrease in cash inflow from operating activities.
- (2) Net cash flow from investment activities was RMB -2.962 billion, showing a year-on-year outflow increase of RMB 2.321 billion, which is mainly because that 1) the cash paid for purchase and construction of fixed assets, intangible assets, and other long-term assets in current period was RMB 912 million, decreased by RMB 742 million on a year-on-year basis than RMB 1.653 billion of the last year; 2) cash received from investment income in current period was RMB 97 million, decreased by RMB 14 million on a year-on-year basis than RMB 111 million of the last year; 3) investment on bank financial products with net withdrawal in current period was RMB 1.918 billion, showing a year-on-year investment decrease of RMB 3.126 billion than the net withdrawal RMB 1.208 billion of the last year; 4) cash outflow resulted from future foreign exchange settlement contract loss of Offshore Oil Engineering (Qing Dao) Co., Ltd. in current period was RMB 44 million, decreased by RMB 80 million on a year-on-year basis than RMB 124 million of the last year; 5) investment for the joint venture COOEC-Flour Heavy Industries Co., Ltd. in current period was RMB 186 million and that in the same period of last year was RMB 178 million, thereby comprehensively increasing the net cash outflow from investment activities.

- (3) Net cash flow from financing activities was RMB -92 million, showing a year-on-year outflow decrease of RMB 1.53 billion, which is mainly because that: 1) the principal and interest of corporate bonds of RMB 1.2 billion and RMB 69 million of the Company were repaid in the last period, while there was no such item in current period; 2) profit-sharing of 2017 was carried out in current period with total cash dividends of RMB 221 million distributed, while cash dividends of RMB 442 million were distributed in the same period of last year, and cash outflow decreased by RMB 221 million in current period; 3) entrusted loan of RMB 130 million appropriated by CNOOC was received in current period, and that in the same period of last year was RMB 90 million.

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

√ Applicable  Inapplicable

- (1) Assets impairment loss was RMB 52 million, showing a year-on-year decrease of RMB 383 million, viz. 88.05%. It was mainly because that the assets depreciation reserve of RMB 360 million was withdrawn for projects in construction expected to be lost and falling price reserve of RMB 67 million was withdrawn for raw materials in the same period of last year in accordance with the standard of construction contracts, while in current year, the assets depreciation reserve and falling price reserve of raw materials of RMB 45 million was totally withdrawn, showing a corresponding year-on-year decrease on the assets impairment loss.
- (2) Other incomes were RMB 181 million, showing a year-on-year increase of RMB 83 million, viz. 84.51%. It was mainly because that the consumption tax refund of oil received in current period was RMB 78 million, showing a year-on-year increase of RMB 33 million than RMB 45 million of the last year; also the R&D subsidy received was RMB 91 million, increased by RMB 40 million than RMB 51 million in the same period of last year, and other incomes were increased accordingly.
- (3) Investment income were RMB -47 million, showing a year-on-year increase of RMB 75 million, which is mainly because that the investment income from forward exchange settlement of Offshore Oil Engineering (Qing Dao) Co., Ltd. was RMB -44 million in current period, increased by RMB 80 million than RMB -124 million in the same period of last year.
- (4) Income from change of fair value was RMB 0, showing a year-on-year decrease of RMB 212 million, which is mainly resulted from the change in fair value earnings from forward exchange settlement and sale contract delivery of Yamal project of Offshore Oil Engineering (Qing Dao) Co., Ltd. in last period of RMB 212 million.
- (5) Non-operating income was RMB 35 million, showing a year-on-year decrease of RMB 45 million, viz. 56.48%, mainly because that the government subsidy related to daily activities was listed in other incomes, which led to such year-on-year decrease.
- (6) Non-operating expenses were RMB 10 million, showing a year-on-year increase of RMB 8 million, viz. 275.25%, which is mainly because of the non-operating expense of RMB 7 million from scrapping or damage to the assets in current period; there was no such item in last period.
- (7) Income tax expense was RMB 49 million with a year-on-year decrease of RMB 88 million, viz. 64.29%. It was mainly due to total profit decline in current period.

## (iii) Analysis of assets and liabilities

√ Applicable  Inapplicable

### 1. Assets and liabilities

Unit: Yuan

Project name	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	Proportion 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 (%)
Monetary capital	1,943,895,590.53	6.45	4,632,161,199.04	16.31	-58.03
Notes and accounts receivable	4,186,332,475.43	13.89	2,820,783,201.00	9.93	48.41
Other Receivables	98,783,571.36	0.33	142,663,334.97	0.50	-30.76
Inventory	2,898,116,191.04	9.61	1,694,988,237.78	5.97	70.98
Other current assets	4,661,230,094.25	15.46	2,668,665,837.82	9.40	74.67
Available-for-sale financial assets	158,099,778.00	0.52	238,775,578.00	0.84	-33.79
Projects under construction	2,381,041,517.05	7.90	179,879,657.81	0.63	1,223.69
Intangible assets	1,156,963,479.71	3.84	804,397,804.53	2.83	43.83

Project name	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	Proportion 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 receipts	1,966,300,647.30	6.52	140,476,025.08	0.49	1,299.74
Long-term loans	220,000,000.00	0.73	90,000,000.00	0.32	144.44
Other composite incomes	47,540,172.61	0.16	109,380,302.90	0.39	-56.54
Total assets	30,149,200,569.79	100.00	28,395,956,227.87	100.00	6.17
Net assets attributable to the shareholders of the listed company	22,892,941,649.83	75.93	23,117,079,340.91	81.41	-0.97

Description of change in item:

- (1) Monetary capital decreased by RMB 2.688 billion, viz. 58.03%, compared with that at the end of last year, mainly because of the combined influence of operating activities, investment activities and financing activities.
- (2) Notes receivable and receivables increased by RMB 1.366 billion, viz. 48.41%, compared with that at the end of last year, mainly because that the part of the contracts haven't reached mileage point for receiving funds according to terms of contracts, and the receivables were increased.
- (3) Other receivables decreased by RMB 44 million, viz. 30.76%, compared with that at the end of last year, mainly because that the export tax refund of last year was recovered.
- (4) The inventory increased by RMB 1.203 billion, viz. 70.98%, compared with that at the end of last year, mainly because of the increased projects that have been completed but unsettled.
- (5) Other current assets increased by RMB 1.993 billion, viz. 74.67%, compared with that at the end of last year, mainly because that the balance of bank financial products at end of the period increased by RMB 1.918 billion in comparison with that at the end of last year.
- (6) Available-for-sale financial assets decreased by RMB 81 million, viz. 33.79%, compared with that at the end of last year, mainly because of the price fluctuation of stock of Lanpec Technologies held by the Company.
- (7) Projects under construction increased by RMB 2.201 billion, viz. 1,223.69%, compared with that at the end of last year, mainly because that investment of RMB 2.001 billion for the improvement of "Offshore Oil 201" was changed into projects under construction and the investment for port-surrounding ocean engineering manufacturing base construction project under construction of RMB 100 million.
- (8) Intangible assets increased by RMB 353 million, viz. 43.83%, compared with that at the end of last year, mainly because that expenses of RMB 382 million for purchasing land use right for port-surrounding ocean engineering manufacturing base construction project were changed into intangible assets.
- (9) Advance receipts increased by RMB 1.826 billion, viz. 1,299.74%, compared with that at the end of last year, mainly because of the increased project advance payment after conclusion of contracts of Lingshui 17-2 gas field and other projects.
- (10) Long-term loans increased by RMB 130 million, viz. 144.44%, compared with that at the end of last year, mainly because of the entrusted loan of RMB 130 million allocated by CNOOC.
- (11) Other comprehensive incomes decreased by RMB 62 million, viz. 56.54%, compared with that at the end of last year, mainly because the after-tax price fluctuation of stock of Lanpec Technologies held resulted in RMB -69 million and converted difference in foreign currency statements resulted in RMB 7 million.
- (12) Total assets increased by RMB 1.753 billion, viz. 6.17%, compared with that at the end of last year, mainly because that the advance receipts increased by RMB 1.826 billion.
- (13) Net assets attributable to shareholders of listed companies decreased by RMB 224 million, viz. 0.97%, compared with that at the end of last year, mainly because of the combined influences of undistributed profits, surplus reserves and other comprehensive incomes. Among them, the undistributed profits decreased by RMB 299 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 158 million compared with that at the end of last year, and other comprehensive earnings decreased by RMB 62 million in comparison with that at the end of last year.

## 2. Main asset limitation by the end of report period

Applicable  Inapplicable

## 3. Other descriptions

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

## (3) Financial assets calculated by fair value

Applicable  Inapplicable

By the end of the report period, the Company reduced the holding-shares of Lanpec Technologies Limited by 17.77 million shares, showing no change in the report period, and the shareholding proportion is 5.01%.

Unit: RMB 10,000

Stock code	Stock abbreviation	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	Lanpec Technologies	3,668.41	5.01	5.01	8,742.84	0	-8,067.58	Available-for-sale financial assets	Investment in original issue stock
Total		3,668.41	/	/	8,742.84	0	-8,067.58	/	/

## (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 business 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 engineering	582,841.03	420,143.00	3,069.70	100%
2	Offshore Oil Engineering (Qing Dao) Co., Ltd.	300,000.00	Construction, installation, design and maintenance, etc. of offshore oil and gas engineering	613,882.65	469,343.82	5,975.58	100%
3	Offshore Oil Engineering (Zhuhai) Co., Ltd.	395,000.00	Construction, installation, design and repair of offshore oil and gas engineering	408,077.07	391,231.43	-5,867.76	100%
4	COOEC International Engineering Co., Ltd	6,000.00	EPCI contract and specialized contract	17,827.73	4,676.99	126.79	100%

No.	Company name	Paid-in capital	Major business and products	Total assets	Net assets	Net Profit	Shareholding Ratio
5	PT. COOEC Indonesia	195.21	Oil and gas field development and repair service business	9,465.16	8,514.27	-140.38	100%
6	COOEC Nigeria Limited	54.88	Contract, design, installation, repair and relevant business of offshore oil and gas filed development engineering	60.81	32.49	0.00	100%
7	COOEC NIGERIA FZE	Inapplicable	Set for the implementation of Nigeria Dangote Project	20,674.32	104.76	134.07	100%
8	A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	114.57	Nondestructive testing and welding experiments	1,290.34	1,049.37	-270.39	90%
9	Lanhai International Limited	669.81	EPCI contract of offshore oil engineering	672.69	672.49	-0.03	100%
10	COTEC INC.	956.87	EPCI contract of offshore oil engineering	1,612.69	1,175.83	47.06	70%
11	Beijing Gaotai Deep-sea Technologies Co., Ltd.	500.00	Consulting services for deep-sea engineering	3,310.79	2,368.27	63.36	70%
12	COOEC International Co., Limited	669.11	EPCI contract and design, construction and installation, etc. of oil and gas development engineering	126,578.64	40,731.63	-2,947.37	100%
13	COOEC CANADA COMPANY LTD.	2,067.66	Design, procurement, construction and installation of oil and gas engineering	8,958.45	1,007.18	-108.79	100%
14	COOEC (Thailand) Co., Ltd.	283.04	Project contracting	1,561.35	473.97	18.60	100%
15	COOEC Brasil Offshore Ltda.	314.30	Project contracting	314.30	314.30	0.00	100%

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

In 2018, Offshore Oil Engineering (Qing Dao) Co., Ltd. gained the operating income of RMB 1.768 billion, with operating profit of RMB 50 million and net profit of RMB 60 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 greatly by RMB 1.611 billion due to relatively low project gross profit in current period, showing a year-on-year decrease of 96%; in last year, the profit was attributed to the completion of Yamal Project.

In 2018, COOEC SUBSEA TECHNOLOGY CO., LTD. gained the operating income of RMB 1.928 billion, with operating profit of RMB 26 million and net profit of RMB 31 million, accounting for more than 10% of the combined net profit of the Company. It was mainly because of the large income scale. The net profit increased by 160% in comparison with RMB 12 million in the same period of last year, which is mainly because of the increased workload of offshore installation and underwater projects as well as the relatively low net profit base in the same period.

(2) Analysis on large performance fluctuation of single subsidiary 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 SUBSEA TECHNOLOGY CO., LTD. is the same as above.

In 2018, COOEC International Co., Limited gained the operating income of RMB 492 million, with operating profit of RMB -14 million and net profit of RMB -29 million, showing a year-on-year decrease of RMB 46 million and the influence to the combined net profit of the Company more than 30%, which is mainly because of the relatively low project gross profit.

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

Inapplicable.

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

Company name	Registered capital (RMB 10,000)	Registration time	Business scope	Actual capital contribution (RMB 10,000)	Shareholding Ratio
CNOOC Finance Co., Ltd.	400,000	June 2002	Taking deposit, loan, financial leasing, etc. of member organizations	7,067.14	1.77%
Gansu Lanke Petrochemical Equipment Co., Ltd.	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-Flour 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 state supports to strengthen the oil and gas field exploration and development in China, which is expected to provide long-term opportunities for the development of the industry and the Company

According to relevant data, China imported 462 million tons of crude oil in 2018, ranking the first over the world and showing a high dependence of crude oil on import up to 70.9%, exceeding 70% for the first time. Therefore, it is necessary to increase the output of crude oil in China, minimize the dependence on imported foreign oil products, and safeguard the energy security in China in the complex international political and economic environment at present. In 2018, China precisely required to improve the oil exploitation technology and increase the crude oil output. The three major oil companies in China made the relevant deployment one after another to ensure that the growth of oil and gas reserve and output has been the preferential development direction of oil companies for a longer period in the future. CNOOC has formulated the *Seven-year Action Plan for Strengthening of Domestic Exploration and Development of CNOOC in the Future* which proposes to double the exploration workload and proven reserves by 2025.

The continuous increasing of reserves and production of offshore oil and gas is expected to provide the offshore oil and gas industry in China with a long-term development opportunity. As the main force for construction of offshore oil and gas projects in China, CNOOC will firmly seize the opportunity to constantly strengthen its capacity building, and better provide clients with high-quality and efficient services to achieve a sustainable development, and also make due contributions in guarantee of the national energy development and supply.

#### 2. International oil price raises, the market bidding and tendering work of LNG modularization and others begins to be active in 2019, and market opportunities increase

The average price of international crude oil (Brent crude oil) was USD 71.7 in 2018, increased by 31% compared with that in 2017, the oil price raised gradually. With the raise of the oil price, the investment to the upstream oil and gas exploration and development over the world increases gradually. As predicted by Spears & Associates, Inc., the investment to the global upstream oil and gas exploration and development is expected to recover to USD 472 billion in 2019, with an increase of 16% compared with USD 408 billion in 2018; remarkable recovery is expected in LNG industry.

After decision-making and arrangement in the past two years, multiple large-scale LNG projects in the world have gradually come to the bidding and tendering process, with the results probably to be revealed in 2019. The need for modular construction will increase significantly with the start-up of the LNG project. The Company is closely following the large-scale modular construction project in Canada, Russia and other countries. In addition, there are signs of recovery in FPSO and other floating markets. The Company will actively explore related business relying on existing LNG modular construction brand effect and FPSO general contractor capacity.

#### 3. The Company operates prudently and gradually promotes its comprehensive strength, providing good foundation for future development

Firstly, the comprehensive strength is strengthened significantly. In recent years, the Company constantly performs development strategies, focuses on its principal works and pays special attention to capability construction and global market development of major works, which constantly improves the capacity of design, onshore construction and offshore

installation, significantly enhances deep water capability, thus ensuring stable exploitation of international market, and making the employee team constantly grow, and furthermore laying a solid foundation for coping with various challenges and difficulties.

Secondly, the international market is preliminarily opened with the international popularity and competitiveness continuously promoted. In the past few years, the Company completed some large projects in Russia, Australia, the Middle East, Europe, Southeast Asia and Brazil with high quality, thereby significantly enhancing its influence in international LNG modular construction field and improving its competitiveness in FPSO field, and furthermore enhancing the knowledge and understanding of overseas oil & gas giants toward the Company and promoting the degree of trust. In that regard, the Company established good cooperation relations with oil and gas giants such as Shell and project giants such as FLUOR and Technip, and entered long-term service supplier agreement with Saudi Aramco. It unswervingly implements the comprehensive internationalization strategy, and continues to make international market development a top priority to continuously promote its overseas operation capability, bringing wider and wider internationalization road.

Thirdly, the Company owns strong equipment power. Equipment resource is a vital factor in oil and gas development. The Company has advanced facilities, manufacturing resources in a large scale with world competitiveness and self-owned engineering ships of different types and purposes, most of which are the latest ones with advanced techniques and therefore promoting the Company to participate in market competition in a better way.

Fourthly, the whole oil and gas engineering industry has experienced a period of adjustment and trough in the past few years, and lots of companies in the industry have bankrupted or restructured; however, the Company maintained a sound financial situation. At present, its asset-liability ratio is 24%, with lighter financial burden and relatively reasonable cash balance, which lays good foundation for the Company's healthy and sustainable development.

## (ii) Development strategies of the Company

√ Applicable  Inapplicable

The Company owns a strategic target of constructing international first-class energy engineering company and plans to push forward the construction of international first-class energy engineering company.

Stage I (2018-2020): this is the starting stage of overall internationalization construction which emphasizes on enhancing company foundation, reform and transformation development and opening of overall internationalization construction, and aims at stepping out of industry low ebb, gentle workload and "peak valley" amplitude of income by adopting such means as international benchmarking, reform and innovation with informatization and intelligentized construction as the strengthening measures, so as to constantly promote the Company's development quality and level. The stage target is to constantly expand the economic scale; continuously improve the degree of internationalization to ensure overseas income of 40%-45% and technical service income of around 30% till 2020; carry out pluralistic development of industrial structure and continue keeping the dominant position of traditional shallow water oil & gas project EPCI; upgrade the deepwater, underwater, LNG and other new businesses and transform to general contractor; form the technology and market foundation for new energy engineering industry, in order to significantly improve the management level, constantly enhance the soft power, obviously expand the market area and gain a high international popularity.

Stage II (2020-2035): it plans to preliminarily construct itself into an international first-class energy engineering company till 2035, with comprehensive capacity ranking top five among the peers in the world. During the construction, the safety indicators shall first reach the world first-class level and such monomial competencies as Qingdao base, deepwater and underwater capabilities, offshore installation ability shall reach the world first-class level. By reference to and changing from "modular" international brand and capability construction of Qingdao Site, it will really break the international barrier as well as traditional fixed mode of thinking and management mode and follow the construction route of "part to whole and single to entirety", to promote the construction of international first-class energy engineering company.

## (iii) Business plan

√ Applicable  Inapplicable

In 2018, the income, net profit and other operation objectives of the Company were basically consistent with the expected ones at the beginning of the year. The overall workload and operating situation were failed to be more than expected due to the delay of 4 domestic and foreign projects such as Penglai and Caofeidian. However, the Company generally endured the most difficult period of the industry with oil price fall from the second half of 2014 and smoothly spent the tough year of 2018.

Looking ahead to 2019, the Company will encounter a number of positive factors during development. First, the Company concluded a number of new large projects in 2018, with rapidly grown market order amount and relatively abundant in-hand uncompleted orders, and some of the projects will be implemented intensively in 2019, so the overall workload will increase significantly in 2019. Second, the Company is expected to achieve important results in exploration of international market and gain corresponding business in the LNG modular market and other areas in 2019, which will also provide support for development in 2019 and in the future. With the increase of the workload, the utilization rate of the Company's ships and sites will gradually increase, and the fixed costs are expected to be diluted.

In 2019, the Company's income is expected to increase by more than 30% than that of 2018. 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 and financial expenses) to operating income below 7%.

#### **Main work schedule of 2019:**

##### **1. Reducing costs at full stretch to strive to achieve the full-year operation objective.**

In 2019, the steel throughput is expected to be about 190,000 structure tons, and the working ship-day is about 17,000 (the final workload may vary according to the actual situation). Although the workload increases significantly, the situation of low project profit margin will continue, so the Company will still need to constantly strengthen management and response, enhance all-round project management and control by elaborate means, and strictly control costs and risks to improve the profitability. The Company will focus on the integration of internal production and operation elements and related resources, manage production and operation and strengthen enterprise management from each node and process, build an all-round and all-process cost management, control and compression mechanism covering management, technology and production, and reduce costs as far as possible to ensure the successful completion of the annual production and operation tasks.

##### **2. Seizing the opportunity of synchronously carrying out five deepwater projects to exercise the project operating capacity and enhance the technology level of deepwater projects.**

The Company will take advantage of synchronously carrying out five large-scale deepwater projects, such as Lingshui and Liuhua, 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 to strictly ensure project quality, strengthen project progress control and improve its management level of deepwater projects. Moreover, it will accelerate to make breakthrough in a number of deepwater and underwater technologies, including tackling the design, manufacture and installation and other key technologies of semi-submersible platform project, accelerating the research of the key technologies in the design of underwater production system, and mastering the design, manufacture, test, installation and other key technologies of underwater production system at 1,500 m-deep.

##### **3. Focusing on key projects and key areas during overseas market development to ensure positive results.**

The Company should seize the market opportunity of improving the LNG modular market overseas, focus on the LNG modular projects in Canada, Russia and other regions, and complete market development, tendering and other a series of work by taking the advantages of the Company in modular construction and the project experience such as Yamal of Russia. Furthermore, it should, by making full use of the business opportunities from the long-term service agreement concluded with Saudi Aramco, strengthen the construction of its comprehensive capacity in the design, business, law, procurement support and operation support in the Middle East to further expand its market share in the Middle East and lay a good market foundation for a sustainable development.

##### **4. Thinking deeply about intelligent COOEC and digital development direction, and gradually strengthening the construction of intelligentization and digitization of the Company.**

The Company should actively accept, learn, adapt to and apply intelligent thinking mode, maintain the awe and sharpness to new technology, new model and new mode, and continuously focus on the impact and change that new technology may bring to the marine engineering field. Strengthen intelligent management and production, build intelligent COOEC, scientifically plan the intelligent process and intelligent management and control mechanism during manufacturing from the construction of offshore engineering equipment manufacturing base project of "two-special and one intelligent" (intelligent manufacturing, special equipment manufacturing and characteristic technical services) in Tianjin Harbor Industrial Park, explore the construction of series intelligentization from design to construction, from installation to removal, from production to management and from products to services to construct an intelligent and smart marine engineering base. Consider to integrate digitization with the energy engineering industry, intensively collect, identify, protect and effectively utilize the mass data during production and operation, build a data platform, form the real enterprise platform based on digital model automation technology and a series of back-stage management of virtual platforms, to achieve deep sharing and comprehensive and collaborative management of information of various business sections and efficient flexible production, intelligent production and safe production.

##### **5. Strengthening the construction of employee team to further release the efficiency of human resources after institutional reform.**

The Company should continuously strengthen talent cultivation, and the introduction of external resources and two-way communication, cultivate more multi-disciplinary talents by promoting cadre training in rotation, skills training, professional training and other diversified training mechanisms to promote the Company to change into technology-intensive, management-innovative and continuous-learning enterprise. Strengthen the party construction, construct the long-term mechanism of supporting the production and operation by party construction, take "becoming a qualified party member" as the starting point and foothold of party member construction from 100% standard rate of branches, and strengthen the propaganda party construction and the transmission of positive energy with the new media. Promote mass economic and technological innovative activities such as technological breakthrough and rational proposal collection to stimulate employees' innovation energy. Introduce per capita profit index into performance appraisal, strengthen the appraisal of project managers, and excite the human resource efficiency by various ways to support the Company's development.

**(iv) Potential risks**√ Applicable  Inapplicable**1. Risks from operation of overseas projects**

For the short-time participation in international market, international talents are relatively insufficient, the management system is inadequate, the capacity on operation management remains relatively weak, and policies, marine environment, remote resource allocation of different kinds in different countries may bring risks in operation of international projects.

Countermeasures: firstly, strengthen training and exercise for international talents and improve internationalization level and operation capability of staff; secondly, enhance study on the policies to keep up with the international industry development & policy trends and analyze scientifically risks in overseas project operation to perfect related management system; thirdly, gradually integrate and improve overseas organizing structure, set up regional centers, promote the application of global labor, property and material resources, and enhance prevention of and control over risks.

**2. 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 oversea business scale and increase in foreign exchange income of the Company.

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

**3. Implementation risks in engineering project**

Offshore oil and gas field projects of the Company are developed from that below 300 m toward the deepwater area above 300 m, 500 m and even 1,500 m, but the Company is relatively weak in technology, management and construction experience in the deepwater engineering field, resulting in higher construction difficulties and risks.

Countermeasures: strengthen construction safety and quality control, expedite deepwater technique reserve and manufacturing of deepwater equipment, and accumulate experience in technique, management and operation of deepwater projects through practical operation and employment of foreign experts with advanced technology, so as to eliminate construction risks.

**4. Risks brought by factors as natural disaster and bad weather.**

Unpredictable natural disaster and severe weather like frequent typhoon may cause negative effects and unpredictable risks to manufacturing and operation, especially offshore installation of the Company

Countermeasures: security management has long been regarded as the top priority in the Company and close attention has always been paid to keep close attention to severe weather as typhoon for tracking and preparation, emergency shall be prevented earlier, tracked closely and reported timely, and start the emergency response to cut losses at the lowest level.

**(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 the cause description** Applicable  Inapplicable

# Important Matters

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

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

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 2018**

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 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 occasion and under the case that the 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 condition for distribution of stock dividend

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 dividend is for the overall benefit of all shareholders of the Company, preliminary distribution plan of stock dividend 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 scheme, the Company shall fully listen to minority shareholders' opinions and demands on shareholders meeting, and communicate with shareholders, esp. minority shareholders by means of 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 profit-sharing plan is made at shareholders meeting of the Company, Board of Directors shall complete matters of dividends (or share) distribution within two months after holding of 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)	No. of dividend 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 (%)
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
2016	0	1.00	0	44,213.55	131,530.71	33.61

#### (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 is 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.

Whether reach the original profit forecast and explanation to 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 2018, the Company adjusted its accounting policy for three times in accordance with the new regulations and requirements issued by the Ministry of Finance of the PRC at different times. The Ministry of Finance of the PRC issued the *Notice on Revising the Format of Financial Statements of General Enterprises* in 2017 and revised the format of financial statements of general enterprises, issued the *Notice on Revising and Issuing of the Format of Financial Statements of General Enterprises in 2018* (CK [2018] No. 15) on June 15, 2018 and revised the format of financial statements of general enterprises; issued the *Interpretation on Issues Relating to the Format of Financial Statement of Ordinary Enterprises in 2018* in September 2018, which requires that the handling charge for withholding tax received by enterprises as the withholder of individual income tax shall be listed in “other incomes” of the profit statement as other items relating to daily activities.

Accordingly, the Company convened the 7th Meeting of the 6th Board of Directors on March 27, 2018, the 10th Meeting of the 6th Board of Directors on August 17, 2018 and the 11th Meeting of the 6th Board of Directors on October 29, 2018 respectively, and deliberated and approved the proposal on accounting policy change. For details, please refer to *Announcement of the Company on Accounting Policy Changes* (L-009 Announcement), *Announcement of the Company on Accounting Policy Changes* (L-021 Announcement) and *Announcement of the Company on Accounting Policy Changes* (L-026 Announcement) published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange.

The specific contents for the changes in accounting policies and their impact on the financial statements of the Company are as follows:

Contents for the changes in accounting policies	Name and annual amount of report items influenced
(1) In balance sheet, “notes receivable” and “accounts receivable” are listed together as “notes and accounts receivable”; “notes payable” and “accounts payable” are listed together as “notes and accounts payable”; “interests receivable” and “dividends receivable” are merged into “other receivables”; “interests payable” and “dividends payable” are merged into “other payables”; “fixed assets clearing” is merged into “fixed assets”; “engineering material” is merged into “projects under construction”; “special payables” is merged into “long-term payables”. Comparative data are adjusted accordingly.	<p>“Notes receivable” and “accounts receivable” are listed together as “notes and accounts receivable”, with an amount of RMB 4,186,332,475.43 in the current period and RMB 2,820,783,201.00 at the beginning of year;</p> <p>“Notes payable” and “accounts payable” are listed together as “notes and accounts payable”, with an amount of RMB 3,940,765,468.72 in the current period and RMB 3,779,805,573.24 at the beginning of year;</p> <p>“Other receivables” is adjusted and added, with an amount of RMB 4,931,006.22 in current period and RMB 7,816,161.42 at the beginning of the year;</p> <p>“Other payables” is adjusted and added, with an amount of RMB 29,486.11 in current period and RMB 9,625.00 at the beginning of the year;</p> <p>“Fixed assets” is adjusted and added, with an amount of RMB 1,020,127.66 in current period and RMB 0.00 in last period;</p> <p>The affected amount of “projects under construction” at the end of period and beginning of year is RMB 0.00;</p> <p>“Long-term payables” is adjusted and added, with an amount of RMB 27,316,350.24 in current period and RMB 28,213,887.06 at the beginning of the year.</p>

Contents for the changes in accounting policies	Name and annual amount of report items influenced
(2) In the profit statement, "R&D expense" is newly added and the R&D expense in original "management expense" is reclassified into "R&D expense" and listed independently; the items "wherein: interest expense" and "interest income" are newly added under the financial expense in profit statement. Comparative data are adjusted accordingly.	The amount of "management expense" is reduced by RMB 669,498,092.27 in the current period, and that of last period is RMB 620,680,260.33, reclassified into "R&D expense"; The amount of "interest expense" is RMB 877,291.67 in the current period, and that of last period is RMB 60,733,325.33; The amount of "interest income" is RMB 50,124,776.13 in the current period, and that of last period is RMB 67,192,115.63;
(3) A new item "carry forward and retained income incurred from changes in amount of defined benefit plans" is added in the Company's existing statement of changes in owner's equity. Comparative data are adjusted accordingly.	The affected amount of both the current period and last period is RMB 0.00.
(4) The individual income tax collected will be reimbursed and calculated as "other incomes" after deduction of commission.	The amount is RMB 2,319,822.09 in current period and RMB 2,910,629.01 in last period.

## (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	170	
Audit term of domestic accounting firms	3	
	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 2018* was deliberated on the 6th meeting of the 6th Board of Directors convened on March 27, 2018. 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 2018 to offer internal control audit service and other services centered on financial statement audit and financial report. The employment term is one year.

The issue above has been approved upon deliberation on the 2017 general meeting of stockholders held on April 25, 2018.

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 occurred to the Company in the year.  There's no significant litigation or arbitration occurred 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. Honesty condition of the Company and its controlling shareholder and actual controller in report period

Applicable  Inapplicable

Good honesty records. No bad faith record 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 progress or change

Applicable  Inapplicable

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

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 progress or change

Applicable  Inapplicable

#### 2. Matters disclosed in the interim announcement with subsequent implementation progress or change

Applicable  Inapplicable

The controlling shareholder allocated the special fund of RMB 130 million issued by State Administration of Work Safety to COOEC in form of entrusted loan, with a loan period of 5 years and loan rate of 0.5%. For details, see *Announcement on Related Transaction of Entrusted Loan Provided to the Company by a Controlling Shareholder* (interim announcement No.: 2018-003) published on www.sse.com.cn, website of Shanghai Stock Exchange.

The funds have been allocated as scheduled.

#### 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 of 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	Wholly owned 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.	1,172,982,158.33	1,172,982,158.33	10.61	Normal clearing according to the contract agreement
COOEC-Fluor Heavy Industries Co., Ltd.	Joint venture	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	202,533,207.65	202,533,207.65	1.83	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.	58,479,872.96	58,479,872.96	0.53	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.	40,163,678.51	40,163,678.51	0.36	Normal clearing according to the contract agreement
China Offshore Oil Service (Hong Kong) Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide material purchase for the Company	Determine contract price by tendering based on market principle.	28,840,896.19	28,840,896.19	0.26	Normal clearing according to the contract agreement
China Oilfield Services Ltd.	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.	16,059,843.24	16,059,843.24	0.15	Normal clearing according to the contract agreement
CNOOC Industrial Co., Ltd.	Wholly owned subsidiary of parent company	Expenses for water, electricity, gas and other utilities (purchase)	Provide the Company with following services: real estate, engineering subcontracting, fuel, water & power, etc.	Determine contract price by tendering based on market principle.	8,960,690.20	8,960,690.20	0.08	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.	4,068,017.63	4,068,017.63	0.04	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.	3,971,509.13	3,971,509.13	0.04	Normal clearing according to the contract agreement
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.	3,632,630.19	3,632,630.19	0.03	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.	3,180,573.56	3,180,573.56	0.03	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 of connected transaction	Amount of connected transaction	Proportion to the total amount of same transactions (%)	Settlement method of related-party transactions
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.	2,200,000.00	2,200,000.00	0.02	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.	1,828,687.15	1,828,687.15	0.02	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.	1,001,346.17	1,001,346.17	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.	499,149.29	499,149.29	0.0045	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.	329,847.17	329,847.17	0.0030	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, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	7,159,596,386.31	7,159,596,386.31	71.40	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, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	468,281,524.23	468,281,524.23	4.67	Normal clearing according to the contract agreement
CNOOC Energy Technology & Services Limited	Wholly owned subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	299,340,660.76	299,340,660.76	2.99	Normal clearing according to the contract agreement
China Oilfield Services Ltd.	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.	51,866,561.38	51,866,561.38	0.52	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, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	17,529,523.49	17,529,523.49	0.17	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 of connected transaction	Amount of connected transaction	Proportion to the total amount of same transactions (%)	Settlement method of related-party transactions
COOEC-Fluor Heavy Industries Co., Ltd.	Joint venture	Providing labor service	The Company provides related parties with personnel sent abroad, material sales and detection	Determine contract price by tendering based on market principle.	12,494,831.36	12,494,831.36	0.12	Normal clearing according to the contract agreement
Total				/	/	9,557,841,594.90	93.88	/
Details of large sales returns								
Description of connected transactions					<p>(1) Main content of connected transactions The Company is one of the largest EPCI contract companies of Offshore Oil Engineering in Asia. It mainly provides professional technical service for the 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 engineering subcontract transportation, vessel, fuel, water and electricity for the Company.</p> <p>(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. 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.</p> <p>(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 CNOOC industry.</p>			

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

- Matters disclosed in the interim announcement without subsequent implementation progress or change  
 Applicable  Inapplicable
- Matters disclosed in the interim announcement with subsequent implementation progress or change  
 Applicable  Inapplicable
- Matters not disclosed in interim announcement  
 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 progress or change  
 Applicable  Inapplicable
- Matters disclosed in the interim announcement with subsequent implementation progress or change  
 Applicable  Inapplicable
- Matters not disclosed in interim announcement  
 Applicable  Inapplicable

**(iv) Related credits and debts**

1. Matters disclosed in the interim announcement without subsequent implementation progress or change  
 Applicable  Inapplicable
2. Matters disclosed in the interim announcement with subsequent implementation progress or change  
 Applicable  Inapplicable
3. Matters not disclosed in interim announcement  
 Applicable  Inapplicable

**(v) Others**

Applicable  Inapplicable

For entrusted research subjects, special funds of RMB 130 million allocated by controlling shareholders to the Safety Supervision Administration Bureau as entrusted loans, and the Company's related parties 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	0.71
Total guarantee balance to subsidiaries at end of report period (B)	11.20
Total guarantee amount of the Company (including guarantee to subsidiary company)	
Total guarantee amount (A + B)	11.20
Proportion (%) of total guarantee amount net asset of the Company	33.58
Wherein:	
Total guaranteed 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
Amount with total guarantee amount more than 50% of net assets (E)	0
Total guarantee amount of three items above (C+D+E)	0

Guaranteee	<p>The Company provided the following 7 guarantees to subsidiaries as of the end of the report period:</p> <p>(1) As approved 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 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. 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)</p> <p>(2) As approved by the 4th Meeting of the 5th Board of Directors held on July 23, 2014, the Company provided parent company guarantee for Russia Yamal project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd.. The guaranteed party is Yamgaz SNC 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, 2014 and September 17, 2014 respectively)</p> <p>(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 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)</p> <p>(4) 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)</p> <p>(5) The Company issued parent company guarantee for Offshore Oil Engineering (Qing Dao) Co., Ltd.'s undertaking of Nyhamna project, 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. 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 January 23, 2018)</p> <p>(6) 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 (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 date of issuing 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 May 22, 2018)</p> <p>(7) The Company issued a performance bank guarantee and an advance payment guarantee for 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 September 30, 2019. The above events had been approved upon deliberation on the 10th Meeting of the 6th Board of Directors convened on August 17, 2018. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on August 21, 2018)</p> <p>Guarantees released in the report period: none.</p>
------------	---

### (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	4,310,000,000.00	4,310,000,000.00	0

Other conditions

Applicable  Inapplicable

## (2) Single entrusted financing

√ Applicable □ Inapplicable

Unit: Yuan Currency: RMB

The trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Funds source	Funds allocation	Reward determination 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	Withdrawn amount of provision for the impairment (if any)
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2017.11.28	2018.1.26	Self-owned funds	Customized bank financial products	Guaranteed return	5.15%	1,834,246.58	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2017.12.29	2018.1.29	Self-owned funds	Customized bank financial products	Guaranteed return	5.40%	2,071,232.88	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2018.1.30	2018.3.1	Self-owned funds	Customized bank financial products	Guaranteed return	5.00%	2,054,794.52	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2018.3.14	2018.4.13	Self-owned funds	Customized bank financial products	Guaranteed return	5.00%	2,054,794.52	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	400,000,000	2018.4.18	2018.6.19	Self-owned funds	Customized bank financial products	Guaranteed return	4.40%	2,982,222.22	400,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	400,000,000	2018.4.26	2018.5.28	Self-owned funds	Customized bank financial products	Guaranteed return	4.00%	1,422,222.22	400,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	300,000,000	2018.7.27	2018.9.28	Self-owned funds	Customized bank financial products	Guaranteed return	4.40%	2,236,666.67	300,000,000	Yes	Yes	0
Tianjin Binhai Branch of Bank of China	Income-guaranteed financial products	500,000,000	2018.9.28	2018.11.6	Self-owned funds	Customized bank financial products	Guaranteed return	3.25%	1,691,780.82	500,000,000	Yes	Yes	0
Beijing Chongwenmen Branch of China Merchants Bank	Income-guaranteed financial products	300,000,000	2018.9.28	2018.12.27	Self-owned funds	Customized bank financial products	Guaranteed return	3.92%	2,899,726.03	300,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	300,000,000	2018.10.30	2018.12.3	Self-owned funds	Customized bank financial products	Guaranteed return	3.60%	935,000.00	300,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	400,000,000	2018.10.30	2019.1.30	Self-owned funds	Customized bank financial products	Guaranteed return	4.10%	2,824,444.44	400,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2018.11.21	2019.2.21	Self-owned funds	Customized bank financial products	Guaranteed return	4.20%	2,275,000.00	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	400,000,000	2018.11.29	2019.3.1	Self-owned funds	Customized bank financial products	Guaranteed return	4.20%	1,540,000.00	400,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2018.12.20	2019.3.20	Self-owned funds	Customized bank financial products	Guaranteed return	4.20%	758,333.33	500,000,000	Yes	Yes	0
Development Zone Branch of Everbright Bank	Income-guaranteed financial products	500,000,000	2018.12.28	2019.3.28	Self-owned funds	Customized bank financial products	Guaranteed return	4.20%	233,333.33	500,000,000	Yes	Yes	0
Tianjin Binhai Branch of Bank of China	Income-guaranteed financial products	800,000,000	2018.12.28	2019.4.1	Self-owned funds	Customized bank financial products	Guaranteed return	4.15%	363,835.62	800,000,000	Yes	Yes	0
Tianjin Binhai Branch of Bank of China	Income-guaranteed financial products	400,000,000	2018.12.28	2019.4.1	Self-owned funds	Customized bank financial products	Guaranteed return	4.15%	181,917.81	400,000,000	Yes	Yes	0

The trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Funds source	Funds allocation	Reward determination 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	Withdrawn amount of provision for the impairment (if any)
Zhuhai Branch of Bank of China	Income-guaranteed financial products	500,000,000	2017.10.13	2018.01.11	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.40%	602,739.73	500,000,000	Yes	Yes	0
Zhuhai Branch of Bank of China	Income-guaranteed financial products	100,000,000	2017.10.30	2018.02.01	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.35%	369,452.05	100,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	200,000,000	2017.11.24	2018.02.23	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.50%	1,306,849.32	200,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	500,000,000	2018.01.12	2018.04.13	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.70%	5,858,904.11	500,000,000	Yes	Yes	0
Zhuhai Branch of Bank of China	Income-guaranteed financial products	100,000,000	2018.02.01	2018.05.04	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	1,058,630.14	100,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	200,000,000	2018.03.02	2018.06.01	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.35%	2,169,041.10	200,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	500,000,000	2018.04.23	2018.07.23	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	5,235,616.44	500,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	95,000,000	2018.05.09	2018.07.09	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	666,821.92	95,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	200,000,000	2018.06.05	2018.09.05	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	2,117,260.27	200,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	95,000,000	2018.07.11	2018.10.09	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	983,835.62	95,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	500,000,000	2018.07.25	2018.10.24	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.20%	5,235,616.44	500,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	200,000,000	2018.09.07	2018.12.10	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.10%	2,111,780.82	200,000,000	Yes	Yes	0
Zhuhai Branch of Bank of China	Income-guaranteed financial products	100,000,000	2018.10.11	2019.01.10	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.10%	921,095.89	100,000,000	Yes	Yes	0
Zhuhai Branch of Bank of China	Income-guaranteed financial products	300,000,000	2018.10.24	2019.01.24	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.05%	2,296,849.32	300,000,000	Yes	Yes	0
Zhuhai Branch of Bank of Communications	Income-guaranteed financial products	200,000,000	2018.12.12	2019.04.17	Total amount of raised funds	Customized bank financial products	Guaranteed return	4.00%	438,356.16	200,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	200,000,000	2017.12.27	2018.01.27	Self-owned funds	Customized bank financial products	Guaranteed return	4.30%	612,602.73	200,000,000	Yes	Yes	1
Beijing Branch of Standard Chartered Bank	Principal-guaranteed bank financial products	60,000,000	2017.12.26	2018.01.26	Self-owned funds	Customized bank financial products	Guaranteed return	1.15%	47,916.67	60,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	150,000,000	2018.03.06	2018.04.05	Self-owned funds	Customized bank financial products	Guaranteed return	4.10%	556,027.39	150,000,000	Yes	Yes	0

The trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Funds source	Funds allocation	Reward determination 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	Withdrawn amount of provision for the impairment (if any)
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	150,000,000	2018.03.06	2018.05.05	Self-owned funds	Customized bank financial products	Guaranteed return	4.37%	1,113,452.05	150,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of Bank of Communications	Principal-guaranteed bank financial products	80,000,000	2018.04.10	2018.05.10	Self-owned funds	Customized bank financial products	Guaranteed return	4.35%	286,027.40	80,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	190,000,000	2018.04.28	2018.7.27	Self-owned funds	Customized bank financial products	Guaranteed return	4.68%	2,192,547.95	190,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of Bank of Communications	Principal-guaranteed bank financial products	160,000,000	2018.05.04	2018.07.06	Self-owned funds	Customized bank financial products	Guaranteed return	4.50%	1,242,739.73	160,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	170,000,000	2018.05.07	2018.08.06	Self-owned funds	Customized bank financial products	Guaranteed return	4.68%	1,983,550.68	170,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	70,000,000	2018.05.07	2018.06.07	Self-owned funds	Customized bank financial products	Guaranteed return	4.16%	247,320.55	70,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of Bank of Communications	Principal-guaranteed bank financial products	351,000,000	2018.05.11	2018.08.10	Self-owned funds	Customized bank financial products	Guaranteed return	4.66%	4,077,946.85	351,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	50,000,000	2018.5.11	2018.06.11	Self-owned funds	Customized bank financial products	Guaranteed return	4.16%	176,657.53	50,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	300,000,000	2018.05.28	2018.8.27	Self-owned funds	Customized bank financial products	Guaranteed return	4.87%	3,642,493.15	300,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	200,000,000	2018.06.25	2018.09.24	Self-owned funds	Customized bank financial products	Guaranteed return	4.75%	2,368,493.15	200,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	200,000,000	2018.06.29	2018.07.30	Self-owned funds	Customized bank financial products	Guaranteed return	4.10%	696,438.36	200,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China Everbright Bank	Principal-guaranteed bank financial products	200,000,000	2018.07.25	2018.10.25	Self-owned funds	Customized bank financial products	Guaranteed return	4.85%	2,425,000.00	200,000,000	Yes	Yes	0

The trustee	Type of entrusted financing	Amount of entrusted financing	Start date of entrusted financing	End date of entrusted financing	Funds source	Funds allocation	Reward determination 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	Withdrawn amount of provision for the impairment (if any)
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	200,000,000	2018.07.30	2018.10.29	Self-owned funds	Customized bank financial products	Guaranteed return	4.70%	2,343,561.64	200,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	200,000,000	2018.08.20	2018.11.19	Self-owned funds	Customized bank financial products	Guaranteed return	4.45%	2,218,904.11	200,000,000	Yes	Yes	0
Qingdao Economic Development Zone Branch of China Industrial Bank	Principal-guaranteed bank financial products	150,000,000	2018.08.30	2018.12.03	Self-owned funds	Customized bank financial products	Guaranteed return	4.25%	1,659,246.58	150,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	150,000,000	2018.08.31	2018.11.27	Self-owned funds	Customized bank financial products	Guaranteed return	4.25%	1,554,452.06	150,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China CITIC Bank	Principal-guaranteed bank financial products	200,000,000	2018.09.17	2018.10.19	Self-owned funds	Customized bank financial products	Guaranteed return	3.75%	657,534.25	200,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China Everbright Bank	Principal-guaranteed bank financial products	150,000,000	2018.12.12	2019.01.12	Self-owned funds	Customized bank financial products	Guaranteed return	3.75%	312,500.00	150,000,000	Yes	Yes	0
Qingdao Economic and Technology Development Zone Sub-Branch of China Everbright Bank	Principal-guaranteed bank financial products	60,000,000	2018.12.27	2019.01.27	Self-owned funds	Customized bank financial products	Guaranteed return	3.80%	31,666.67	60,000,000	Yes	Yes	0

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

The Company didn't entrust others to manage cash and provide a loan.

The Company received an entrusted loan from the controlling shareholder in 2018, with details below:

The State Administration of Work Safety entrusted COOEC SUBSEA TECHNOLOGY CO., LTD. (hereinafter referred to as "Shenzhen Subsidiary"), a wholly-owned subsidiary of the Company to build the national oil and gas pipe for emergency rescue of the South China Sea (Zhuhai) Base, so as to provide emergency rescue service for submarine pipelines laid in the offshore oil and gas field in the South China Sea and East China Sea.

Following the allocation of special funds of RMB 90 million to the Company by State Administration of Work Safety via the parent company China National Offshore Oil Corporation (hereinafter referred to as "CNOOC") as entrusted loans in 2017, the State Administration of Work Safety allocated again RMB 130 million to CNOOC, which is used specially for construction of the national oil and gas pipe for emergency rescue of the South China Sea (Zhuhai) Base in 2018, and CNOOC allocated the above said capital to the Company in an entrusted loan manner through its finance company, with the amount of entrusted loan of RMB 130 million, loan period of 5 years and loan rate of 0.5%. See *Announcement on Related Transaction of Entrusted Loan Provided to the Company by a Controlling Shareholder* published on www.sse.com.cn, website of Shanghai Stock Exchange on January 23, 2018.

Then the Company invested the funds to the Shenzhen Subsidiary in a capital increase manner. The funds will be provided for the Shenzhen Subsidiary to purchase related equipment for construction of the national oil and gas pipe for emergency rescue of the South China Sea (Zhuhai) Base.

The State Administration of Work Safety planned to allocate RMB 220 million to the Company, refer to non-current liabilities -- long-term loan subject of the balance sheet.

#### (iv) Other significant contracts

Applicable  Inapplicable

Significant contracts and corresponding performances

Payer	Content of contract	Contract amount	Cumulative payment amount by the end of December 2018
China National Offshore Oil Corporation	Contract of offshore oil engineering	RMB 11.63961 billion	RMB 3.9009 billion
TUPI B.V.	FPSO Project	USD 496.2247 million	USD 293.7717 million

The above contracts are daily production and operation business contracts with 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 this year

Applicable  Inapplicable

The Company always pays high attention to poverty alleviation and public charity, prudently fulfills social responsibilities of central enterprises, and strives to make more contributions in poverty alleviation, charity and other undertakings, as well as young volunteer activities such as community service, with the total investment amount achieving RMB 735,700.

##### (1) Poverty alleviation work

The Company timely adds and adjusts the list of workers in difficulties annually, according to the latest subsidy standards, local minimum living allowances and wage rates. Currently, 15 poverty workers of CNOOC have been registered, 20 children of school age have obtained aids of RMB 75,000 in total according to relevant standards. Management level of the Company visit some party members and worker's families in difficulties in this city just before the Spring Festival annually, to solve problems within the scope of power. In the CNOOC special activity "Visit Underprivileged Families of Workers", the Company visited underprivileged families of 27 workers, with poverty alleviation amount of RMB 153,000,

and underprivileged families of 5 workers before the Spring Festival, with poverty alleviation amount of RMB 10,000. It also succored disabled worker and disabled family members of 79, with the amount of RMB 189,000. Furthermore, the Company provided one-time assistance to 1 staff who suffered from serious disease, with the amount of RMB 20,000. The total investment amount is RMB 447,000.

## (2) Community charitable contribution

The Company continuously subsidizes the aided "CNOOC Hope Primary School" in Longhua County of Hebei Province. In 2018, it contributed a total of RMB 100,000 for the outdoor insulation project of school buildings of two hope primary schools and rewards for excellent teachers, merit students and poor students, and carried out the activity of donating books to hope primary schools with a total of 1,467 books donated. Offshore Oil Engineering (Qing Dao) Co., Ltd. established the COOEC naming sponsorship fund of RMB 3.5 million for 2016-2018, 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 2018. In order to vigorously promote the socialist core values, help people in straitened circumstances, and more effectively help them to solve practical difficulties, under the arrangement of "Charitable Donation Day" organized by Huangdao District, most of workers of Offshore Oil Engineering (Qing Dao) Co., Ltd. voluntarily and actively made donation of RMB 83,700 in total. The donation was given to the Charity Federation of Huangdao District, for the purpose of implementing student assistance, aged assistance, disaster relief and other programs in Huangdao District. The total investment amount is RMB 288,700.

## 2. Performance of targeted poverty alleviation

√ Applicable    □ Inapplicable

Unit: 10,000 Yuan    Currency: RMB

Indicators	Quantity and implementation
I. General condition	
1. Capital	44.70
2. Materials converted into cash	0
3. Number of registered workers overcoming poverty with help (people)	15
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	
4.1 Amount for helping poverty students	7.50
4.2 Number of assisted poverty students (people)	20
5. Poverty alleviation on health	
5.1 Amount for inputting medical & health resources in poverty areas	2.00
6. Poverty alleviation on ecological protection	
7. Safeguard measures	
7.1 Amount for assisting "three kinds of countryside caretakers"	
7.2 Number of "three kinds of countryside caretakers" assisted (person)	
7.3 Amount for helping poverty disabled	18.90
7.4 Number of poverty disabled getting help (people)	79
8. Social poverty alleviation	
8.1 Amount of poverty alleviation cooperation between the East and the West	
8.2 Amount for fixed-point poverty alleviation	18.37
8.3 Charitable fund for poverty alleviation	10.50
9. Other items	

## (ii) Work of implementing social responsibility

√ Applicable   □ Inapplicable

Refer to *Social Responsibility Report on Offshore Oil Engineering Co., Ltd. in 2018* 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 the key pollution discharge unit of soil environment and water environment of Qingdao, Shandong in 2018. Pollutants of Offshore Oil Engineering (Qing Dao) Co., Ltd. mainly refer to domestic wastewater and some waste gas.

The process and reason of pollutants forming:

- 1) Soil pollutants mainly refer to the waste possible of causing soil pollution and generated during offshore engineering construction in Qingdao Site, including waste paint bucket, waste paint slag, waste mineral oil, paint-stained rubbish, waste paint, waste thinner, waste antifreeze, etc. These wastes may cause leakage and pollute the soil during collection and temporary storage, so Offshore Oil Engineering (Qing Dao) Co., Ltd. is listed as the key soil unit by local environment protection department. However, Offshore Oil Engineering (Qing Dao) Co., Ltd. attaches high importance to waste management and is free from soil pollution due to waste leakage till now.
- 2) Wastewater refers to the domestic sewage of Offshore Oil Engineering (Qing Dao) Co., Ltd., instead of production wastewater. Domestic sewage is drained to sewage treatment plant for centralized disposal through municipal pipe network. 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 into key pollution discharge unit of water environment is that Qingdao Site is 1.2 million m<sup>2</sup> with numerous production personnel, and high water consumption leads to high drainage. The discharge concentration of ammonia nitrogen, COD and other pollutants in the wastewater meets the standard and relevant provisions, but large discharge volume causes high discharge of ammonia nitrogen and COD, thus listed as the key unit.
- 3) Pollutants in waste gas mainly include benzene, toluene, xylene and non-methane total hydrocarbon particles. It is mainly because that benzene, toluene and other chemical components contained in paint and thinner volatilize during coating and painting (within the normal range).

Mode of pollutant discharge: organized discharge.

Quantity and distribution of discharge outlet:

13 waste gas discharge outlets (9 for organic waste gas, 4 for dust), 6 discharge outlets for 1# coating workshop (5 for organic waste gas, 1 for dust), 4 discharge outlets for 3 m and 4 m lines (2 for organic waste gas, 2 for dust), 3 discharge outlets for 2# coating workshop (2 for organic waste gas, 1 for dust). One total sewage discharge outlet at the south of machine maintenance shop.

Discharge concentration and total amount:

#### 1) Discharge amount of waste gas

Benzene: 0.083 t/a in total

Toluol: 0.030 t/a in total

Xylene: 0.786 t/a in total

Non-methane total hydrocarbon: 3.221 t/a

Total discharge of particulate matter: 4.406 t/a

The discharge concentration is lower than the average value specified for each discharge outlet.

#### 2) Discharge amount of waste water

Actual water consumption: 407,300 t

Water discharge: 347,000 t

COD discharge concentration is 469 mg/L; total COD discharge is 162.7 t

Ammonia-nitrogen discharge concentration is 15.54 mg/L; total ammonia-nitrogen discharge is 5.4 t

SS discharge concentration is 366 mg/L; total SS discharge is 127 t

It needs special explanation that domestic sewage of Offshore Oil Engineering (Qing Dao) Co., Ltd. is discharged to sewage treatment plant through municipal pipe network. The amount of COD and ammonia-nitrogen discharged to sewage treatment plant is not that directly discharged into the environment, so it will not pollute the water environment.

For disposal of waste possible of causing soil pollution, Offshore Oil Engineering (Qing Dao) Co., Ltd. totally entrusted the third-party unit qualified for hazardous waste disposal. Before disposal, the hazardous waste is stored in hazardous waste warehouse which has received ground anti-leakage and anti-spill treatment with relevant measures like spill tank and recovery tank set, so as to protect soil from pollution during temporary storage of hazardous waste.

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

Discharge beyond the standard: none.

Pollutants discharge standard implemented: discharge of organic waste gas and dust shall follow the relevant standards in Table 2 of *Integrated Emission Standard of Air Pollutants* (GB16297-1996); discharge of wastewater shall follow Level III standard in Table 4 of *Integrated Wastewater Discharge Standard* (GB8978-1996).

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

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

Applicable  Inapplicable

13 waste gas discharge outlets are all configured with organic waste gas purification and dedusting equipment. It is necessary to maintain the environmental protection equipment on regular basis and fill out corresponding maintenance records. 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. prepared emergency plan for sudden environmental incidents, including special emergency plan for toxic and harmful substance and special emergency plan for terminal oil spilling.

## (5) Independent environmental monitoring plan

Applicable  Inapplicable

It prepares independent environmental monitoring plan and submits to the Headquarters of COOEC for approval.

## (6) Other environmental information should be disclosed

Applicable  Inapplicable

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

Applicable  Inapplicable

Environmental protection condition of ships of the Company

The Company has 22 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 ideas 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) Building green and energy-saving ships from the source

In 2018, the Company's pipe ditching engineering vessel "Offshore Oil 295" was put into use. It adopted the innovative energy-saving and low-carbon design concepts from overall layout, technological process, technical scheme, equipment and auxiliary production, and applied lithium bromide absorption chiller of air conditioners, EGR technology for treating exhaust gas emitted by the main engine, the technology of generating fresh water with waste heat, optimal configuration of power plants and other energy-saving and low-carbon technologies to strive to build green and low-carbon ships from design. After the effective implementation of the above technical measures, the "Offshore Oil 295" ship can save 837 tons of standard coal a year, save 4,240 tons of fresh water and about RMB 4.76 million per year during its operation.

2) Reformation project for domestic sewage zero release from large-scale ships in Bohai Bay

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 release, 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 domestic sewage reform plans have been formulated for the Bluewhale, Binhai 108, Binhai 109, Offshore Oil 221, Offshore Oil 222, Offshore Oil 225, Offshore Oil 226 and Offshore Oil 228, which will be implemented after being approved by the China Classification Society.

3) Pollution control measures taken in the 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 Area 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 equipment, and they strictly implement the high-low sulfur oil conversion procedure.

4) 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, and the disposal of garbage and oily sewage from ships is paid much attention in safety management activities such as marine inspection, machinery inspection and internal audit.

5) 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.

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

Applicable  Inapplicable

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

Applicable  Inapplicable

**(iv) Other descriptions**

Applicable  Inapplicable

**XVIII. Convertible Corporate Bonds**

**(i) Issuance of convertible bonds**

Applicable  Inapplicable

**(ii) Holder and guarantor of convertible bonds in the report period**

Applicable  Inapplicable

**(iii) Change in convertible bonds in the report period**

Applicable  Inapplicable

Cumulative debt-to-equity in the report period

Applicable  Inapplicable

**(iv) All adjustments of conversion price**

Applicable  Inapplicable

**(v) Liabilities, change in credit standing and cash arranged for debt payment in the future**

Applicable  Inapplicable

**(vi) Other statement on convertible bonds**

Applicable  Inapplicable

# Ordinary Share Changes and Shareholders

## I. Changes in ordinary share capital

### (i) List of change in ordinary share

#### 1. List of change in ordinary share

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

#### 2. Statement on change in ordinary share

Applicable  Inapplicable

#### 3. Impact of changes in ordinary share 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 shares subject to the restrictions on sales

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 existence period):

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. Shareholder and actual controller

### (i) Total number of shareholders:

Total number of shareholders by the end of report period (nos.)	117,096
Total number of ordinary shareholders by the end of last month prior to disclosure of annual report (nos.)	111,897
Total number of preferred shares shareholders with recovered voting right by the end of report period	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							
Shareholders' name (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		Shareholders nature
					Share status	Quantity	
China National Offshore Oil Corporation	-132,640,600 <sup>(1)</sup>	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
China Securities Finance Co., Ltd.	22,501,036	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
Hong Kong Securities Clearing Company Ltd.	49,839,690	58,935,496	1.33	0	None	0	Overseas legal person
China Merchants Bank Co., Ltd.- Bosera CSI Central Enterprise Structure Adjustment ETF	52,118,819	52,118,819	1.18	0	None	0	Unknown
Agricultural Bank of China-China AMC CSI Central Enterprise Structure Adjustment ETF	38,231,345	38,231,345	0.86	0	None	0	Unknown
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

Shareholders' name	Amount of held circulating shares not subject to restriction on sales	Types and number 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
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
Hong Kong Securities Clearing Company Ltd.	58,935,496	RMB ordinary shares	58,935,496
China Merchants Bank Co., Ltd.-Bosera CSI Central Enterprise Structure Adjustment ETF	52,118,819	RMB ordinary shares	52,118,819
Agricultural Bank of China-China AMC CSI Central Enterprise Structure Adjustment ETF	38,231,345	RMB ordinary shares	38,231,345
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.  
 Note (1): On October 12, 2018, CNOOC subscribed 55,000,000 shares, 55,000,000 shares and 22,640,600 shares of the Central Enterprise Structure Adjustment ETF issued by the Bosera Asset Management Co., Ltd., China Asset Management Co., Ltd. and Yinhua Fund Management Co., Ltd. respectively with a total of 132,640,600 shares of COOEC (accounting for 3% of the total shares). Upon completion of the share transfer procedures, CNOOC holds 2,138,328,954 shares, accounting for 48.36% of the total shares issued by the Company.

Particulars about preferred shareholders with restored voting rights and the amount of shareholdings

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.

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 top ten shareholders due to new shares issued**

Applicable  Inapplicable

## IV. Controlling shareholder and actual controller

### (i) Controlling shareholder

#### 1. Legal person

Applicable  Inapplicable

Name	China National Offshore Oil Corporation
Unit leader or legal representative	Yang Hua
Date of establishment	1982-02-15
Main operating businesses	① Allowed businesses: 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, development and sale of fertilizer and chemical products and relevant businesses, 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, China BlueChemical Ltd. and Shandong Haihua Co., Ltd.
Other Presentation	China National Offshore Oil Corporation is a central enterprise directly controlled by State-owned Assets Supervision and Administration Commission of the State Council.

#### 2. Natural person

Applicable  Inapplicable

#### 3. No special statement on the controlling shareholder of the Company

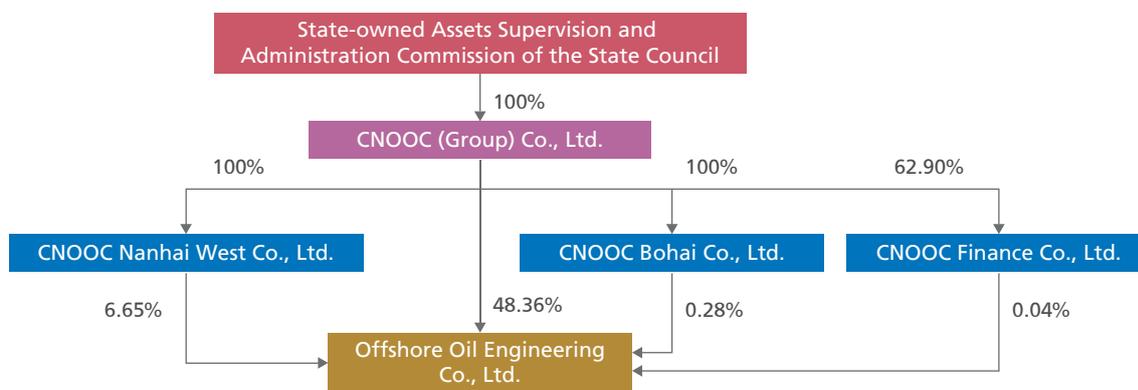
Applicable  Inapplicable

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

Applicable  Inapplicable

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

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 this sections of controlling shareholder.

**2. Natural person**

Applicable  Inapplicable

**3. No special statement on the actual controller of the Company**

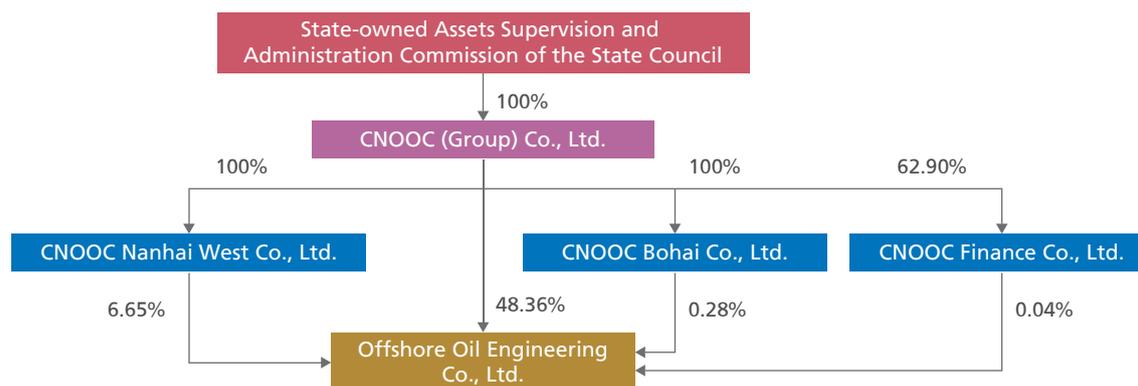
Applicable  Inapplicable

**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. Actual controller controls the Company by means of trust or other ways of assets management**

Applicable  Inapplicable

**(iii) Other information of controlling shareholder and actual controller**

Applicable  Inapplicable

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

Applicable  Inapplicable

**VI. Reducing holding shares**

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 stocks in the year	Reasons of increase and decrease	Total pre-tax remuneration obtained from the Company during the report period (RMB 10,000)	Receive remuneration from related parties of the Company or not
Jin Xiaojian	Chairman, President and Secretary of the Party Committee	Male	59	March 27, 2018		0	0	0		108.27	No
Meng Jun	Director	Male	58	January 10, 2014		22,680	22,680	0		0	Yes
Lin Yaosheng	Director, Executive Vice-president, Deputy Party Secretary and Chairman of Labor Union	Male	57	May 19, 2017		0	25,000	25,000	Purchasing by the mate's account	89.51	No
Zhang Wukui	Director	Male	59	April 25, 2018		0	0	0		0	Yes
Qiu Xiaohua	Independent director	Male	60	November 23, 2016		0	0	0		12.80	No
Guo Tao	Independent director	Male	63	May 20, 2015		0	0	0		12.80	No
Huang Yongjin	Independent director	Male	52	May 20, 2015		0	0	0		12.80	No
Wu Hanming	Chairman of the Board of Supervisors	Male	58	April 25, 2018		0	0	0		0	Yes
Zhao Yanbo	Supervisor	Female	46	April 23, 2014		0	0	0		0	Yes
Rao Shicai	Supervisor and the Leader of the CPC CNOOC Inspector's Office at COOEC	Male	50	September 16, 2013		0	0	0		80.78	No
Cheng Yonghong	Chief Financial Officer	Male	45	August 29, 2012		60,000	60,000	0		80.64	No
Chen Rongqi	Chief Engineer	Male	55	April 22, 2016		0	0	0		80.62	No
Yu Changsheng	Vice President	Male	53	July 06, 2016		0	0	0		80.65	No
Chen Baojie	Vice President	Male	53	July 06, 2016		10,000	10,000	0		80.91	No
Li Xiaowei	Vice President	Male	49	July 06, 2016		15,000	15,000	0		81.08	No
Lv Bo	Original Chairman	Male	56	November 23, 2016	March 27, 2018	0	0	0		0	Yes

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 stocks in the year	Reasons of increase and decrease	Total pre-tax remuneration obtained from the Company during the report period (RMB 10,000)	Receive remuneration from related parties of the Company or not
Wei Junchao	Original Chairman of the Board of Supervisors	Male	60	April 23, 2014	March 27, 2018	0	0	0		0	Yes
Liu Lianju	Secretary of the Board of Directors	Male	53	April 10, 2007		40,000	40,000	0		67.72	No
Total	/	/	/	/	/	147,680	172,680	25,000	/	788.58	/

Name	Main working experience
Jin Xiaojian	He started to work in CNOOC from 1982, and successively acted as Drilling Director, Vice-Director of Production Department and Vice-Director of Production Office in the Drilling and Production Department of CNOOC Bohai Corporation; from March 1996 to October 2001, he served successively as Chief Engineer, Deputy General Manager and General Manager of CNOOC Technology Service Company; from October 2001 to October 2005, he served as Deputy General Manager and Executive Vice-President of China Oilfield Services Limited; from October 2005 to February 2007, he was the Deputy General Manager of Tianjin Branch of CNOOC (China); from February 2007 to December 2013, he was the General Manager of the Engineering Construction Department of CNOOC; from December 2013 to January 2017, he served as the General Manager of CNOOC Strategy and Planning Department and the Director of CNOOC Administration Department. From January 2017 to present, he served as the President of COOEC; from February 2017, he took an additional post of the Director of COOEC; from March 2017 to present, he served as the Secretary of the Party Committee of COOEC. From March 2018, he served as the Chairman of COOEC.
Meng Jun	From April 2007 to August 2017, he served as the Deputy General Manager of Financial Department of CNOOC. From August 2017, he served as the General Manager of Financial Department of CNOOC. From January 2014, he took an additional post of the Director of COOEC.
Lin Yaosheng	Since taking the job from 1984, he 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 present, he served as the Executive Vice-president of COOEC; from March 2017, he took an additional post of a member of the Party Committee; from May 2017, he took an additional post of the Director of COOEC; from December 2017, he served as the Deputy Secretary of the Party Committee and Chairman of Labor Union 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 to 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, he took an additional post of the Director of COOEC. From May 2018 to now, he served as the Director of China Oilfield Services Limited. From July 2018 to now, he served as the full-time Director of China National Offshore Oil Corporation
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 September 2012, he served as the Chief Economist (Policy Research Center) in the Energy Economy Research Institute of CNOOC. He now serves as 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 took an additional post of the Independent Director of COOEC.
Guo Tao	From October 2012 to present, he served as the partner of Zhongzhun Certified Public Accounts (Special General Partnership). From May 2015, he took an additional post of the Independent Director of COOEC. From June 2017, he took an additional post of the Independent Director of Guorong Securities.
Huang Yongjin	From January 2011 to now, he served as the Director and the Vice President of Shanghai Investigation & Design Institute Co., Ltd. From December 2013 to present, he served as the President of Shanghai Skygeo Information Technology Co., Ltd. From May 2015, he took an additional post of the Independent Director of COOEC.
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 served as the Deputy Group Leader of the Inspection Group of CNOOC Party Group. From April 2018, he took an additional post of the Chairman of Board of Supervisors of COOEC.

Name	Main working experience
Zhao Yanbo	From August 2003 to February 2012, he served as the Senior Auditor of the Audit & Supervision Department of CNOOC. From March 2012 to the end of 2015, he served as the full-time Supervisor of CNOOC. From December 2015 to present, he served as the Deputy Director General of Division I under CNOOC Supervision Department. From April 2014 to present, he took an additional post of the Supervisor 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, the Chairman of the Labor Union of COOEC. From December 2017, he served as the Leader of the CPC CNOOC Inspector's Office at COOEC. From August 2011 to present, he took an additional post of the Staff Supervisor of COOEC.
Cheng Yonghong	From July 2006 to September 2009, he served as the General Manager of the Capital Management Department of China BlueChemical Ltd. From October 2009 to July 2012, he served as the General Manager of the Financial Management Department of China BlueChemical Ltd. From August 2012 to present, he took an additional post of the Chief Financial Officer of COOEC.
Chen Rongqi	From December 2004 to June 2006, he served as the R&D Director in the Development and Design Department under the Research Center of CNOOC; from June 2006 to October 2007, he served as the Deputy Manager in the Development and Design Department under the Research Center of CNOOC; from October 2007 to February 2010, he served as the Manager in the Development and Design Department under the Research Center of CNOOC; from February 2010 to October 2012, he served as the Dean of Engineering Research and Design Institute under the Research Institute of CNOOC; from October 2012 to November 2014, he served as the Deputy Chief Engineer of Offshore Engineering and the Dean of Engineering Research and Design Institute under the Research Institute of CNOOC; from November 2014 to June 2015, he served as the Chief Engineer (offshore engineering) and the Dean of Engineering Research and Design Institute under the Research Institute of CNOOC; from July 2015 to March 2016, he served as the Chief Engineer (offshore engineering) of the Research Institute of CNOOC. From April 2016, he served as the Chief Engineer of COOEC.
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 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, 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 served as the Vice President of COOEC.
Liu Lianju	From February 2001 to present, he 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 served as the General Manager of Board Secretary Office.

Other

 Applicable  Inapplicable**(II) Equity incentive awarded to the directors and senior managers in 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
Lv Bo	China National Offshore Oil Corporation	General Manager and Member of Party Group	April, 2010	
Meng Jun	China National Offshore Oil Corporation	General Manager of Financial Department	August, 2017	
Zhang Wukui	China National Offshore Oil Corporation	Full-time Director	July, 2018	
Wu Hanming	China National Offshore Oil Corporation	Deputy Group Leader of the Inspection Group of Party Group	July, 2017	
Zhao Yanbo	China National Offshore Oil Corporation	Deputy Director General of Discipline Inspection and Supervision Division I under CNOOC Supervision Department	December, 2015	
Wei Junchao	China National Offshore Oil Corporation	Chairman of the Board of Supervisors	December, 2013	March, 2018

Note: 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 units	Starting date of term of office	Ending date of term of office
Zhang Wukui	CNOOC Energy Technology & Services Limited	Director	January, 2014	
	CNOOC Energy Technology & Services Limited	Deputy Secretary of CPC	August, 2016	July, 2018
	China Oilfield Services Ltd.	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	
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.			

Note: post-holding is ongoing, so the end of term is unknown.

**III. Remuneration of the directors, supervisors and senior managers**√ Applicable  Inapplicable

Process of decision-making for remuneration 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 achievement, and by sticking to the principle of stabilizing personnel and combining the incentive and restriction.
Basis of decision-making for remuneration of directors, supervisors and senior managers	Refer to the remuneration of directors, supervisors and senior managers of this industry
Actual payment of remuneration 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 Lv Bo, Meng Jun, Wei Junchao and Zhao Yanbo. Above mentioned directors and supervisors would receive their remunerations and subsidies from China National Offshore Oil Corporation, the first largest shareholder entity of the Company.
Total remunerations actually gained by all directors, supervisors and senior managers by the end of report period	RMB 7,885.800

**IV. Turnover of directors, supervisors and senior managers**√ Applicable  Inapplicable

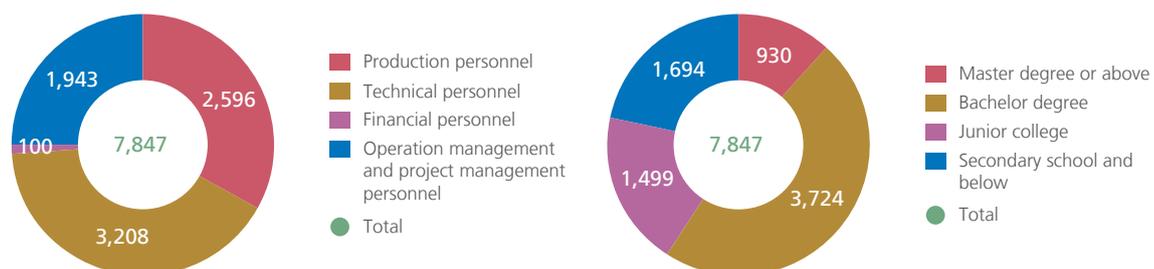
Name	Post	Change	Reasons for change
Jin Xiaojian	Chairman	Elected	According to corporate requirements on management and development
Zhang Wukui	Director	Elected	According to corporate requirements on management and development
Wu Hanming	Chairman of the Board of Supervisors	Elected	According to corporate requirements on management and development
Lv Bo	Original Chairman	Former	Work arrangement
Wei Junchao	Original Chairman of the Board of Supervisors	Former	Reaching age for retirement

**V. Punishments by security supervision organization in recent three years** Applicable  Inapplicable

## VI. Employees in parent company and main subsidiaries

### (i) Employees

Number of in-service employees in parent company	5,486
Number of in-service employees in main subsidiaries	2,361
Total number of in-service employees	7,847
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	2,596
Technical personnel	3,208
Financial personnel	100
Operation management and project management personnel	1,943
Total	7,847
Education background	
Type of education background	Quantity (people)
Master degree or above	930
Bachelor degree	3,724
Junior college	1,499
Secondary school and below	1,694
Total	7,847



### (ii) Remuneration policy

√ Applicable   □ Inapplicable

The Company formulates an overall remuneration and welfare system according to development strategies and economic benefits. The remuneration system is improved regularly to ensure the system is implemented reasonably and effectively. Employee's remuneration and welfare level are properly adjusted according to the profit status of the Company, local living standard and price index. The distribution system of benefit bonus is strictly connected with performance assessment results of the Company. The Company sets performance indicators for employees according to post responsibilities and annual key works and strictly carries out assessment to fully arouse the enthusiasm, initiative and innovation of employees and motivate their sense of responsibility and crisis awareness, so as to make them play a positive role in fulfilling operation objectives of the Company.



The Company attends 2018 Beijing "ARC CUP" International Welding Competition

### (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 2018, training is carried out to realize the strategic goal of "making the Company to be a world-class energy engineering enterprise", and to improve the quality and efficiency; 1,295 times of training were carried out, with 640,000 h in total and 81.6 h per capita. Trainings mainly cover safety, production, technology, skill, management and other relevant business knowledge and post skills. In combination with the Company's actual situations, the above trainings effectively enhanced quality and ability, performance of employees, and safeguard the healthy development and fulfillment of strategic objectives.

1295<sup>times</sup>

640,000<sup>h</sup>

81.6<sup>h</sup>

1,295 times of training were carried out, with 640,000 h in total and 81.6 h per capita.

(iv) Labor outsourcing

Applicable  Inapplicable

VII. Others

Applicable  Inapplicable



Jianzao Cup Spring Running Competition

Flag Presentation Ceremony of the Three Activities





All Directors of the Company

# 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) Implementation of organizational reform

Facing the complex internal and external environment, the Company took initiative to make change by adopting the internationalization, deepwater and high-end strategy, comprehensively promoted deep organizational reform, and integrated some of the subsidiaries to form COOEC Management and Operations Center for the overall market development and operation for the projects of the Company; established COOEC Offshore Division and COOEC Construction Division, regarded "Qingdao

Fabrication” and “Deepwater Installation” as the two main brands, and actively pushed forward the international high-end module construction capability and deepwater installation capability; established sharing mechanism and set up sharing centers for international exchange, procurement and human resource; established a technical service company, a special equipment company and a liquefied natural gas company, formed a professional management structure and a business layout of “Two Strengths, Three Excellences, One Core, Five Sharing”, which will improve operation efficiency and competitiveness.

### (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.

As an important part of reform, the Company actively promotes the simplification of internal control system to make it more simplified and efficient. The new internal control system framework has been established at the company level, and 15 systems and 395 procedures have been formed after simplification, with the overall simplification rate of 21%. The new institutional framework covers administrative management, human resource management, financial management, procurement management, project management and other aspects of internal control, forming a more scientific, rational, efficient and controlled internal control system.

### (ii) Shareholders meeting

The Company complies with *Company Law*, *Securities Law*, *Rules Governing the Listing of Stocks* and *Rules of Procedure for Shareholders Meeting* and meets 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.

The independent directors attend the ship fitting of the Company



In 2018, two shareholders meetings were held by the Company respectively in February and April. Nine proposals such as annual report 2017, 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 and supervisors were deliberated and approved, which safeguarded the shareholders' legal rights practically.

### (iii) 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 occupies more than one-third of total number of Board of Directors.

During the reporting period, Jin Xiaojian, the Secretary of the Party Committee and President of the Company was elected as the Chairman of the Company. Zhang Wukui was elected as a director, and he entered the Board of Directors. All board members will make professional suggestions to the Board of Directors with their rich specialized knowledge, which plays an important role in healthy and sustainable development of the Company.

Lv Bo, the former Chairman resigned from his post for work arrangement. The Company expresses heartfelt thanks to him for his important contributions in his tenure term.

#### 2. Performance of Board of Directors

The Board of Directors enhances the principle of standard operation and legal management, perseverely 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 nine board meetings in January, March, April, May, August, October and December 2018, including 5 on-site meetings and 4 teleconferences, deliberated the regular reports, profit-sharing plan, plans of director election, financial budget and capital expenditure plans and provided guarantee, equipment and site investment for subsidiaries, use of raised funds and change of financial policy. In addition, the Company deliberated international market layout, including establishing subsidiaries in England, Thailand, Qatar etc., and made scientific decisions for normal production and operation of the Company.

During the reporting period, the Board of Directors, regarding overcoming industry difficulties, improving business performance and achieving annual business objectives as the fundamental guidance, urged the Company to facilitate construction of projects under construction in an orderly and organized manner, expanded market, explored potential, improved operation efficiency, reduced production cost, strengthened reform and innovation and reduced operating cost.

The Board of Directors required the Company to carry out analysis of typical overseas projects, summarization of the experience and lessons learned from successful and failed projects, extraction of key points of overseas project in technical standards, business, law and other aspects, which provides important reference for decision-making to continuously improve the operation ability of international projects in the future. Accelerate the industry structure upgrading, and facilitate the transformation of high-end products such as deepwater product, floating product and LNG module in the future market, so as to improve the overall gross profit rate. Further strengthen project operation management, reduce cost through innovative management models, technologies and processes, and continuously improve quality and efficiency. Keep a close eye on the international market, especially the LNG modular plant project, and strive to make a breakthrough in the international market, so as to lay a foundation for the healthy and sustainable development in 2019 and even 2020.

The Board of Directors always pay high attention to communication with capital market; Jin Xiaojian, the Chairman and President, Lin Yaosheng, the Executive Vice-president and Guo Tao and Huang Yongjin, independent directors attended shareholders meetings personally in this year, and communicated patiently on questions concerned by investors, such as development strategies and trend of the Company, impact on the Company due to oil prices and industrial changes, major measures taken by the Company to overcome industry difficulties, capacity building and improvement of the Company, development of market, workload trend, and etc.

#### 3. Examination and approval authority division of the Board of Directors and the management

Articles of Association made a very clear division on responsibilities of the Board of Directors and the management, which keep consistency with the requirements in *Company Law* and *Securities Law* (for more details, please log in the Company's website for *Articles of Association*).

What's more, division on investment decision-making of the Board of Directors and the management are specified in the special systems of the Company: equity investment (stock right) is under approval of the Board of Directors (these beyond a certain amount shall be decided by the Shareholders Meeting), and other capital investment (fixed capital) (less than RMB 100 million) shall be approved by the management.

海洋石油工程股份有限公司  
第六届监事会第十次会议



#### (iv) 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 some supervisors with professional knowledge and work experience in terms of accounting, auditing, human resources management, etc. The supervisors can perform their duties in accordance with *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 7 meetings in the year. Supervisors attended the shareholders meeting and all meetings of directors, reviewed the election of Chairman of Board of Supervisors, regular reports of the Company, internal control evaluation reports, financial statements, profit-sharing plan, changes in accounting policies, usage of raised money etc., and provided review opinions in writing form to regular report 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 report and responsibility implementation of Board of Directors and senior managers of the Company, etc.

#### (v) Management and senior managers

There is 1 President, 1 Executive Vice-presidents, 1 Chief Financial Officer, 1 Chief Engineer 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 Company formulated *Description of President's Work*, etc. 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, the Company took initiative to make change by adopting the internationalization, deepwater and high-end strategy, comprehensively promoted deep organizational reform, and integrated some of the subsidiaries. In terms of international and domestic market development, the Company focused on key target markets, and entered into a long-term marine engineering service agreement with Saudi Aramco, which is expected to bring long-term business to the Company in the Middle East region. The signing and

implementation of Lingshui 17-2 and Liuhua 16-2 deepwater engineering projects in China marks that the entering of Company's business into the deepwater era truly. The safe and stable operation of various projects under construction provides an important guarantee for sustainable development of the Company.

### (vi) Information disclosure

During the report period, the Company carefully studied requirements of securities market supervision authorities for legal supervision, strict supervision and overall supervision, timely learned the new rules and requirements of information disclosure for Shanghai Stock Exchange, and completed the preparation and disclosure of 4 periodic reports and 32 interim notices under the guide of regulations and compilation related to information disclosure of listed companies. Each disclosure document was thought seriously, carefully prepared and strictly checked and reviewed, thus continuously promoting effectiveness and quality of information disclosure and performing the obligation of legal information disclosure well. Especially in the regular reports, the Company tried to disclose business key points and detailed production data, and analyzed financial indexes according to industry changes to offer references for investors' decision-making. Besides, the Company also paid special attention to voluntary disclosure through enterprise portals, and timely fed the dynamic production and business and management conditions of the Company back to various stakeholders in market.

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
1st Extraordinary Shareholders Meeting in 2018	February 07, 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	February 08, 2018
2017 Shareholders Meeting	April 25, 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	April 26, 2018

Shareholders Meeting

Applicable  Inapplicable

## III. Responsibilities fulfillment of directors

### (i) Directors' participation in Board of Directors and shareholders meeting

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 Times	Failure to attend board meeting in person for two times consecutively	Number of shareholders meeting attendance
Jin Xiaojian	No	9	9	4	0	0	No	2
Meng Jun	No	9	6	4	3	0	Yes	0
Lin Yaosheng	No	9	9	4	0	0	No	2
Zhang Wukui	No	5	3	2	0	0	No	0
Qiu Xiaohua	Yes	9	6	4	3	0	Yes	0
Guo Tao	Yes	9	9	4	0	0	No	2
Huang Yongjin	Yes	9	9	4	0	0	No	1
Lv Bo	No	3	3	2	0	0	No	0

Explanation of failure to attend board meeting in person for two times consecutively

Applicable  Inapplicable

Meng Jun failed to attend the 7th Meeting of the 6th Board of Directors held on March 27, 2018 in person due to other official business and entrusted Guo Tao to vote on behalf of him.

Meng Jun failed to attend the 8th Meeting of the 6th Board of Directors held on April 25, 2018 in person due to other official business and entrusted Guo Tao to vote on behalf of him.

Qiu Xiaohua failed to attend the 10th Meeting of the 6th Board of Directors held on August 17, 2018 in person due to other official business and entrusted Huang Yongjin to vote on behalf of him.

Qiu Xiaohua failed to attend the 11th Meeting of the 6th Board of Directors held on October 29, 2018 in person due to other official business and entrusted Guo Tao to vote on behalf of him.

Number of board meetings held in the year	9
Wherein: number of on-site meetings	4
Number of meetings held in the form of communication	5
Number of meetings held on site in combination with communications	0

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

Applicable  Inapplicable

During the report period, the independent directors held no objection against the proposals made by Board of Directors and other proposals not made by the Board of Directors of the Company.

#### (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 5 on-site meetings during the report period, carefully audited 13 proposals, including regular reports, financial situation, 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 industry environment, workload and business trends, market development and orders, impact of exchange rate change on the Company, cash flow, cost control, risk management, undistributed profit, budget completion, operation situation of joint venture COOEC Fluor, operation of new purchased two ships and other matters, and carried out inspection and supervision for governance and internal control of the Company and inspection for audit of annual reports of the Company, given review opinion 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.

Before the annual board meeting, the audit committee and the certified public accountants made a private conversation, and fully understand the audit condition, risk warning, note keypoint disclosure, management proposal, rectification, etc.

The audit committee recommended that the Company to pay attention to and improve operation performance of joint venture COOEC Fluor, to pay attention to use of Offshore Oil 285 and 287 so as to improve the operation efficiency.

Strengthen the management of the joint venture company, pay attention to the operating risk of overseas projects, do well in financial information disclosure and better serve the shareholders.

The audit committee requested the Company to fully explore the market and strengthen cost control, so as to realize annual business objectives. At the same time, the audit committee requested the Company to pay attention to the change of cash flow and properly carry out payment collection, so as to realize gradual optimization of operating cash flow.

#### (ii) Performance of nomination committee

In the report period, the nomination committee held 1 on-site meeting, deliberated and approved proposals of nominating Zhang Wukui as the director candidate of the Company, and agreed to submit relevant proposals to the Board of Directors of the Company for deliberation. The committee regarded the nominator meets all the relevant provisions of *Company Law* and *Articles of Association*, his qualification is legal and meets the qualification conditions of directors in listed company, agreed to submit the nominator to the Boards of Directors for deliberation, making sure that the nomination work is in compliance with laws and regulations.

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

Applicable  Inapplicable

The Board of Supervisors raised no objection to the supervision issues in the report period.

## 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 [www.sse.com.cn](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 2018, provided 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 [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange.

Whether to disclose the internal control audit report: Yes.

## X. Others

Applicable  Inapplicable

# Relevant Condition of Corporate Bonds

Applicable  Inapplicable

# Financial Report



## I. Audit Report

√ Applicable   □ Inapplicable

# Audit Report

XKSBZ [2019] No. ZG10071

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, 2018, 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 2018.

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, 2018, and the merger, operating results and cash flows of COOEC in 2018.

## 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
<p>The disclosure of accounting policies applied for income confirmation is shown in Note V (xxv), and the disclosure of income classification is shown in Note VII (xxxi) and XVII (vi).</p> <p>In 2018, the combined operating income from COOEC projects is RMB 11,052,121,177.54, of which the income confirmed by the completion percentage method is RMB 10,979,885,912.22, accounting for 99.35% of the combined operating income, featuring significant amount and proportion.</p> <p>In accordance with provisions of <i>Accounting Standards for Business Enterprises No. 15-Construction Contract</i>, 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>Income confirmed by the completion percentage method</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 <i>Accounting Standards for Business Enterprises No. 15-Construction Contract</i>, 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 “management”) is responsible for other information. Other information includes information covered in the 2018 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 report.

## 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 option.

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 misstatement resulting from fraud or error 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 misstatement in the presence. The misstatement may be caused by fraud or error. If misstatement alone or in summary is reasonably expected to affect the economic decision of the users of financial statements, the misstatement is 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, structure and content of the financial statements (including disclosures) 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).

In items communicated with the governance, we determine those items most important to the audit of the financial statements of the current period and constitute a key item for audit. We describe these items in the audit report unless laws and regulations prohibit the disclosure of these items, or in rare cases, the negative consequences of communicating an item in the audit report are beyond the benefits of public interest, we determine that the item should not be communicated in the audit report.



BDO China Shui Lun Pan Certified  
Public Accountants  
(Special General Partnership)

Chinese certified public accountant:  
Cai Xiaoli (partner)

Chinese certified public accountant:  
An Hang

March 22, 2019



## II. Financial Statements

## Consolidated Balance Sheet

December 31, 2018

Prepared by: Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Balance at end of period	Balance at beginning of period
<b>Current assets:</b>			
Monetary capital	VII (i)	1,943,895,590.53	4,632,161,199.04
Settlement reserves			
Funds for inter-banking lending			
Financial asset accounted with fair value with their changes included into the current profit and loss			
Derivative financial assets			
Notes and accounts receivable	VII (ii)	4,186,332,475.43	2,820,783,201.00
Wherein: notes receivable			
Accounts receivable		4,186,332,475.43	2,820,783,201.00
Advance payment	VII (iii)	119,263,733.62	177,224,220.64
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other Receivables	VII (iv)	98,783,571.36	142,663,334.97
Wherein: interest receivable		4,931,006.22	7,816,161.42
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	VII (v)	2,898,116,191.04	1,694,988,237.78
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII (vi)	4,661,230,094.25	2,668,665,837.82
Total current assets		13,907,621,656.23	12,136,486,031.25
<b>Non-current assets:</b>			
Issued loans and advances			
Available-for-sale financial assets	VII (vii)	158,099,778.00	238,775,578.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	VII (viii)	2,226,837,618.49	2,133,054,247.71
Investment real estate			
Fixed assets	VII (ix)	9,565,140,378.45	12,141,262,118.03
Projects under construction	VII (x)	2,381,041,517.05	179,879,657.81
Productive biological assets			
Oil and gas assets			
Intangible assets	VII (xi)	1,156,963,479.71	804,397,804.53
Development expenditure			
Business reputation	VII (xii)	13,075,057.26	13,075,057.26
Long-term unamortized expenses	VII (xiii)	87,232,309.27	75,200,195.81
Deferred income tax assets	VII (xiv)	653,188,775.33	673,825,537.47
Other non-current assets			

Item	Notes	Balance at end of period	Balance at beginning of period
Total non-current assets		16,241,578,913.56	16,259,470,196.62
Total assets		30,149,200,569.79	28,395,956,227.87
<b>Current liabilities:</b>			
Short-term loan			
Loans from the Central Bank			
Accepting money deposits and due from banks			
Loans from other banks			
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 and accounts payable	VII (xv)	3,940,765,468.72	3,779,805,573.24
Advance receipts	VII (xvi)	1,966,300,647.30	140,476,025.08
Financial assets sold for repurchase			
Handling charges and commission payable			
Employee salary payable	VII (xvii)	277,872,237.15	303,853,247.02
Taxes payable	VII (xviii)	449,995,333.01	534,774,451.07
Other payables	VII (xix)	74,401,069.57	81,899,116.87
Wherein: interest payable		29,486.11	9,625.00
Dividends payable			
Reinsurance accounts payable			
Insurance contract reserves			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	VII (xx)	7,300,330.85	5,677,671.40
Total current liabilities		6,716,635,086.60	4,846,486,084.68
<b>Non-current liabilities:</b>			
Long-term loans	VII (xxi)	220,000,000.00	90,000,000.00
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Long-term payables	VII (xxii)	27,316,350.24	28,213,887.06
Employee salary payable for long-term			
Estimated liabilities	VII (xxiii)	105,746,387.29	105,746,387.29
Deferred income	VII (xxiv)	156,163,722.90	170,054,030.36
Deferred income tax liabilities	VII (xiv)	18,899,268.91	27,087,537.85
Other non-current liabilities			
Total non-current liabilities		528,125,729.34	421,101,842.56
Total liabilities		7,244,760,815.94	5,267,587,927.24
<b>Owner's equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	VII (xxv)	4,421,354,800.00	4,421,354,800.00
Other equity instruments			
Wherein: preferred shares			
Perpetual bond			
Capital reserves	VII (xxvi)	4,247,940,206.11	4,247,940,206.11

Item	Notes	Balance at end of period	Balance at beginning of period
Less: treasury stock			
Other composite incomes	VII (xxvii)	47,540,172.61	109,380,302.90
Special reserve	VII (xxviii)	482,270,903.18	503,278,732.84
Surplus reserves	VII (xxix)	1,607,827,558.05	1,449,944,931.43
Generic risk reserve			
Undistributed profit	VII (xxx)	12,086,008,009.88	12,385,180,367.63
Total owners' equity attributable to the parent company		22,892,941,649.83	23,117,079,340.91
Minority stockholders' interest		11,498,104.02	11,288,959.72
Total owner's equity (or shareholders' equity)		22,904,439,753.85	23,128,368,300.63
Total liabilities and owner's equity (or shareholders' equity)		30,149,200,569.79	28,395,956,227.87

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Balance Sheet of the Parent Company

December 31, 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Balance at end of period	Balance at beginning of period
<b>Current assets:</b>			
Monetary capital		1,217,322,938.46	1,012,305,301.10
Financial asset accounted with fair value with their changes included in the current profit and loss			
Derivative financial assets			
Notes and accounts receivable	XVII (i)	3,858,091,286.22	2,723,731,607.21
Wherein: notes receivable			
Accounts receivable		3,858,091,286.22	2,723,731,607.21
Advance payment		46,477,628.38	139,027,165.96
Other Receivables	XVII (ii)	674,256,426.03	685,946,883.69
Wherein: interest receivable		340,875.25	168,463.46
Dividends receivable			
Inventory		2,686,448,143.15	1,437,290,264.18
Assets held for sale			
Non-current assets due within one year			
Other current assets		3,734,113,157.24	1,194,553,336.86
Total current assets		12,216,709,579.48	7,192,854,559.00
<b>Non-current assets:</b>			
Available-for-sale financial assets		158,099,778.00	238,775,578.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XVII (iii)	9,205,974,170.87	9,075,974,170.87
Investment real estate			
Fixed assets		3,417,054,227.08	5,628,018,515.00
Projects under construction		2,113,313,515.76	9,944,297.02
Productive biological assets			
Oil and gas assets			
Intangible assets		403,030,394.29	32,464,940.74
Development expenditure			
Business reputation			
Long-term unamortized expenses		71,854,468.44	71,628,735.04
Deferred income tax assets		432,367,280.79	442,121,857.51
Other non-current assets			
Total non-current assets		15,801,693,835.23	15,498,928,094.18
Total assets		28,018,403,414.71	22,691,782,653.18
<b>Current liabilities:</b>			
Short-term loan			
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 and accounts payable		6,574,816,227.05	4,501,148,605.84
Advance receipts		1,939,072,850.28	72,818,265.38

Item	Notes	Balance at end of period	Balance at beginning of period
Employee salary payable		195,717,732.68	210,696,600.34
Taxes payable		81,545,033.12	57,222,245.65
Other payables		81,822,316.05	76,043,653.88
Wherein: interest payable		29,486.11	9,625.00
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		4,033,653.30	4,033,653.30
Total current liabilities		8,877,007,812.48	4,921,963,024.39
<b>Non-current liabilities:</b>			
Long-term loans		220,000,000.00	90,000,000.00
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Long-term payables		27,316,350.24	28,213,887.06
Employee salary payable for long-term			
Estimated liabilities			
Deferred income		85,611,044.64	86,094,733.56
Deferred income tax liabilities		9,394,129.50	21,364,659.09
Other non-current liabilities			
Total non-current liabilities		342,321,524.38	225,673,279.71
Total liabilities		9,219,329,336.86	5,147,636,304.10
<b>Owner's equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		4,421,354,800.00	4,421,354,800.00
Other equity instruments			
Wherein: preferred shares			
Perpetual bond			
Capital reserves		4,245,387,997.87	4,245,387,997.87
Less: treasury stock			
Other composite incomes		19,971,616.77	98,742,007.14
Special reserve		438,785,312.37	462,845,719.46
Surplus reserves		1,598,184,996.16	1,440,302,369.54
Undistributed profit		8,075,389,354.68	6,875,513,455.07
Total owner's equity (or shareholders' equity)		18,799,074,077.85	17,544,146,349.08
Total liabilities and owner's equity (or shareholders' equity)		28,018,403,414.71	22,691,782,653.18

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Consolidated Profit Statement

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Item	Notes	Unit: Yuan      Currency: RMB	
		Accrued in current period	Accrued in last period
<b>I. Gross operating income</b>	VII (xxxix)	<b>11,052,121,177.54</b>	10,252,537,178.27
Wherein: operating income	VII (xxxix)	<b>11,052,121,177.54</b>	10,252,537,178.27
Interest income			
Earned premiums			
Income from handling charges and commissions			
<b>II. Gross operating cost</b>		<b>11,082,653,087.92</b>	9,892,647,360.92
Wherein: operating costs	VII (xxxix)	<b>10,027,719,520.52</b>	8,084,528,622.45
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 (xxxix)	<b>95,918,229.96</b>	127,305,169.63
Sales cost	VII (xxxix)	<b>15,631,449.66</b>	13,983,924.34
Administration expense	VII (xxxix)	<b>293,324,200.39</b>	258,026,229.27
R&D expense	VII (xxxix)	<b>669,498,092.27</b>	620,680,260.33
Financial expense	VII (xxxix)	<b>-71,384,850.36</b>	353,581,781.80
Wherein: interest expense	VII (xxxix)	<b>877,291.67</b>	60,733,325.33
Interest income	VII (xxxix)	<b>50,124,776.13</b>	67,192,115.63
Assets impairment loss	VII (xxxix)	<b>51,946,445.48</b>	434,541,373.10
Plus: other incomes	VII (xxxix)	<b>181,337,249.09</b>	98,281,908.12
Investment income (loss indicated with "-")	VII (xxxix)	<b>-46,707,457.84</b>	-121,516,441.00
Wherein: investment income from associates and joint ventures	VII (xxxix)	<b>-91,735,268.69</b>	-91,269,583.41
Income from changes in fair value (loss indicated with "-")	VII (xl)		212,302,530.08
Profit from disposal of assets (loss indicated by "-")	VII (xli)	<b>131,993.49</b>	
Exchange gain (loss indicated by "-")			
<b>III. Operation profit (loss indicated with "-")</b>		<b>104,229,874.36</b>	548,957,814.55
Plus: non-operating income	VII (xlii)	<b>35,033,759.74</b>	80,509,340.08
Less: non-operating expenses	VII (xliii)	<b>10,481,437.93</b>	2,793,163.82
<b>IV. Total profit (total loss indicated with "-")</b>		<b>128,782,196.17</b>	626,673,990.81
Less: income tax expense	VII (xliv)	<b>48,943,321.79</b>	137,041,828.10
<b>V. Net profit (net loss indicated with "-")</b>		<b>79,838,874.38</b>	489,632,162.71
(i) Classified as per business continuity			
1. Net profit from continuing operation (net loss indicated by "-")		<b>79,838,874.38</b>	489,852,030.12
2. Net profit from discontinuing operation (Net loss indicated by "-")			-219,867.41
(ii) Classified as per attribution of ownership			
1. Profit and loss of minority shareholders		<b>60,865.51</b>	-1,423,348.73
2. Net profits attributable to shareholders of the parent company		<b>79,778,008.87</b>	491,055,511.44

Item	Notes	Accrued in current period	Accrued in last period
<b>VI. Net of tax of other composite incomes</b>		<b>-61,691,851.50</b>	-75,285,596.57
After-tax net of other comprehensive incomes attributable to owners of parent company		<b>-61,840,130.29</b>	-75,019,411.55
(i) Other comprehensive incomes which cannot be reclassified into the profit and loss in future			
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			
(ii) Other comprehensive income which will be reclassified into the profit and loss		<b>-61,840,130.29</b>	-75,019,411.55
1. Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method			
2. Change of fair value recognized in profit and loss of available-for-sale financial assets		<b>-68,574,430.00</b>	-61,626,360.00
3. Held-to-maturity financial investment reclassified as available for sale investments profit and loss account			
4. The effective portion of hedging profit and loss for cash flow			
5. Translation differences in foreign currency financial statements		<b>6,734,299.71</b>	-13,393,051.55
6. Others			
After-tax net of other comprehensive incomes attributable to minority shareholders		<b>148,278.79</b>	-266,185.02
<b>VII. Total consolidated Income</b>		<b>18,147,022.88</b>	414,346,566.14
Total consolidated income attributable to holding company		<b>17,937,878.58</b>	416,036,099.89
Total consolidated income attributable to minority shareholder		<b>209,144.30</b>	-1,689,533.75
<b>VIII. Earnings per share:</b>			
(i) Basic earnings per share (EPS) (RMB /share)	XVIII (ii)	<b>0.02</b>	0.11
(ii) Diluted Earnings Per Share (yuan/share)	XVIII (ii)	<b>0.02</b>	0.11

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

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Profit Statement of Parent Company

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Item	Notes	Unit: Yuan      Currency: RMB	
		Accrued in current period	Accrued in last period
<b>I. Operating income</b>	XVII (iv)	<b>9,367,685,465.89</b>	6,222,149,712.64
Less: operating costs	XVII (iv)	<b>8,732,183,651.78</b>	6,582,822,209.19
Taxes and surcharges		<b>45,953,535.90</b>	13,988,766.36
Sales cost		<b>1,479,751.84</b>	2,123,962.55
Administration expense		<b>178,346,446.43</b>	159,357,025.84
R&D expense		<b>503,344,866.81</b>	427,351,119.26
Financial expense		<b>-46,139,997.85</b>	123,031,209.22
Wherein: interest expense		<b>1,000,020.60</b>	60,885,908.93
Interest income		<b>10,182,947.39</b>	20,721,063.15
Assets impairment loss		<b>-613,773.45</b>	360,412,117.80
Plus: other incomes		<b>116,685,646.46</b>	71,028,352.59
Investment income (loss indicated with "-")	XVII (v)	<b>1,515,494,758.40</b>	2,022,082,706.78
Wherein: investment income from associates and joint ventures			
Income from changes in fair value (loss indicated with "-")			
Profit from disposal of assets (loss indicated by "-")		<b>131,993.49</b>	
<b>II. Operating profit (loss indicated with "-")</b>		<b>1,585,443,382.78</b>	646,174,361.79
Plus: non-operating income		<b>4,859,888.40</b>	4,053,164.47
Less: non-operating expenses		<b>1,350,348.46</b>	2,019,049.79
<b>III. Total profits (loss indicated with "-")</b>		<b>1,588,952,922.72</b>	648,208,476.47
Less: income tax expense		<b>10,126,656.49</b>	-206,993,815.83
<b>IV. Net Profits (net loss indicated with "-")</b>		<b>1,578,826,266.23</b>	855,202,292.30
(i) Net profit from continuing operation (net loss indicated with "-")		<b>1,578,826,266.23</b>	855,202,292.30
(ii) Net profit from discontinuing operation (net loss indicated by "-")			
<b>V. Net of tax of other composite incomes</b>		<b>-78,770,390.37</b>	-48,835,792.90
(i) Other comprehensive incomes which cannot be reclassified into the profit and loss in future			
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			
(ii) Other comprehensive income which will be reclassified into the profit and loss		<b>-78,770,390.37</b>	-48,835,792.90
1. Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method			
2. Change of fair value recognized in profit and loss of available-for-sale financial assets		<b>-68,574,430.00</b>	-61,626,360.00
3. Held-to-maturity financial investment reclassified as available for sale investments profit and loss account			
4. The effective portion of hedging profit and loss for cash flow			
5. Translation differences in foreign currency financial statements		<b>-10,195,960.37</b>	12,790,567.10
6. Others			
<b>VI. Total consolidated income</b>		<b>1,500,055,875.86</b>	806,366,499.40
<b>VII. Earnings per share</b>			
(i) Basic earnings per share (EPS) (RMB /share)			
(ii) Diluted Earnings Per Share (yuan/share)			

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Consolidated Cash Flow Statement

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Accrued in current period	Accrued in last period
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		11,404,594,416.89	9,275,380,667.17
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			
Disposal of net increase of financial assets accounted at their fair values and with the variation included in the current profit and loss			
Cash received as interest, handling charges and commission			
Net increase in capital borrowed			
Net increase in capital from repurchase business			
Refund of tax and fare received		266,452,587.28	440,906,248.34
Other cash received relating to operating activities	VII (xlv)	328,911,673.53	442,299,295.61
Sub-total of cash inflows from operating activities		11,999,958,677.70	10,158,586,211.12
Cash paid for goods and services		8,689,993,439.72	6,825,437,898.18
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			
Cash paid as interest, handling charges and commission			
Cash paid for policy dividend			
Cash paid to and for staff and workers		2,294,077,948.50	1,976,969,165.52
Payments for various taxes		474,377,684.78	637,125,151.36
Other cash paid relating to operating activities	VII (xlv)	165,054,175.85	187,679,848.77
Sub-total of cash outflows from operating activities		11,623,503,248.85	9,627,212,063.83
Net Cash Flow from Business Operation		376,455,428.85	531,374,147.29
<b>II. Cash Flows from Investment Activities:</b>			
Cash received from disposal of investments		11,153,052,000.00	11,600,000,000.00
Cash received from returns on investments		96,547,791.39	110,525,261.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		892,675.00	600.00
Net cash received from disposing subsidiaries and other business units			
Other cashes received relating to investment activities			
Subtotal of cash inflows of investment activity		11,250,492,466.39	11,710,525,861.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets		911,692,440.55	1,652,853,761.30
Cash paid to acquire investments		13,256,518,639.47	10,573,927,332.34
Net increase in pledge loan			
Net cash used for acquiring subsidiaries and other business units			
Other cashes paid relating to investment activities	VII (xlv)	43,985,000.00	124,379,720.70
Sub-total of cash outflows from investment activities		14,212,196,080.02	12,351,160,814.34

Item	Notes	Accrued in current period	Accrued in last period
Net Cash Flow from Investment Activities		-2,961,703,613.63	-640,634,953.04
<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	90,000,000.00
Cash received from issuing debentures			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities		130,000,000.00	90,000,000.00
Cash paid for debt repayment			1,200,000,000.00
Cash paid for distribution of dividends, profits and repayment of interests		221,925,170.56	511,610,855.00
Wherein: Cash paid for distribution of dividends or profit or reimbursing interests by subsidiary			
Other cashes paid relating to financing activities			
Sub-total of cash outflows from financing activities		221,925,170.56	1,711,610,855.00
Net Cash Flow from Financing Activities		-91,925,170.56	-1,621,610,855.00
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		<b>-7,625,153.17</b>	<b>-268,827,934.78</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-2,684,798,508.51</b>	<b>-1,999,699,595.53</b>
Plus: Balance of cash and cash equivalents at the beginning of period		4,628,562,169.78	6,628,261,765.31
<b>VI. Balance of cash and cash equivalents at end of period</b>		<b>1,943,763,661.27</b>	<b>4,628,562,169.78</b>

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Cash Flow Statement of the Parent Company

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Accrued in current period	Accrued in last period
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		9,931,511,757.29	5,487,898,436.81
Refund of tax and fare received		168,809,014.40	179,226,856.22
Other cash received relating to operating activities		167,283,665.26	200,814,704.17
Sub-total of cash inflows from operating activities		10,267,604,436.95	5,867,939,997.20
Cash paid for goods and services		6,470,336,019.84	5,803,789,392.74
Cash paid to and for staff and workers		1,665,349,892.24	1,433,612,283.57
Payments for various taxes		200,848,980.80	40,946,414.75
Other cash paid relating to operating activities		88,968,487.74	33,309,854.89
Sub-total of cash outflows from operating activities		8,425,503,380.62	7,311,657,945.95
Net Cash Flow from Business Operation		1,842,101,056.33	-1,443,717,948.75
<b>II. Cash Flows from Investment Activities:</b>			
Cash received from disposal of investments		4,331,459,000.00	4,535,119,000.00
Cash received from returns on investments		1,516,784,034.26	2,023,958,735.95
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		892,675.00	600.00
Net cash received from disposing subsidiaries and other business units			
Other cashes received relating to investment activities			
Sub-total of cash inflows of investment activity		5,849,135,709.26	6,559,078,335.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets		568,247,554.00	190,895,610.46
Cash paid to acquire investments		6,830,000,000.00	4,090,000,000.00
Net cash used for acquiring subsidiaries and other business units			
Other cashes paid relating to investment activities			
Sub-total of cash outflows from investment activities		7,398,247,554.00	4,280,895,610.46
Net Cash Flow from Investment Activities		-1,549,111,844.74	2,278,182,725.49
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings		130,000,000.00	90,000,000.00
Cash received from issuing debentures			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities		130,000,000.00	90,000,000.00
Cash paid for debt repayment			1,200,000,000.00
Cash paid for distribution of dividends, profits and repayment of interests		221,925,170.56	511,610,855.00
Other cashes paid relating to financing activities			
Sub-total of cash outflows from financing activities		221,925,170.56	1,711,610,855.00
Net Cash Flow from Financing Activities		-91,925,170.56	-1,621,610,855.00
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>			
		3,953,596.33	-30,408,370.23
<b>V. Net increase in cash and cash equivalents</b>			
		205,017,637.36	-817,554,448.49
Plus: Balance of cash and cash equivalents at the beginning of period		1,012,305,301.10	1,829,859,749.59
<b>VI. Balance of cash and cash equivalents at end of period</b>			
		1,217,322,938.46	1,012,305,301.10

Legal representative: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of

## Consolidated statement of changes in owner's equity

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Item						
	Capital stock	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						
Business combination under common 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 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. 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. 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>	



Item						
	Capital stock	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						
Business combination under common 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 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. 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. 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: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of



## Statement of Change in Owner's Equity of the Parent Company

January to December 2018

Prepared by Offshore Oil Engineering Co., Ltd.

Item	Capital stock	Other equity instruments			Capital reserves	
		Preferred shares	Perpetual bond	Others		
<b>I. Balance at end of last year</b>	<b>4,421,354,800.00</b>				<b>4,245,387,997.87</b>	
Plus: Accounting policy change						
Corrections of prior period errors						
Others						
<b>II. Balance at beginning of current year</b>	<b>4,421,354,800.00</b>				<b>4,245,387,997.87</b>	
<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 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. 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>4,245,387,997.87</b>	



Item	Other equity instruments					Capital reserves
	Capital stock	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 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. 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: Jin Xiaojian  
accounting department: Wang Yajun

Person in charge of accounting affairs: Chen Yonghong

Person in charge of



### 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 engineering construction industry. As of December 31, 2018, the Company issued share capital of 4.4213548 billion shares totally with registered capital of RMB 4.4213548 billion; 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 Group”) 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; and leasing of self-owned house; sales of steel, pipes, cables, valves, instruments, meters, hardwares 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 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 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 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 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 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 and four hundred thousand yuan 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 point nine billion and eight hundred thousand 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 2.1608 billion.
- 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 2.1608 billion shares, which increased the share capital by 1.0804 billion 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 4.4213548 billion 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 Boseru 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 22, 2019.

## 2. Consolidated financial statement scope

Applicable  Inapplicable

As of December 31, 2018, 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.)

For details about the consolidated financial statement scope and changes, see Note VIII Consolidated Financial Statement Scope Change and IX Other Subject Interests.

## IV. Basis for Preparing Financial Statement

### 1. Preparation basis

Financial statement of the Company is prepared based on continuous operation. According to the actual occurred transactions and events, prepare the financial statements with reference to *Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance, specific accounting standards, accounting standard for business enterprises application guide and interpretations, and other relevant provisions (hereinafter referred to as "Accounting Standards for Business Enterprises"), and *Information Disclosure Preparation Rules of Companies Publicly Issuing Securities, No.15 - General Provisions of the Financial Report* of CSRC.

### 2. Constant operation

Applicable  Inapplicable

Since the end of the report period, the Group 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 requirement of accounting standards for business enterprises, and actually reflects the financial condition, business performance, cash flows, changes in shareholders' equity and other relevant information of the Company and the Group.

### 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 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 recording currency.

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

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

COOEC Brasil Offshore Ltda. adopts BRL as recording currency.

### 5. Accounting Treatment for Mergers under the Same or Different Controls

Applicable  Inapplicable

Merger under the same control: assets and debts obtained by the Company in merger, is included in book value in the consolidated financial statement of the final controller based on the assets and debts of the consolidated party on the merger date. For the difference between the book value of the net assets gained from merger and the paid merger reconciliation book value (or total book value of the issued share), the capital stock premium in the capital reserve is adjusted; if the capital stock premium in the capital reserve is insufficient to charge off, the retained earnings are adjusted.

Merger under different controls: the Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for merger in light of their fair values, and shall include the balances between air value and book value into the profit and loss at current period. The Group recognizes the difference of the merger cost more than the

fair value of the net identifiable assets gained by the acquiree in merger as the goodwill. The difference of the merger cost lower than the fair value of the net identifiable assets gained by the acquiree in merger is included in the current profit and loss after re-checking.

Intermediary expense of audit, legal, and evaluation consultation services and other directly related expense generated during the merger are included in the current profit and loss. Transaction expenses of equity securities for merger offset equity.

## 6. Preparation method for consolidated financial statements

Applicable  Inapplicable

### Merger scope

The merger scope of the consolidated financial statement for the Company is defined based on control scope. The statement covers all subsidiaries, including divisible parts of the acquiree controlled by the Company.

### Merger procedure

The Company prepares the financial statement based on the subsidiary and its financial statements, with reference to other related materials. The Group's financial statement considers the Group as an accounting entity, indicates the Group's financial situation, business performance, and cash flow based on requirements of accounting standards confirmation, measurement, and presentation as well as the unified accounting policies.

The accounting policies and the accounting period adopted by the subsidiaries included in the merger scope of the consolidated financial statements are consistent with that of the Company. If the accounting policies and the accounting period adopted by the subsidiaries are inconsistent with that of the Company, necessary adjustment is made as per the Company's accounting policies and the accounting period in preparation of the consolidated financial statements. As to the subsidiaries acquired through merger under different controls, their financial statements are adjusted based on the fair value of the net identifiable assets on the date of acquisition. For the subsidiaries from merger under the same control, adjust the financial statement based on the book value of the assets and debts (including goodwill generated from acquisition of the subsidiary by the final control party) in the financial statement of the final control party.

Shares of minor shareholders in the ownership interest, current net profit and loss and comprehensive income are respectively listed under the ownership interest item in the consolidated balance sheet and net profit item in the consolidated profit statement. Should the current profit and loss shared by the minority shareholders of the subsidiary exceed the balance of the beginning owner's equity vested in the minority shareholders of this subsidiary, the equity of the minority shareholders is offset.

### (1) Expanding subsidiaries or businesses

During report period, in case of expanding subsidiaries due to merger under the same control, then the beginning balance of the consolidated balance sheet is adjusted. The income, expenses and profits of the subsidiary from the beginning of the current merger period to end of report period are included in the consolidated income statement. The cash flow of the subsidiary from the beginning of the current merger period to the end of report period is included in the consolidated cash flow statement. Meanwhile, the relevant items of compared statements are adjusted as if the reporting main body after merger has come into being all the time from the start control point of the final control party.

Where the acquirees under the same control can be controlled due to additional investment and the like, all parties involved in merger are deemed to adjust the present status before the final controller starting control. Profit and loss from equity investment held before the consolidated parties being controlled, from acquiring original equity date (or the date when the consolidating party and the consolidated party are under the same control, whichever is the later) to the merger date, and other comprehensive profits and the net profit change offset the original retained earnings or the current profit and loss during the financial statement comparison date.

During report period, in case of expanding subsidiaries or business due to merger under the same control, then the beginning balance of the consolidated balance sheet is not adjusted. The income, expenses and profits of the subsidiary from the beginning of the current merger period to the end of report period are included in the consolidated income statement. The cash flow of the subsidiary from the beginning of the current merger to the end of report period is included in the consolidated cash flow statement.

If the Group can control the enterprises under the non-the-same control due to additional investment, the Group will re-measure the equity owned by the acquiree prior to the date of acquisition at the fair value of such equity on the date of acquisition. The difference between the fair value and its book value is included in the current investment income. Where acquiree equity held before the acquisition date involves other comprehensive profits calculated with the equity method, and other owner's equity change except net profit and loss, other comprehensive income and allocation profits, other related comprehensive income and profits from equity change are transferred to the current investment income at the acquisition date, except for other comprehensive profits generated from re-measurement of net liabilities or net assets of defined benefit plans by acquiree.

## (2) Processing subsidiaries or businesses

### ① General disposal method

During report period, when the Company disposes the subsidiary or business, then the income, expenses and profits of this subsidiary or business from the beginning of period to the date of disposal are included in the consolidated income statement, and the cash flow of this subsidiary from the beginning of period to the date of disposal is included in the consolidated cash flow statement.

When the Group loses the control over the acquiree due to disposal of part of equity investment or other reasons, the Group will re-measure the remaining equity investment after disposal at the fair value on the date when the Group loses its control power over the acquiree. The balance between the sum of consideration generated from equity disposal and the fair value of the remaining equity and the sum of net assets share and goodwill of the original subsidiary enjoyed based on original stake ratio from the purchase or merger date is included in the investment income of current period when the control power is lost. Other comprehensive income related to the equity investment of the original subsidiary or other owner's equity changes except for net profit and loss, other comprehensive profits, and profit-sharing are transferred to the current investment income when losing the control power, except for other comprehensive profits generated from re-measurement of net liabilities or net assets of defined benefit plans by acquiree.

If the Company loses control because of the Company shareholding reduces due to acquiree's additional investment to subsidiaries, the accounting will be subject to above rules.

### ② Disposing subsidiaries by steps

Where subsidiary equity investment is disposed in steps through multiple transactions until losing control, if the clauses, conditions and economic impact of all transactions involving subsidiary equity investment disposal conform to one or several of the following conditions, multiple transactions are treated as package deal for accounting treatment:

- i. These transactions are made simultaneously or under the consideration of mutual influence;
- ii. All these transactions can achieve an overall commercial result;
- iii. The occurrence of a transaction is based on the occurrence of at least one of other transactions;
- iv. A single transaction is regarded as uneconomic, while being economic when being regarded along with other transactions.

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 Company would implement accounting treatment, regarding such multiple transactions as one transaction; however, 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.

Where subsidiary equity investment is disposed through multiple transactions until losing control, and multiple transactions are not treated as package deal, accounting is subject to methods for disposing subsidiary investment as not-lose-control before losing the control. If the Company loses the control, accounting is subject to general accounting methods.

## (3) Purchasing minor equity from subsidiaries

According to the difference between the long-term equities after purchasing minor equity from subsidiaries, and the net assets shares from purchasing date (merger date) based on the new shareholding ratio, adjust share premium of capital reserve in the asset balance sheet. If the share premium of capital reserve is insufficient to offset, adjust the retained earnings.

## (4) Partially disposing subsidiary equity investment without losing control

For the balance between disposal price and net asset shares of continuous calculation of the subsidiary generated from disposal of some long-term equity investment from the acquisition or merger date without losing control, adjust share premium of capital reserve in the consolidated asset balance sheet. If the share premium of capital reserve is insufficient to offset, adjust the retained earnings.

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

Applicable  Inapplicable

Joint operation means joint and cooperative venture.

If the Group is the operating party of the joint venture and enjoys related assets and undertakes related liabilities, this mode is the joint operation.

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

- (1) The assets separately held by the Group 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 group share ratio;
- (5) Separately incurred expense and the expense generated from joint operation based on the group share ratio.

#### 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 purchase date), strong floating, prone to convert to known amounts of cash and little risk on change of value. In preparation of the cash flow statement, the Group identifies its cash at hand and bank deposits readily available for use as the cash. The cash equivalent refers to the investment with short term (generally due within 3 months from the date of purchase), strong flowability and small value change risk, and readily convertible into cash.

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

Applicable  Inapplicable

##### Foreign currency transaction

The foreign currency amount is converted into RMB at the exchange rate released by People's Bank of China on the last workday of last month of the transaction date of foreign currency transaction.

On balance sheet date, the balances of foreign currency monetary items are translated at the spot exchange rate intraday, and exchange differences arising thereof, except for exchange differences related to the acquisition, construction, and other eligible assets for capitalization, are included in current profit and loss.

##### Conversion of foreign currency financial statement

The assets and liabilities in the balance sheets shall be converted at a spot exchange rate on the balance sheet date. In the owner's equity items, except the ones as "undistributed profits", others shall be converted at the spot exchange rate at the date of incurring. The income and expenses as stated in the profit statement are converted at the spot exchange rate at the date of incurring.

When disposing the overseas operation, the translation balance of foreign currency financial statement related to the overseas operation is converted from owner's equity to the current disposal profit and loss.

#### 10. Financial instruments

Applicable  Inapplicable

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

##### (1) Classification of financial instruments

Financial assets and debts are divided into the following categories when they are initially confirmed: the financial assets or the financial liabilities that are measured at the fair value and of which changes are included in the current profit and loss, including transactional financial assets or financial liabilities (and financial assets or financial liabilities that are directly measured at the fair value as specified and of which changes are included in the current profit and loss), held-to-maturity investment, accounts receivable, available-for-sale financial assets and other financial liabilities, etc.

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

- 1) Financial assets (financial liabilities) that are measured at the 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 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 the fair value and the changes to the fair value are included in other comprehensive income. 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 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 Group, 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 Group 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 asset related to the transfer is the financial asset 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 consideration of the part whose recognition is terminated, and the part whose recognition is terminated, which is corresponding to cumulative amount of changes in the fair value originally included in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

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 Group 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 Group 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 Group 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 of financial asset (excluding receivables) impairment

Except for the financial assets that are measured at the fair value and of which the changes are included in the current profit and loss, the Group 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 Group, 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 Group 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 owner's 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

### (1) Receivables with significant single amount and independent provision for bad debts

Applicable  Inapplicable

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.
Withdrawal methods with significant single amount and separate withdrawal of 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 withdrawal of bad debts reserves based on credit risk feature combination

Applicable  Inapplicable

Other provision method with combined provision for bad debt reserves according to the credit risk characteristics(accounting age analysis method, percentage balance method, and other methods).

Accounting age combination	Bad debt reserves shall be withdrawn with accounting age analysis method.
Related parties combination	No provision for bad debts
Imprest fund and deposit combination	No provision for bad debts

In the combination, the accounting age analysis method is used to calculate and withdraw the bad debt reserves:

Applicable  Inapplicable

Accounting age	Provision proportion for receivables (%)	Provision proportion for other receivables (%)
≤ 1 year	0	0
1-2 years	30	30
2-3 years	60	60
Above 3 years	100	100

In the combination, the accounts receivable with provision for bad debt reserves by percentage balance method

Applicable  Inapplicable

In the combination, the other accounts receivable with provision for bad debt reserves by other methods

Applicable  Inapplicable

(3) Receivables with insignificant single amount and separate withdrawal of bad debt reserves

Applicable  Inapplicable

Reasons of provision for individual bad debts	The receivables whose single amount is insignificant but risk characteristics cannot be shown by withdrawing the bad-debt reserves in combination.
Provision method of preparation for bad debts	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.

## 12. Inventory

Applicable  Inapplicable

(1) Classification of inventories

The inventories of the Group 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 delivery of inventories

The weighted average method is used when issuing the inventory.

(3) Determination basis for net realizable value of different inventories

For the finished products, merchandise inventories, materials for sale, and other inventories of merchandise that can be sold directly, the net realizable value is determined by subtracting the estimated selling expenses and related expenses of taxation

from the estimated sale price during normal production process; for the materials that need processing, 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 finished products being produced during normal production process; for the inventories held for the execution of sales contract or labor contract, the net realizable value is calculated on the basis of contract value, and if the quantity of inventories is more than the ordered quantity of sales contract, the net realizable value of surplus part is calculated on the basis of general sale price.

The inventory falling price reserves are calculated and withdrawn based on single inventory item at end of period: for the inventories of many quantities and lower unit price, the inventory falling price reserves are calculated and withdrawn based on the category of the inventories; for inventories that are related to the product series produced and sold in the same area, of the same or similar ultimate usage or purpose and hard to be measured separately from other items, the inventory falling price reserves are calculated and withdrawn in the form of combination.

The net realizable value of the inventory is confirmed based on market price on the date of the balance sheet except for clear evidence showing the market price exceptions on the date of the balance sheet.

The net realizable value of the inventory is confirmed based on market price on the date of the balance sheet.

#### (4) Inventory system

The perpetual inventory system shall be adopted.

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

- 1) Low-value and easily-worn articles are amortized with one-time amortization method.
- 2) Packages are amortized with one-time amortization method.

### 13. Assets held for sale

Applicable  Inapplicable

Non-current assets or disposal groups meeting the following requirements at the same time are regarded as available-for-sale by the Group.

- (1) According to the practice in the similar transaction selling this such assets or disposal groups, it can be immediately sold out under the present situation.
- (2) Selling is rather likely to happen, that is, the Group has made resolution on one selling plan with ascertained purchase commitment, and the selling is to be finished in one year. Those that can be sold after approval of relevant authority of the Group or supervision department have been approved.

### 14. Long-term equity investment

Applicable  Inapplicable

#### (1) Judgment basis on joint control and significant impact

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. Where the Group and other parties jointly control and have right over the acquiree, such acquiree is a joint venture of the Group.

Significant influence refers that the Group has the right to make decision about the finance and business policy of one enterprise but cannot control the formulation of policies separately or with other parties. Where the Group is able to have significant influences on an acquiree, the acquiree shall be associates of the Group.

#### (2) Determination of initial investment cost

- 1) Long-term equity investment formed under merger

Merger under the same control: if the Company regards payment of cash, transfer of non-cash assets or assuming of debts and issuance of equity securities as the merger consideration, 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 initial investment cost of the long-term equity investment. Where the acquiree under the same control can be controlled due to additional investment, original investment cost of long-term equity investment is measured based on the combined party's net asset share ratio in book value in the consolidated financial statement of the final control party. Adjust the share premium based on the balance between the original investment cost of long-term equity investment on the merger date and the sum of long-term equity investment book value before merger date and the compensatory payment rate book value of newly gained shares at the merger date. If the share premium is insufficient to offset, offset the retained earnings.

Corporate merger under non-the-same control: the merger cost determined by the Company on the date of acquisition

is regarded as the initial investment cost of the long-term equity investment. Where the acquiree under the same control can be controlled due to additional investment, the sum of original book value of holding shares and the newly added investment cost is recognized as the original investment cost measured with cost method.

2) Long-term equity investment gained in other forms

For the long-term equity investment gained in the form of payment in cash, the acquisition price paid actually is regarded as the initial investment cost.

For the long-term equity investment gained in the form of issuance of equity securities, the fair value of the issued equity securities is regarded as the initial investment cost.

Provided that the non-monetary assets swap is of commercial essence and the fair value of the swap-in assets or the swap-out assets can be measured reliably, the initial investment cost of the swap-in long-term equity investment with the non-monetary assets is determined based on the fair value of the swap-out assets, unless otherwise there is unambiguous evidence showing that the fair value of the swap-in assets is more reliable. For the non-monetary assets swap that does not meet the above-mentioned conditions, the book value of the swap-out assets and the relevant payable taxes are regarded as the initial investment cost of the swap-in long-term equity investment.

For long-term equity investment gained through debt restructuring, its initial investment cost is determined based on the fair value.

**(3) Subsequent measurement and profit and loss recognition method**

1) Investment of long-term equity measured with cost method

The cost method is used by the Company to calculate the long-term equity investment of its subsidiaries. The Company recognizes the current investment income based on the cash dividends or profits that the Company is entitled to and that are announced to be released by the acquiree, 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.

2) Long-term equity investment accounted with equity method

The equity method is used to calculate the long-term equity investment of associates and joint ventures. Recognizing the difference that initial investment cost exceeds the identifiable net assets fair value share of invested entity, adjustment for initial investment cost of long-term equity investment is not required; acquired in the combination as good will; include the difference into current profit and loss recognizing the difference that initial investment cost is less than the identifiable net assets fair value share of invested entity.

The Company measures the investment income and other comprehensive income based on the ratio of the net profit and loss and other comprehensive income fulfilled by the acquiree 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 acquiree, 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 profits 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 acquiree, based on the fair value of identifiable assets of the acquiree when obtaining the investment, recognize the adjusted net profit of the acquiree in accordance with the Company's accounting policies and accounting periods. During period of holding investment, where consolidated financial statement is prepared by the acquiree, calculate based on the net profit in the statement, other comprehensive profit, and the amount attributable to the acquiree due to owner's equity change.

Offset the unrealized profit and loss of the internal transaction between the Group, associates and joint ventures and the part belongs to the Company based on enjoyed ratio, and recognizes the investment profit on this basis. Losses generated from the unrealized internal transaction with the acquiree are impairment loss and fully recognized by the Company. Where asset sale transaction occurs between the Group and associates and joint ventures, and such assets forms a business, accounting is subject to methods revealed in III (V) Accounting Treatment for the Combination of Enterprises under Same/Different Controls and III (VI) Preparation Method of the Consolidated Financial Statement.

When the Group is required to share loss occurred in acquiree, treatment shall be conducted in following order: first, offset against the book value of the long-term equity investment correspondingly. Moreover, where the net loss from the investment in acquiree is reorganized to the extent that the book value of the long-term equity investment and other long-term interest in substance in the acquiree are written down till nil, offset book account of long-term receivables. Last, after above treatment, where the Company still takes other obligations as agreed in investment contract or agreement, contingent liabilities shall be recognized and included in current investment loss based on the estimated obligations to assume.

### 3) Disposal of long-term equity investment

During disposal of long-term equity investments, the difference between book value and the actual price is included in current profit and loss.

For the long-term equity investment accounted with the equity method, dispose the investment on the same basis as that of directly disposing the related assets or liabilities of the acquiree, and implement accounting treatment on the part originally included in the other comprehensive profits based on the corresponding ratio. The owner's equity recognized from change of other owner's equity other than net profit and loss, other comprehensive profit, and profit-sharing by the acquiree are transferred to the current profit and loss based the ratio, excluding other comprehensive profit generated from change of planned net debt or assets due to the acquiree re-measurement of the set profits.

In case of losing joint control over or significant impact on the acquiree due to disposal of partial equity investment, the remaining equity after disposing is recognized and measured by financial instrument. 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 comprehensive income 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. All equities recognized due to other owner's equity change of the acquiree except for net profit and loss, other comprehensive income and profit-sharing are transferred to the current profit and loss when the equity accounting method is terminated.

If the Company loses control over the acquiree due to some equity investment and shareholding ratio decrease caused by other invest party increasing capital, in preparing individual financial statement, the remaining equity which can impose joint control or significant impact on the acquiree is calculated with equity method and is adjusted as it acquired. Otherwise, the remaining equity is recognized and measured with financial instruments and related specifications of measurement rules. The balance between the fair value and the book value when the control power is lost is included in the current profit and loss.

If equity disposed is acquired through merger due to causes, such as additional investment, and the remaining equity is accounted using the cost or equity method when preparing individual financial statement, other comprehensive profits and owner's equity confirmed from equity investment using the equity method before the purchasing date are transferred proportionally. Remaining equity is recognized using the financial instrument and accounted using measurement standards, and other comprehensive profits and owner's equity are completely transferred.

## 15. Investment real estate

### (1) If to use the cost measurement model:

Depreciation or amortization methods

For the investing real estate measured with cost method, the buildings used to rent is measured with the same depreciation policy as for the fixed assets of the Group, and the rented land use rights are measured with same amortization policy as for the intangible assets.

## 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. When all following conditions are met, an asset can be recognized as the fixed asset:

- 1) It is highly possible that the economic benefits related to the fixed assets flow into the enterprise:
- 2) Cost for the fixed assets can be reliably calculated.

### (2) Depreciation methods

Applicable  Inapplicable

Category	Depreciation method	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

Category	Depreciation method	Depreciation period (year)	Residual ratio (%)	Annual depreciation rate
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

If one of the following conditions listed in leasing agreement signed by the Group and the lessee is met, the asset involved is recognized as financing leased asset:

- 1) The leased asset is owned by the Group when the lease term expires;
- 2) The Group has the right of choice to purchase the assets, and the purchase price is much lower than fair value of the asset when the Group performs the right.
- 3) The leasing period occupies large part of service life of the leased asset.
- 4) There is no great difference between the present value of the minimum lease payment and the fair value of the asset on the leasing date.

The Group 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.

### 17. Construction in progress

Applicable  Inapplicable

Necessary expenses generated before the project construction reaching the serviceable condition as preplanned are recognized as the entry value of the fixed assets. If the constructed fixed asset project has reached the serviceable condition as preplanned but final completion settlement has not been conducted, the project 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 as per the Company's depreciation policy for fixed assets. 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

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

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings.

Borrowing costs 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 costs are recognized as expense 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 costs 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 costs 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

Capitalization period refers to period from the beginning of borrowing cost capitalization to the cessation of capitalization, excluding period of suspension of capitalization of borrowing costs.

When the acquired and constructed or produced assets eligible for capitalization reaches the intended usable or salable status, the capitalization of borrowing costs shall be terminated.

Among the acquired and constructed or produced assets eligible for capitalization, when parts of the project were completed respectively and can be used separately, the capitalization of borrowing costs for such part of assets shall be terminated.

If each portion of the purchased or produced assets is completed separately, but can be put into operation or sold only after the whole asset is completed, then capitalization of borrowing costs can be terminated only after the whole asset is completed.

### (3) Capitalization suspension period

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 costs shall be suspended; if the interruption is the acquisition, construction or production conditions meeting the capitalization the asset for its intended use or sale necessary procedures, the borrowing costs continue to be capitalized. Borrowing costs incurred during current period shall be recognized as a profit and loss, until after the acquisition, construction or production of the asset re-start borrowing costs continue to be capitalized.

### (4) Calculation method of borrowing cost capitalization rate and amount

As for special borrowing for the acquisition and construction or production of assets eligible for capitalization, the capitalization amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

For general borrowings for the acquisition, construction or production of assets eligible for capitalization, weighted average of asset expenditure exceedance over special borrowings is multiplied by capitalization rate of occupied general borrowing, to obtain general borrowing cost to be capitalized. Capitalization rate is determined by the weighted average interest rate of general borrowings.

## 19. Intangible assets

### (1) Valuation method, service life, and impairment test

Applicable  Inapplicable

#### Valuation method for intangible assets

- 1) Intangible assets are measured initially based on cost when the Company gains the intangible assets.

The cost of outsourcing intangible assets includes the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. If the price to purchase the intangible assets is postponed to pay beyond normal credit conditions and of financing nature substantially, the cost of the intangible asset is determined based on the current value of the purchase price.

For the intangible assets acquired from debt restructuring, which are used by the debtor to pay a debt, the entry value will be determined at fair value of these intangible assets. The difference between the book value of the debt to be restructured and the fair value of the intangible assets that are used to pay a debt shall be included in the current profit and loss.

If the non-monetary assets swap is commercial in nature and the fair values of both the assets swap-in and swap-out can be reliably measured, the fair value of the assets swap-out shall be the basis for the determination of the cost of the assets swap-in, unless there is any exact evidence showing that the fair value of the assets swap-in is more reliable; where a non-monetary assets swap cannot satisfy the above-mentioned conditions, the cost of the intangible assets swap-in shall be the result of the book value of the assets swap-out and relevant payable taxes, and no profit and loss may be recognized.

- 2) Subsequent measurement

When acquiring the intangible assets, the service life of the intangible asset shall be analyzed and judged.

Intangible assets with limited service life are amortized through straight-line method in the term bringing economic benefits for the enterprise. It is impossible to foresee that the intangible assets will bring economic benefits to the enterprise, so it is regarded as an intangible asset with uncertain service life, which is not going to be amortized.

Service life estimate of intangible assets with limited service life

Land use right of this Group is amortized averagely according to transfer term from transfer date. Software and other intangible assets of this Group according to expected use term. The shortest beneficial years provided by the contract and validity year stipulated by law among the three are amortized averagely by period. Amortized amount is included in

cost of relevant assets and current profit and loss of its beneficial object.

Judgment basis on intangible assets with uncertain service life and re-check procedures of service life

Assets whose useful period for benefiting the Company cannot be foreseen by the Company, or assets whose service life is uncertain are recognized as the assets with uncertain service life.

Judgment basis for assets with uncertain service life:

- 1) Service life depends on contract rights or other legal rights, or contracts or other legal provisions do not expressly define service life;
- 2) The duration of the assets to bring profits to the Group cannot be determined based on peer feedback and expert argumentation;

At the end of each year, recheck the intangible assets with uncertain service life with from-bottom-to-top method. The relevant department who uses such intangible assets performs the basic recheck of the assets to determine whether to change the judgment basis for assets with uncertain service life.

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

Applicable  Inapplicable

Specific standards for dividing of research and development stage

The Group 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 Group 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 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 produces 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 purchasing day, 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.

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 expense refers to all expenses which are already incurred but shall be borne during current period and the following periods and with amortization duration over one year. Long-term unamortized expenses are amortized based on benefit period of the expense. As for items of long-term unamortized expense which do not yield any benefits in later accounting period, the amortized values will be filed into current profit and loss.

## 22. Employee salary

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

Applicable  Inapplicable

During the accounting period when employees provide service for the Group, the actual short-term salary is recognized as liabilities and included in the current profit and loss or the relevant assets costs.

The Company calculates and determines employee salary based on social insurance charges and housing fund, labor union expenditure, and personnel education fund afforded by the Company during the accounting period when employees provide service for the Company, and specified withdrawal base and proportion.

Where welfare expenses for employees are non-monetary, and if the welfare expenses can be measured reliably, measure the expense based on fair value.

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

Applicable  Inapplicable

#### 1) Defined contribution plan

The Group pays basic endowment insurance and unemployment insurance according to the relevant regulations of the local government. During the accounting period when employees provide service for the Group, the amount to be paid is calculated based on local payment cardinality and proportion and recognized as liabilities, and included in the current profit and loss or related asset costs.

Besides basic endowment insurance, the Group has established the enterprise annuity payment (supplementary endowment insurance or company pension plan) system based on related policies of state enterprise annuity. The Group pays a certain rate of employee salary to local social insurance agencies/pension plan, and the expenses are included in the current profit and loss or the related asset costs.

#### 2) Defined benefit plans

The Group counts the welfare obligations generated from defined benefit plans for period when employees provide service for the Group based on the formula confirmed according to the provision of expected cumulative total welfare unit, and includes the expense in the current profit and loss or the related asset costs.

The deficit or surplus generated by subtracting fair value of defined benefit plans from the current value of defined benefit plans are recognized as the net liabilities or assets of a defined benefit plan. Where surplus is generated from the defined benefit plan, the Group defines the lower item between the asset upper limit and the surplus as the net asset of

the defined benefit plan.

All obligations of the defined benefit plan including obligations 12 months after the annual reporting when employees provide service for the Group will be paid in cash at the market rate at return at balance sheet date, of national bonds and the company bonds corresponding to obligation period of the defined benefit plan and the currency.

Service cost and net interest of the net liabilities or asset generated from the defined benefit plan are included in current profit and loss or the related asset costs. The changes generated from rechecking net liabilities or asset of the defined benefit plan are included in the other comprehensive profits, and will not be transferred back to the profit and loss in the following accounting period. Transfer all the parts included in the comprehensive income to the undistributed profit when the defined benefit plan terminates, within the equity scope.

During the settlement of the defined benefit plan, recognize profit and loss based on the difference between the current obligation value of the defined benefit plan and the settlement price measured at settlement date.

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

Applicable  Inapplicable

The Group cannot unilaterally withdraw the dismissal welfare generated from severing labor relation or layoff proposal. The expense or costs involved in paying dismissal welfare reconstructing is recognized as the employee salary liabilities and included in the current profit and loss.

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

Applicable  Inapplicable

## 23. Estimated liabilities

Applicable  Inapplicable

### (1) Recognition standard of estimated liabilities

Where obligations relating to lawsuit, debt guarantee, onerous contract, restructuring and other contingent events meet all the following conditions, the expenses are recognized as estimated liabilities:

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

### (2) Measurement methods of estimated liabilities

The Group's estimated liabilities are initially measured based on the best estimates of expenses required by fulfillment of the relevant current obligations.

When determining the best estimates, 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 best estimates are dealt with respectively according to the following circumstances:

If the required expenditure has a continuous range (or area), and probability on occurrence of various results within such range is the same, then the best estimates are determined based on the median of such range, that is, the average of the upper limit and the lower limit.

If the required expenditure does not have a continuous range (or area), or although there is a continuous range but the probability of occurrence of various results within such range is different, and the contingent matters involve single item, then the best estimates are determined based on the most possible amount; if the contingent matters involve multiple items, then the best estimates are calculated and determined based on various possible results and relevant probabilities.

When all or some of the expenses required for the liquidation of an estimated debt of the Group is expected to be compensated by the third-party, they should be separately recognized as an asset only when it is virtually certain that the amount of compensation will be obtained, and the recognized amount of compensation doesn't exceed the book value of the estimated liabilities.

## 24. Stock payment

Applicable  Inapplicable

Share-based payment of the Group 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. The 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 Group 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 Group will buy back stocks based on price agreed in advance. When the Group 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 Group makes an optimal estimation of the number of the exercisable equity instruments based on the newly obtained information, such as the changes of number 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 granting 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 day of cancel 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 Group. It is initially measured with fair value at granting 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 Group, 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

### (1) Recognition and measurement methods of income from sales of goods

Income is realized when 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, meanwhile, the related costs which have occurred or will be occurred can be measured reliably. Income amount from sale of goods is recognized based on the received or receivable contract or agreement prices from the buyer, except for the not-fair part of the received or receivable contract or agreement price. Contract or agreement price is acquired in the deferred way. Where the price bears financing nature, the income amount is recognized at the fair value of contract or agreement price.

### (2) Provision of labor services

At the date of balance sheet, labor income is recognized by using the percentage of completion method when the results of providing service transaction can be estimated reliably; otherwise the amount of labor income should be recognized by labor costs which have occurred and is expected to be compensated. Service transaction result can be reliably evaluated in accordance with following conditions simultaneously: incurred service cost can be reliably calculated; related economic interest of the Group may occur; agreed completion schedule can be reliably determined; cost taken or to be taken can be calculated reliably. Completion schedule of labor service transaction is determined by the Group based on proportion between cost incurred and predicted total cost of the Group. The Group ascertains the total income from the providing 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.

### (3) Transfer of assets use rights

The Group recognizes income of transferred assets use rights when economic interests related to transaction may flow into the Company and the sum of the income can be calculated reliably.

### (4) Basis and method to determine the contract completion progress when the income from provision of labor service and the income from construction contract are recognized with the completion percentage method.

The income from provision of labor services shall be determined with the percentage-of-completion method in case the result of the provided labor service transaction can be reliably estimated on the date of the balance sheet. The completion progress of the service transaction is determined based on the percentage of completed work measurement and cumulative actual cost investment in the budget cost.

Ascertain the total income from providing of labor services at received or to-be-received contract or agreement prices, except for the not-fair part of the received or to-be-received contract or agreement prices. The total income from providing labor service in balance sheet date is multiplied by completion progress, deducting previously recognized amount after providing labor service during the accounting period is recognized as current income from providing labor service. Meanwhile, total estimated labor cost is multiplied by completion progress, deducting previously recognized amount after providing labor service during the accounting period is transferred to the cost of current labor service.

If the results of provision of labor service transaction cannot be estimated reliably on the balance sheet date, following conditions shall be fulfilled:

- 1) In case it is estimated that the occurred labor cost can be compensated, the income from provision of labor services shall be determined based on the occurred labor cost amount, and the labor cost shall be carried over at the same amount.
- 2) In case it is estimated that the occurred labor cost cannot be compensated, the occurred labor cost will be included in the current profit and loss, and the income from provision of labor services will not be determined.

The Group recognizes contract income and expenditure as the percentage of completion on balance sheet date when the contract overall income can be measured reliably, the economic interests related to contract may flow into the Group, and the actual incurred cost can be distinguished explicitly and measured reliably, and contract completion progress and costs necessary for completing contract can be reliably determined. 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.

If the contract cost can be recovered and the contract income can be determined based on the actual recoverable contract cost, the contract cost is included in expenditure during incurred period when the outcome of construction contract cannot be estimated reliably; if the contract cost cannot be recovered, it shall be recognized as expenditure immediately with income not recognized.

The Group inspects the construction contract at the end of the term. If the estimated overall cost of construction cost surpasses estimated overall contract income, make the loss provision and count the expected loss as current expense.

## 26. Government subsidies

Applicable  Inapplicable

### Type

Government subsidies refer to the monetary assets and non-monetary assets acquired by the Group from the government without consideration. It is divided into the government subsidy related to assets and the government subsidy related to gains.

Government subsidy related to assets refers to that obtained by the Group and used for purchase and construction of long-term assets or formation by other ways. The government subsidies pertinent to income refer to all the government subsidies except those pertinent to assets.

The Group divides government subsidies into asset related subsidies because the subsidies are appropriation with nature of asset allocated by the government.

The Group divides government subsidies into income-related subsidies because the subsidies are government appropriation other than those relating to assets.

Where the government doesn't specify subsidy objects, the Company divides the government subsidy into assets related subsidy or income related subsidy according to following basis: whether the subsidy is used to construct or form long-term assets by other means.

### Accounting treatment

Government subsidy related to assets shall have the book value of underlying assets offset or be confirmed as deferred income. Those confirmed as deferred income shall be included in current profit and loss by reasonable and systematic method within service life of underlying assets (those related to daily activities of the Group included in other income; while irrelevant to daily activities, included in non-operating income).

If the income-based government subsidies are used for compensating the Group's future relevant cost expenses or losses, such subsidies are recognized as the deferred income and included in the current profit and loss (those related to daily activities of the Group included in other income; while irrelevant to daily activities, included in non-operating income) at the time of confirming relevant cost or loss or used for offsetting relevant cost or loss; if it is used for compensating the incurred relevant cost expenses or losses, such subsidies are directly included in the current profit and loss (those related to daily activities of the Group included in other income; while irrelevant to daily activities, included in non-operating income) or used for offsetting relevant cost or loss.

The policy preferential loan with discounted interest obtained by the Group shall have accounting treatment by the following two cases:

- 1) As for the case that the financial department allocates discounted interest to lending bank which offers loan to the Group by policy preferential interest rate, the Group will regard the actually received loan amount as the entry loan value and calculate relevant borrowing costs based on loan principal and such policy preferential interest rate.
- 2) As for the case that financial department directly allocates discounted interest to the Group, the Group will offset relevant borrowing costs with discounted interest accordingly.

## 27. Deferred income tax assets/liabilities

Applicable  Inapplicable

As to the deductible temporary difference, the deferred income tax assets are recognized with the future taxable income that is likely to be used to offset the deductible temporary difference as limit. As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

As to taxable temporary difference, the deferred income tax liabilities are recognized except for special circumstances.

The special circumstances under which the differed income tax assets or the deferred income tax liabilities are not recognized include initial recognition of goodwill and other transactions or matters than merger that affects neither the accounting profits nor the taxable income (or deductible losses) at the time of coming into being.

When the Group has the legal right to settle with net amount, and intends to settle with net amount or gains assets and pays off the liabilities at the same time, the Group presents and lists the net offset amount of the current income tax assets and the tax liabilities of the current income.

The Company presents and lists the net offset amount of the deferred income tax assets and the deferred income tax liabilities when the Company has the legal rights to settle the current income tax assets and the current income tax liabilities with the net amount, and the deferred income tax assets and the deferred income tax liabilities are related to the income taxes imposed by the same competent tax department against the same taxpayer or different taxpayers; however, the involved taxpayer intends to settle the current income tax assets and liabilities with net amount or gains assets and pays off liabilities at the same time during each future period when significant deferred income tax assets and liabilities are transferred back.

## 28. Lease

### (1) Accounting treatment method for operating lease

Applicable  Inapplicable

- 1) The rent paid by the Company to hire assets is amortized with the straight-line method during the whole lease period without rent-free period deducted, and is included in the current expenses. The initial direct expenses paid by the Company that are related to the lease transactions are included in the current expenses.

If the lessor of assets has borne the lease related expenses that shall be borne by the Company, the remaining rents after the Company deducts such expenses from the total rents are amortized during the lease period, and included in the current expenses.

- 2) The rent received by the Company to lease assets is amortized with the straight-line method during the whole lease period without rent-free period deducted, and is recognized as lease-related income. The initial direct expenses paid by the Company that are related to the lease transaction are included in the current expenses; if the amount is considerably hung, then such expenses are capitalized, and included in the current income at the same recognition base of the lease

income during the whole lease period.

If the Company has borne the expenses related to the lease that shall be borne by the lessee, the remaining rents after the Group deducts such expenses from the total rents are allocated during the lease period.

## (2) The accounting treatment method for the finance lease

Applicable  Inapplicable

- 1) Financing lease-in assets: 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. The Company amortizes unrecognized financial charges with effective interest method during the asset lease period and includes the charges in financial expense. The initial direct expenses incurred by the Company are included in the value of the leased assets.
- 2) Financing lease-out assets: the Company recognizes the balance between the sum of receivable financing lease payment and non-guarantee remaining value and the present value as the unrealized financing income, and as lease income after receiving rent. The initial direct expense related to lease transactions incurred by the Company is included in the initial measurement of receivable financing lease payment, and recognized income amount during the lease period is reduced.

## 29. Other significant accounting policy and accounting estimate

Applicable  Inapplicable

### 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.

## 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	Notes (name and amount of report items influenced by the significant impact)
<p>(1) In balance sheet, "notes receivable" and "accounts receivable" are listed together as "notes and accounts receivable"; "notes payable" and "accounts payable" are listed together as "notes and accounts payable"; "interests receivable" and "dividends receivable" are merged into "other receivables"; "interests payable" and "dividends payable" are merged into "other payables"; "fixed assets clearing" is merged into "fixed assets"; "engineering material" is merged into "projects under construction"; "special payables" is merged into "long-term payables". Comparative data are adjusted accordingly.</p>	<p>"Notes receivable" and "accounts receivable" are listed together as "notes and accounts receivable", with an amount of RMB 4,186,332,475.43 in current period and RMB 2,820,783,201.00 at the beginning of year; "notes payable" and "accounts payable" are listed together as "notes and accounts payable", with an amount of RMB 3,940,765,468.72 in current period and RMB 3,779,805,573.24 at the beginning of year; "other receivables" is adjusted and added, with an amount of RMB 4,931,006.22 in current period and RMB 7,816,161.42 at the beginning of year; "other payables" is adjusted and added, with an amount of RMB 29,486.11 in current period and RMB 9,625.00 at the beginning of year; "fixed asset" is adjusted and added, with an amount of RMB 1,020,127.66 in current period and RMB 0.00 in last period; the affected amount of "projects under construction" at the end of period and beginning of year is RMB 0.00; "long-term payables" is added, with an amount of RMB 27,316,350.24 in current period and RMB 28,213,887.06 at the beginning of year.</p>
<p>(2) In the profit statement, "R&amp;D expense" is newly added and the R&amp;D expense in original "management expense" is reclassified into "R&amp;D expense" and listed independently; the items "wherein: interest expense" and "interest income" are newly added under the financial expense in profit statement. Comparative data are adjusted accordingly.</p>	<p>The amount of "management expense" is reduced by RMB 669,498,092.27 in the current period, and that of last period is RMB 620,680,260.33, reclassified into "R&amp;D expense"; the amount of "interest expense" is RMB 877,291.67 in the current period, and that of last period is RMB 60,733,325.33; the amount of "interest income" is RMB 50,124,776.13 in the current period, and that of last period is RMB 67,192,115.63;</p>
<p>(3) A new item "carry forward and retained income incurred from changes in amount of defined benefit plans" is added in the Company's existing statement of changes in owner's equity. Comparative data are adjusted accordingly.</p>	<p>The affected amount of both the current period and last period is RMB 0.00.</p>

The content and reason for change of accounting policy	Notes (name and amount of report items influenced by the significant impact)
(4) The individual income tax collected will be reimbursed and calculated as "other incomes" after deduction of commission.	The amount is RMB 2,319,822.09 in current period and RMB 2,910,629.01 in last period.

#### Other description

In 2018, the Company adjusted its accounting policy for three times in accordance with the new regulations and requirements issued by the Ministry of Finance of the PRC at different times. The Ministry of Finance of the PRC issued the *Notice on Revising the Format of Financial Statements of General Enterprises in 2017* and revised the format of financial statements of general enterprises, issued the *Notice on Revising and Issuing of the Format of Financial Statements of General Enterprises in 2018* (CK [2018] No. 15) on June 15, 2018 and revised the format of financial statements of general enterprises; issued the *Interpretation on Issues Relating to the Format of Financial Statement of Ordinary Enterprises in 2018* in September 2018, which requires that the handling charge for withholding tax received by enterprises as the withholder of individual income tax shall be listed in "other incomes" of the profit statement as other items relating to daily activities.

Accordingly, the Company convened the 7th Meeting of the 6th Board of Directors on March 27, 2018, the 10th Meeting of the 6th Board of Directors on August 17, 2018 and the 11th Meeting of the 6th Board of Directors on October 29, 2018 respectively, and deliberated and approved the proposal on accounting policy change. For details, please refer to *Announcement of the Company on Accounting Policy Changes* (L-009 Announcement), *Announcement of the Company on Accounting Policy Changes* (L-021 Announcement) and *Announcement of the Company on Accounting Policy Changes* (L-026 Announcement) published on www.sse.com.cn, website of Shanghai Stock Exchange.

## (2) Change of significant accounting estimate

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.	17%、11%、6%、3%、0%
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	Due to the subject of taxation for different corporate income tax rate, the relevant situations see the following content	25%、15%
Educational surtax	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	3%
Local educational additional fee	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	2%

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 preference

Applicable  Inapplicable

- 1) In August 2015, 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. of GF201512000031 and validity of 3 years (2015-2017). The Company passed the annual re-review of high-tech enterprise qualification in November 2018, and will pay enterprise income tax at 15% from 2018 to 2020.
- 2) In October 2015, Offshore Oil Engineering (Qing Dao) Co., Ltd. was jointly identified as a high-tech enterprise by the 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. of GF201537100085 and validity of 3 years (2015-2017). The Offshore Oil Engineering (Qing Dao) Co., Ltd. passed the annual re-review of high-tech enterprise qualification in September 2018, and will pay enterprise income tax at 15% from 2018 to 2020.
- 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. of GR201744203099 and validity of 3 years (2017-2019).
- 4) In December 2016, Beijing Gaotai Deep-sea Technologies Co., Ltd. was jointly identified as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, Beijing Municipal Office, SAT, and Beijing Local Taxation Bureau, and obtained the Certificate of Hi-tech Enterprise with No. of GR201611001366 and validity of 3 years (2016-2018).

## 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* (C.S.H. [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 will be reduced respectively from 17% and 11% to 16% and 10%. The Group has implemented the new tax rate policy from May 1, 2018.

## 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	13,092.77	17,898.87
Bank deposits	1,943,750,568.50	4,628,544,270.91
Other monetary capital	131,929.26	3,599,029.26
Total	1,943,895,590.53	4,632,161,199.04
Wherein: total amount of the deposit abroad	267,135,532.63	386,280,142.03

Other description

Details of limited monetary capital are shown as follows:

Item	Balance at end of period	Balance at beginning of year
Guarantee security	131,929.26	3,599,029.26
Total	131,929.26	3,599,029.26

### 2. Notes and accounts receivable

Summary statement

#### (1) Classification list

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Notes receivable		
Accounts receivable	4,186,332,475.43	2,820,783,201.00
Total	4,186,332,475.43	2,820,783,201.00

Other description:

Applicable  Inapplicable

Notes receivable

#### (1) Classification list of notes receivable

Applicable  Inapplicable

#### (2) Notes receivable pledged by the Company at the end of period

Applicable  Inapplicable

#### (3) Notes receivable endorsed or discounted by the Company at term end and not due yet on balance sheet date:

Applicable  Inapplicable

## (4) Notes converted into receivables at the end of period due to unfulfillment of drawer

 Applicable  Inapplicable

Other description

 Applicable  Inapplicable

## Accounts receivable

## (1) Classification disclosure of receivables:

 Applicable  Inapplicable

Unit: Yuan Currency: RMB

Category	Balance at end of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Receivables with significant unit amount and single provision for bad debts					
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	4,204,154,540.10	100.00	17,822,064.67		4,186,332,475.43
Receivables with less significant unit amount and single provision for bad debts					
Total	4,204,154,540.10	/	17,822,064.67	/	4,186,332,475.43

Category	Balance at beginning of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Receivables with significant unit amount and single provision for bad debts					
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	2,832,584,994.84	100.00	11,801,793.84		2,820,783,201.00
Receivables with less significant unit amount and single provision for bad debts					
Total	2,832,584,994.84	/	11,801,793.84	/	2,820,783,201.00

Receivables with significant unit amount and separately withdrawal of bad debt reserves at end of period:

 Applicable  Inapplicable

In the combination, the accounts receivable with withdrawal of bad debt reserves by accounting age analysis method

 Applicable  Inapplicable

Unit: Yuan Currency: RMB

Accounting age	Balance at end of period		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
< 1 year			
Of which: subentry within 1 year			
< 1 year	420,280,090.53		
Subtotal within 1 year	420,280,090.53		
1 to 2 year(s)	15,037,805.58	4,511,341.67	30.00
2 to 3 years	101,323.32	60,793.99	60.00
Above 3 years	13,249,929.01	13,249,929.01	100.00
Total	448,669,148.44	17,822,064.67	

**(2) Provision for bad debts withdrawn, reclaimed or turned back in current period:**

The amount of bad debt reserves withdrawn in current period is RMB 7,477,186.45, and that reclaimed or turned back in current period is RMB 1,482,740.00. Bad debt reserves increased in current period is RMB 25,824.38 due to change of exchange rate.

**(3) Receivables canceled actually after verification in current period**

Applicable  Inapplicable

**(4) Receivables gathered based on debt party with top five balances at end of period:**

Applicable  Inapplicable

Company name	Balance at end of period		
	Accounts receivable	Proportion to total number of receivables at end of year (%)	Bad debt reserves
China National Offshore Oil Corporation	3,288,927,648.59	78.23	
CNOOC Energy Technology & Services Limited	230,110,468.51	5.47	
CNOOC Gas & Power Group	189,904,529.70	4.52	
Dangote Oil Refining Company Limited	131,087,120.00	3.12	
Subsea 7	77,159,976.68	1.84	
Total	3,917,189,743.48	93.18	

**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	105,183,407.73	88.20	175,241,119.86	98.88
1 to 2 year(s)	13,469,806.87	11.29	1,983,100.78	1.12
2 to 3 years	610,519.02	0.51		
Above 3 years				
Total	119,263,733.62	100.00	177,224,220.64	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	30,866,869.05	25.88
Advanced Insulation Contracting Ltd	7,510,857.88	6.30
Qingdao Beihai Shipbuilding Heavy Industry Co., Ltd.	6,751,493.93	5.66
Ariel Corporation	6,586,632.74	5.52
Connector AS	5,371,194.95	4.50
Total	57,087,048.55	47.86

## 4. Other receivables

## Summary statement

## (1) Classification list

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable	4,931,006.22	7,816,161.42
Dividends receivable		
Other Receivables	93,852,565.14	134,847,173.55
Total	98,783,571.36	142,663,334.97

## 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 of bank financial product	3,753,311.04	6,333,142.68
Interest on deposit of CNOOC Finance Co., Ltd.	1,177,695.18	1,483,018.74
Total	4,931,006.22	7,816,161.42

## Other Receivables

## (1) Classification disclosure of other receivables

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Category	Balance at end of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Other receivables with significant unit amount and single provision for bad debts					
Other receivables with consolidated withdrawal of bad debt reserves according to credit risk characteristics	95,331,206.81	97.36	1,478,641.67		93,852,565.14
Other receivables of single amount insignificant but 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

Category	Balance at beginning of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Other receivables with significant unit amount and single provision for bad debts					
Other receivables with consolidated withdrawal of bad debt reserves according to credit risk characteristics	135,610,954.01	98.55	763,780.46		134,847,173.55
Other receivables of single amount insignificant but separate withdrawal of bad debt reserves	1,997,644.74	1.45	1,997,644.74	100.00	
Total	137,608,598.75	100.00	2,761,425.20		134,847,173.55

The provision for other receivables of single amount insignificant but separate withdrawal of bad debt serves of Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd. is RMB 1,711,324.79, and the provision for deposit and reserves of oversea company that are expected to be not recoverable is RMB 870,877.56.

In the combination, other receivables with withdrawal of bad debt reserves by accounting age analysis method

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Accounting age	Balance at end of period		
	Other Receivables	Bad debt reserves	Provision proportion (%)
< 1 year			
Of which: subentry within 1 year			
≤ 1 year	76,845,129.04		
Subtotal within 1 year	76,845,129.04		
1 to 2 year(s)	2,371,000.30	711,300.09	30.00
2 to 3 years			
Above 3 years	767,341.58	767,341.58	100.00
Total	79,983,470.92	1,478,641.67	

## (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	70,502,000.00	
Deposit, imprest-fund and margin	16,098,751.98	17,990,770.43
Advance money	10,115,874.48	12,868,176.00
Refunding export taxes	1,196,782.70	88,790,834.02
Consumption tax rebate		17,958,818.30
Total	97,913,409.16	137,608,598.75

## (3) Provision for bad debts withdrawn, reclaimed or turned back in current period

The amount of bad debt reserves withdrawn in current period is RMB 1,547,619.38, and that reclaimed or turned back in current period is RMB 292,529.95. Bad debt reserves increased in current period is RMB 44,329.39 due to change of exchange rate.

Including recovered or withdrawn amount of important bad debt reserves in current period:

 Applicable  Inapplicable

## (4) Other receivables canceled actually after verification in current period

 Applicable  Inapplicable

## (5) Other receivables with top five balance gathered by debt party at end of period

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Company name	Nature of accounts	Balance at end of period	Accounting age	Proportion of other receivables accounting for the total balance at end of the period (%)	Bad debt reserves Balance at end of period
Ping An Property & Casualty Insurance Company of China, Ltd.	Insurance claim payment	60,625,000.00	< 1 year	61.92	
China Pacific Property Insurance Co., Ltd.	Insurance claim payment	9,877,000.00	< 1 year	10.09	
Shenzhen Customs District People's Republic of China	Security	5,842,723.98	Including RMB 233,712.95 for accounting age within 1 year; RMB 1,500,000.00 for 1-2 year(s); RMB 973,510.76 for 2-3 years, RMB 3,135,500.27 for more than 3 years.	5.97	
City Construction Bureau of Qingdao District, Huangdao City	Transaction expense	2,371,000.30	1-2 years	2.42	711,300.09
Shenzhen Keda Real Estate Management Co., Ltd.	Deposit	1,936,970.00	< 1 year	1.98	
Total	/	80,652,694.28	/	82.38	711,300.09

## (6) Accounts receivable involving government subsidies

 Applicable  Inapplicable

## 5. Inventory

### (1) Inventory type

√ 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 materials						
Work-in-process						
Inventory commodity						
Revolving Materials						
Consumable biological assets						
Asset completed but not settled under construction contract						
Project construction	2,399,779,390.34	133,062,265.72	2,266,717,124.62	1,510,368,557.65	471,289,008.65	1,039,079,549.00
Project material preparation	693,558,117.58	62,159,051.16	631,399,066.42	743,252,375.41	87,343,686.63	655,908,688.78
Total	3,093,337,507.92	195,221,316.88	2,898,116,191.04	2,253,620,933.06	558,632,695.28	1,694,988,237.78

Engineering material preparation is detailed as follows:

Item	Balance at end of period			Balance at beginning of year		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Project material preparation	693,558,117.58	62,159,051.16	631,399,066.42	743,252,375.41	87,343,686.63	655,908,688.78
Wherein:						
Common steel products	77,063,002.83	52,266,332.98	24,796,669.85	124,161,353.83	73,342,417.97	50,818,935.86
Imported material	42,475,052.49	1,441,755.57	41,033,296.92	83,913,622.84	2,741,429.40	81,172,193.44
Electrical engineering materials	46,568,275.86	416,325.18	46,151,950.68	48,826,270.21	791,622.46	48,034,647.75
Other materials	527,451,786.40	8,034,637.43	519,417,148.97	486,351,128.53	10,468,216.80	475,882,911.73

## (2) Inventory falling price reserves

√ 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 materials						
Work-in-process						
Inventory commodity						
Revolving Materials						
Consumable biological assets						
Asset completed but not settled under construction contract						
Project construction	471,289,008.65	38,501,852.19		376,728,595.12		133,062,265.72
Project material preparation	87,343,686.63	6,195,057.41		31,379,692.88		62,159,051.16
Total	558,632,695.28	44,696,909.60		408,108,288.00		195,221,316.88

Engineering material preparation is detailed as follows:

Item	Balance at beginning of year	Increased amount in current period		Decreased amount in current period		Balance at end of period
		Withdrawal	Others	Retake or write-off	Others	
Project material preparation	87,343,686.63	6,195,057.41		31,379,692.88		62,159,051.16
Wherein: common steels	73,342,417.97	6,195,057.41		27,271,142.40		
Imported material	2,741,429.40			1,299,673.83		1,441,755.57
Electrical engineering materials	791,622.46			375,297.28		416,325.18
Other materials	10,468,216.80			2,433,579.37		8,034,637.43

## (3) Asset completed but not settled under construction contract at end of period

√ Applicable □ Inapplicable

Unit: Yuan Currency: RMB

Item	Balance
Cumulative cost incurred	8,779,656,814.18
Cumulative confirmed gross profit	358,883,925.50
Anticipated loss of the contract	133,062,265.72
Settled amount	6,738,761,349.34
Asset completed but not settled under construction contract	2,266,717,124.62

## 6. Other current assets

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Bank financial products	4,310,000,000.00	2,392,052,000.00
Offset against VAT input tax	334,406,807.83	276,367,187.44
Advance payment of corporate income tax	16,823,286.42	246,650.38
Total	4,661,230,094.25	2,668,665,837.82

## 7. Available-for-sale financial assets

### (1) Available-for-sale financial assets

√ 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
Debt instrument available for sale:						
Equity instrument available for sale:	158,099,778.00		158,099,778.00	238,775,578.00		238,775,578.00
Calculated based on fair value	87,428,400.00		87,428,400.00	168,104,200.00		168,104,200.00
Calculated based on cost	70,671,378.00		70,671,378.00	70,671,378.00		70,671,378.00
Total	158,099,778.00		158,099,778.00	238,775,578.00		238,775,578.00

### (2) Available-for-sale financial assets calculated based on fair value at end of period

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Asset classification available for sale	Equity instrument available for sale	Debt instrument available for sale	Total
Cost of equity instrument/amortized cost of debt instrument		36,684,110.49	36,684,110.49
Fair value		87,428,400.00	87,428,400.00
Cumulative changed amount of fair value included in other consolidated income		50,744,289.51	50,744,289.51
Impairment amount withdrawn			

### (3) Available-for-sale financial assets calculated based on cost at end of period

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Acquire Unit	Book balance				Depreciation reserves				Holding proportion in acquiree (%)	Cash dividend of current period
	Beginning of period	Increase in current period	Decrease in current period	End of period	Beginning of period	Increase in current period	Decrease in current period	End of period		
CNOOC Finance Co., Ltd.	70,671,378.00			70,671,378.00					1.77	9,006,827.26
Total	70,671,378.00			70,671,378.00						9,006,827.26

## 8. Long-term equity investment

√ Applicable   □ Inapplicable

Unit: Yuan   Currency: RMB

The acquiree	Beginning of period Balance	Increase and decrease variation in current period								End of period Balance	Depreciation reserve balance at end of period	
		Additional investment	Negative investment	Recognized profit and loss on investment under equity method	Other composite incomes adjustment	Other equity variation	Cash dividends or benefit to be issued	Withdrawal of depreciation reserves	Others			
I. Cooperative enterprise												
COOEC-Fluor Heavy Industries Co., Ltd.	2,133,054,247.71	185,518,639.47		-128,250,479.34						36,515,210.65	2,226,837,618.49	
Subtotal	2,133,054,247.71	185,518,639.47		-128,250,479.34						36,515,210.65	2,226,837,618.49	
II. Associates												
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.												
Subtotal												
Total	2,133,054,247.71	185,518,639.47		-128,250,479.34						36,515,210.65	2,226,837,618.49	

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 yuan, and adjusted profit and loss of RMB -8,125,788.00 yuan, and ending balance of RMB 0.00.

## 9. Fixed assets

Summary statement

### (1) Classification list

√ Applicable   □ Inapplicable

Unit: Yuan   Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed assets	9,564,120,250.79	12,141,262,118.03
Liquidation of fixed assets	1,020,127.66	
Total	9,565,140,378.45	12,141,262,118.03

## Fixed assets

## (1) Condition of 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	3,579,866,335.46	2,940,576,955.30	14,121,876,243.53	173,083,728.14	20,815,403,262.43
2. Increase amount in current period	27,145,472.22	290,857,682.46	80,832,559.60	3,754,251.67	402,589,965.95
(1)Purchase		85,449,204.80	572,731.35	3,730,197.34	89,752,133.49
(2)Transferred from projects under construction	27,047,850.00	204,695,007.79	2,738,923.18	18,620.69	234,500,401.66
(3)Increased from merger					
(4)Converted from foreign currency statement	97,622.22	713,469.87	84,313,991.75	5,433.64	85,130,517.48
(5)Others (Note 1)			-6,793,086.68		-6,793,086.68
3. Decrease amount in current period	1,376,366.67	16,871,089.99	2,753,636,072.15	8,148,529.97	2,780,032,058.78
(1)Disposal or scrapping	1,376,366.67	16,871,089.99	1,494,207.69	8,148,529.97	27,890,194.32
(2)Others (Note 2)			2,752,141,864.46		2,752,141,864.46
4. Ending balance	3,605,635,441.01	3,214,563,547.77	11,449,072,730.98	168,689,449.84	18,437,961,169.60
<b>II. Cumulative depreciation</b>					
1. Balance at beginning of period	1,258,587,673.97	2,163,291,991.39	4,949,766,182.95	136,999,940.99	8,508,645,789.30
2. Increase amount in current period	153,039,006.38	189,883,163.99	678,303,990.78	9,080,116.55	1,030,306,277.70
(1)Withdrawal	152,988,796.88	189,508,684.74	629,504,321.20	9,079,429.97	981,081,232.79
(2)Converted from foreign currency statement	50,209.50	374,479.25	48,799,669.58	686.58	49,225,044.91
3. Decrease amount in current period	712,269.76	14,185,298.67	808,654,078.89	7,054,855.97	830,606,503.29
(1)Disposal or scrapping	712,269.76	14,185,298.67	1,344,786.93	7,054,855.97	23,297,211.33
(2)Others (Note 2)			807,309,291.96		807,309,291.96
4. Ending balance	1,410,914,410.59	2,338,989,856.71	4,819,416,094.84	139,025,201.57	8,708,345,563.71
<b>III. Depreciation reserves</b>					
1. Balance at beginning of period	154,675,004.24	10,820,350.86			165,495,355.10
2. Increase amount in current period					
(1)Withdrawal					
3. Decrease 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 the period	2,040,046,026.18	864,753,340.20	6,629,656,636.14	29,664,248.27	9,564,120,250.79
2. Book value at beginning of period	2,166,603,657.25	766,464,613.05	9,172,110,060.58	36,083,787.15	12,141,262,118.03

Note 1: Other increase in original book value of fixed assets of the Group in the current period refers to adjustment of final settlement of ship system.

Note 2: other decrease in original book value and cumulative depreciation of fixed assets of the Group in current period is due to that engineering ship reconstruction is changed into construction in progress.

## (2) Fixed assets leased out through operating lease

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Book value at end of period
Transportation equipment	501,315,966.71

## (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	430,117,763.02	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	
Total	1,020,127.66	

## 10. Projects under construction

## Summary statement

## (1) Classification list

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Projects under construction	2,381,041,517.05	179,879,657.81
Engineering materials		
Total	2,381,041,517.05	179,879,657.81

## Projects under construction

## (1) Conditions of projects under construction

√ 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
Capacity promotion project of Offshore Oil 201	2,001,331,835.26		2,001,331,835.26			
Port-surrounding base construction project	106,615,898.46		106,615,898.46	6,501,611.19		6,501,611.19
Trenching plough purchase project	102,502,419.78		102,502,419.78	55,091,502.62		55,091,502.62
National oil and gas pipe for emergency rescue of the South China Sea Base project	67,737,007.96		67,737,007.96	58,668.68		58,668.68
Extension project of skidway 5#	49,197,069.96		49,197,069.96			
Two 3,000 m working ROVs-LARS part	21,935,156.93		21,935,156.93			
Investment in transformation of pipeline connection with existing pipelines of Bluewhale	10,414,047.07		10,414,047.07	153,726.46		153,726.46
Equipment installation	5,344,548.80		5,344,548.80	3,741,711.66		3,741,711.66
Installation of crane A for Offshore Oil 291	1,735,271.09		1,735,271.09	2,672.63		2,672.63
Resource price information system development project (phase II)	1,056,603.76		1,056,603.76	952,830.18		952,830.18
Purchasing of two 3,000 m working ROVs in Shenzhen				69,820,139.83		69,820,139.83
VENOM 5 (rov33) upgrading and reconstruction				14,157,023.58		14,157,023.58
Deepwater winding and laying multi-purpose engineering vessel construction project				5,457,364.09		5,457,364.09
Others	13,171,657.98		13,171,657.98	23,942,406.89		23,942,406.89
Total	2,381,041,517.05		2,381,041,517.05	179,879,657.81		179,879,657.81

## (2) Changes in major construction projects of current period

√ Applicable □ Inapplicable

Unit: Yuan Currency: RMB

Project name	Budget amount	Beginning of period Balance	Increased amount in current period	Transferred fixed assets amount in current period	Other amount decrease in current period	End of period Balance	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
Capacity promotion project of Offshore Oil 201 (note)	181,762,700.00		2,001,331,835.26			2,001,331,835.26	31.08	30.00				Self-raised
Port-surrounding base construction project	3,999,496,000.00	6,501,611.19	100,114,287.27			106,615,898.46	12.22	17.00				Self-raised
Trenching plough purchase project	132,546,800.00	55,091,502.62	47,410,917.16			102,502,419.78	77.33	80.00				Self-raised
National oil and gas pipe for emergency rescue of the South China Sea Base project	220,000,000.00	58,668.68	67,678,339.28			67,737,007.96	30.79	32.50				Fund allocated by the government
Extension project of skidway 5#	98,950,000.00		49,197,069.96			49,197,069.96	50.00	40.00				Self-raised
COOEC-Two 3,000 m working ROVs-LARS part	22,000,000.00		21,935,156.93			21,935,156.93	99.71	99.00				Self-raised
Investment in transformation of pipeline connection with existing pipelines of Bluewhale	27,807,700.00	153,726.46	10,260,320.61			10,414,047.07	37.45	40.00				Self-raised
Installation of crane A for Offshore Oil 291	95,925,300.00	2,672.63	1,732,598.46			1,735,271.09	1.81	2.00				Self-raised
Resource price information system development project (phase II)	1,225,000.00	952,830.18	103,773.58			1,056,603.76	86.25	90.00				Self-raised
Purchasing of two 3 000 m working ROVs in Shenzhen	79,000,000.00	69,820,139.83		65,764,874.17	4,055,265.66		83.25	100.00				Self-raised
VENOM 5 (rov3) upgrading and reconstruction	15,000,000.00	14,157,023.58		14,157,023.58			94.38	100.00				Self-raised
Deepwater winding and laying multi-purpose engineering vessel construction project	7,000,000.00	5,457,364.09	1,002,847.95		6,460,212.04		92.29	100.00				Self-raised
750-ton crawler crane	121,481,700.00		101,660,978.96	101,660,978.96			83.68	100.00				Self-raised
Equipment installation		3,741,711.66	30,226,550.42	28,623,713.28		5,344,548.80						Self-raised
Others		23,942,406.89	13,523,062.76	24,293,811.67		13,171,657.98						Self-raised
Total	5,002,195,200.00	179,879,657.81	2,446,177,738.60	234,500,401.66	10,515,477.70	2,381,041,517.05	/	/			/	/

Note: The budget for capability promotion project of Offshore Oil 201 does not include the hull value.

## 11. Intangible assets

### (1) Condition of Intangible assets

√ Applicable    □ Inapplicable

Unit: Yuan    Currency: RMB

Item	Land-use right	Patent right	Non-patent technology	Software	Total
<b>I. Original book value</b>					
1. Balance at beginning of period	938,529,101.97			155,392,116.24	1,093,921,218.21
2. Increase amount in current period	<b>382,130,000.00</b>			<b>7,195,700.78</b>	<b>389,325,700.78</b>
(1)Purchase	<b>382,130,000.00</b>			<b>7,267,131.11</b>	<b>389,397,131.11</b>
(2)Internal R&D					
(3)Increased from merger					
(4)Converted from foreign currency statement				-71,430.33	-71,430.33
3. Decrease amount in current period					
(1)Disposal					
4. Ending balance	<b>1,320,659,101.97</b>			<b>162,587,817.02</b>	<b>1,483,246,918.99</b>
<b>II. Cumulative amortization</b>					
1. Balance at beginning of period	160,063,519.25			129,459,894.43	289,523,413.68
2. Increase amount in current period	<b>22,539,316.94</b>			<b>14,220,708.66</b>	<b>36,760,025.60</b>
(1)Withdrawal	<b>22,539,316.94</b>			<b>14,279,671.58</b>	<b>36,818,988.52</b>
(2)Converted from foreign currency statement				-58,962.92	-58,962.92
3. Decrease amount in current period					
(1)Disposal					
4. Ending balance	<b>182,602,836.19</b>			<b>143,680,603.09</b>	<b>326,283,439.28</b>
<b>III. Depreciation reserves</b>					
1. Balance at beginning of period					
2. Increase amount in current period					
(1)Withdrawal					
3. Decrease amount in current period					
(1)Disposal					
4. Ending balance					
<b>IV. Book value</b>					
1. Book value at end of the period	<b>1,138,056,265.78</b>			<b>18,907,213.93</b>	<b>1,156,963,479.71</b>
2. Book value at beginning of period	778,465,582.72			25,932,221.81	804,397,804.53

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 A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED 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

Item	Balance at beginning of period	Increased amount in current period	Current amortization amount	Other amount of decrease	Balance at end of period
Rental charge	69,827,658.81	1,404,000.07	4,013,650.75		67,218,008.13
Improved expenditure of leased-in assets	3,571,460.77	16,438,227.70	1,908,240.17		18,101,448.30
Charges for software	1,801,076.23	562,045.67	450,269.06		1,912,852.84
Total	75,200,195.81	18,404,273.44	6,372,159.98		87,232,309.27

#### 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	334,142,911.17	50,121,436.68	697,495,073.33	104,867,618.93
Internal unrealized profit	631,139,813.82	157,793,946.91	667,655,024.47	166,922,749.55
Deductible loss	2,528,610,806.51	380,954,267.31	2,113,085,468.70	318,556,175.41
Not-invoiced costs on account	132,734,561.55	19,910,184.23	245,751,044.67	36,862,656.70
Deferred income	187,700,255.23	28,155,038.29	202,416,233.11	30,362,434.97
Dismissal welfare	2,612,958.77	391,943.82	2,612,958.77	391,943.82
Estimated liabilities	105,746,387.29	15,861,958.09	105,746,387.29	15,861,958.09
Total	3,922,687,694.34	653,188,775.33	4,034,762,190.34	673,825,537.47

##### (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				
Change of fair value recognized in available-for-sale financial assets	50,744,289.51	7,611,643.43	131,420,089.51	19,713,013.43
Depreciation of fixed assets	75,250,836.54	11,287,625.48	49,163,496.14	7,374,524.42
Total	125,995,126.05	18,899,268.91	180,583,585.65	27,087,537.85

##### (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

##### (5) Deductible losses of unrecognized deferred income tax assets will expire in the following years

Applicable  Inapplicable

#### 15. Notes and accounts payable

##### Summary statement

##### (1) Classification list

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Notes payable		2,268,488.00
Accounts payable	3,940,765,468.72	3,777,537,085.24
Total	3,940,765,468.72	3,779,805,573.24

**Notes payable****(1) List of notes payable**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Type	Balance at end of period	Balance at beginning of period
Commercial acceptance bill		
Bank acceptance bill		2,268,488.00
Total		2,268,488.00

The total of notes payable due but not paid at the end of the current period is RMB 0.

**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	3,940,765,468.72	3,777,537,085.24
Total	3,940,765,468.72	3,777,537,085.24

**(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.	37,516,058.83	Unfinished settlement
S.B.SUBMARINE SYSTEMS CO.,LTD	31,913,880.00	Unfinished settlement
Tianjin TEDA Bluewhale Offshore Engineering Technology Co., Ltd.	22,408,672.61	Unfinished settlement
OFFTECH INTERNATIONAL LIMITED	13,281,343.58	Unfinished settlement
CSSC Huangpu Wenchong Shipbuilding Company Limited	12,262,421.78	Unfinished settlement
Sinopec Fourth Construction Co., Ltd.	10,445,636.96	Unfinished settlement
Total	127,828,013.76	/

## 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	1,965,520,366.62	140,193,916.31
Others	780,280.68	282,108.77
Total	1,966,300,647.30	140,476,025.08

### (2) Condition of settled and not-completed project in construction contract at end of period

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Amount
Cumulative cost incurred	1,386,398,137.14
Cumulative confirmed gross profit	608,945,061.12
Anticipated loss of the contract	
Settled amount	3,960,863,564.88
Not-settled completed project in construction contract at end of period	1,965,520,366.62

## 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	300,632,143.61	2,030,190,926.38	2,055,563,791.61	275,259,278.38
II. Defined contribution plans for welfare after dismissal	608,144.64	278,176,209.97	278,784,354.61	
III. Dismissal welfare	2,612,958.77	38,453.75	38,453.75	2,612,958.77
IV. Other welfares to expire within one year				
Total	303,853,247.02	2,308,405,590.10	2,334,386,599.97	277,872,237.15

### (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	254,372,837.31	1,524,639,999.98	1,557,174,081.97	221,838,755.32
II. Employee welfare	19,780.00	94,404,039.48	94,422,939.48	880.00
III. Social insurance fee		171,786,825.08	171,786,825.08	
Inc.: Medical insurance premiums		157,159,996.74	157,159,996.74	
Industrial injury insurance		6,397,742.19	6,397,742.19	
Birth insurance premium		8,229,086.15	8,229,086.15	
IV. Legal reserves of housing acquisition		146,401,149.70	146,401,149.70	

Item	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
V. Labor union expenditure and personnel education fund	42,187,914.22	51,722,398.26	44,255,467.45	49,654,845.03
VI. Short-term compensated absences				
VII. Short-term profits sharing plan				
VIII. Others	4,051,612.08	41,236,513.88	41,523,327.93	3,764,798.03
Total	300,632,143.61	2,030,190,926.38	2,055,563,791.61	275,259,278.38

**(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		215,605,686.96	215,605,686.96	
2. Unemployment insurance expense		6,369,493.14	6,369,493.14	
3. Enterprise annuity	608,144.64	56,201,029.87	56,809,174.51	
Total	608,144.64	278,176,209.97	278,784,354.61	

**18. Taxes payable**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
VAT	215,509,919.93	194,490,337.02
Consumption tax		
Business tax		
Corporate income tax	113,588,632.83	244,329,133.00
Individual income tax	44,726,709.19	35,967,981.98
Urban maintenance and construction tax	23,391,934.56	11,889,932.73
Land value increment tax	24,072,777.74	24,072,777.74
Educational surtax	16,707,087.40	8,491,371.58
Land use tax	3,198,272.00	3,198,272.00
Real estate tax	3,039,961.28	2,949,435.60
Stamp tax	1,353,677.44	1,904,791.53
Anti-flood fees	1,324,706.34	236,997.27
Others	3,081,654.30	7,243,420.62
Total	449,995,333.01	534,774,451.07

**19. Other payables****Summary statement****(1) Classification list**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest payable	29,486.11	9,625.00
Dividends payable		
Other payables	74,371,583.46	81,889,491.87
Total	74,401,069.57	81,899,116.87

**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	9,625.00
Corporate bond interest		
Payable interest of short-term loans		
Preferred share\perpetual bond interest divided as financial liabilities		
Total	29,486.11	9,625.00

Interest of major overdue payment:

 Applicable  Inapplicable

Other description:

 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
Appropriate funds for scientific research	13,014,776.63	31,672,727.23
Suspense credits	61,356,806.83	50,216,764.64
Total	74,371,583.46	81,889,491.87

**(2) Other major payables with accounting age over 1 year** Applicable  Inapplicable

Other description:

 Applicable  Inapplicable

## 20. Other current liabilities

Condition of other current liabilities

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Short-term bond payable		
Government subsidies	7,300,330.85	5,677,671.40
Total	7,300,330.85	5,677,671.40

Other description:

Applicable  Inapplicable

Details of government subsidy items

Items of government subsidy	Balance at beginning of year	Newly-added subsidy amount in current period	Amount included in the current profit and loss in the report period	Other changes	Balance at end of period	Related to assets/income
Financial allocation for scientific research of significant national projects	3,959,546.36	6,208,453.40	4,585,793.95		5,582,205.81	Related to income
Return of site supporting facilities fee	1,365,125.04	1,365,125.04	1,365,125.04		1,365,125.04	Related to assets
Deed tax return of office building in bonded area	353,000.00	353,000.00	353,000.00		353,000.00	Related to assets
Total	5,677,671.40	7,926,578.44	6,303,918.99		7,300,330.85	

Note: Other current liabilities of the Group is deferred income expected to be carried forward within one year; RMB 5,398,778.34 in added amount is government subsidies expected to be carried forward to profit and loss within one year.

## 21. Long-term loan

### (1) Long-term loan classification

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	90,000,000.00
Total	220,000,000.00	90,000,000.00

Other notes, including interest rate interval:

Applicable  Inapplicable

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 (Zhuhai) Base project.

## 22. Long-term payables

### Summary statement

#### (1) Classification list

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Long-term payables		
Special payables	27,316,350.24	28,213,887.06
Total	27,316,350.24	28,213,887.06

### Long-term payables

#### (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	Causes
Appropriation of scientific research funds for 863 Project	28,213,887.06		897,536.82	27,316,350.24	State appropriation
Total	28,213,887.06		897,536.82	27,316,350.24	/

Applicable  Inapplicable

## 23. Estimated liabilities

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at beginning of period	Balance at end of period	Causes
Provide external guarantee			
Pending suit			
Product quality guarantee			
Obligation to restructure			
Onerous contract to be executed			
Others			
Pending matters	105,746,387.29	105,746,387.29	
Total	105,746,387.29	105,746,387.29	/

Other description, including description of relevant important assumption and estimation of important estimated liabilities:

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.

## 24. 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	Causes
Government subsidies	170,054,030.36	94,484,217.64	108,374,525.10	156,163,722.90	
Total	170,054,030.36	94,484,217.64	108,374,525.10	156,163,722.90	/

### Projects involving government subsidies:

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Liabilities items	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	Other changes	Balance at end of period	Related to assets/income
Financial allocation for scientific research of significant national projects	112,870,488.97	94,484,217.64	85,061,546.76		21,594,853.30	100,698,306.55	Related to income
Return of site supporting facilities fee	52,329,791.39				1,365,125.04	50,964,666.35	Related to assets
Deed tax return of office building in bonded area	4,853,750.00				353,000.00	4,500,750.00	Related to assets

Note: Other changes in government subsidy of this year refer to the amount transferred to cooperating organization or amount of carried forward to profit and loss in one year which is reclassified into other current liabilities, including the amount of RMB 17,914,200.00 transferred to cooperating organization and RMB 5,398,778.34 transferred to other current liabilities at the end of period.

## 25. 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	Accumulation fund Shares transferred from	Others	Subtotal	
Total shares	4,421,354,800.00						4,421,354,800.00

## 26. Capital 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
Capital premium (share capital premium)	4,229,620,443.55			4,229,620,443.55
Other capital reserve	18,319,762.56			18,319,762.56
Total	4,247,940,206.11			4,247,940,206.11

## 27. Other comprehensive incomes

√ Applicable    □ Inapplicable

Unit: Yuan    Currency: RMB

Item	Beginning of period Balance	The amount incurred in current period					End of period Balance
		Pre-tax accrual in current period	Minus: amount included in other delayed consolidated income and then converted into current profit and loss	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							
Wherein: 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							
II. Other comprehensive income which will be reclassified into the profit and loss	109,380,302.90	-73,793,221.50		-12,101,370.00	-61,840,130.29	148,278.79	47,540,172.61

Wherein: Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method

Item	Beginning of period Balance	The amount incurred in current period					End of period Balance
		Pre-tax accrual in current period	Minus: amount included in other delayed consolidated income and then converted into current profit and loss	Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	
Change of fair value recognized in profit and loss of available-for-sale financial assets	111,707,076.08	-80,675,800.00		-12,101,370.00	-68,574,430.00		43,132,646.08
Held-to-maturity financial investment reclassified as available for sale investments profit and loss account							
The effective portion of hedging profit and loss for cash flow							
Translation differences in foreign currency financial statements	-2,326,773.18	6,882,578.50			6,734,299.71	148,278.79	4,407,526.53
Other composite incomes sum	109,380,302.90	-73,793,221.50		-12,101,370.00	-61,840,130.29	148,278.79	47,540,172.61

## 28. 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
Safety production cost	503,278,732.84	186,661,166.86	207,668,996.52	482,270,903.18
Total	503,278,732.84	186,661,166.86	207,668,996.52	482,270,903.18

## 29. 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
Legal surplus reserves	1,360,799,063.02	157,882,626.62		1,518,681,689.64
Other surplus reserves	89,145,868.41			89,145,868.41
Reserve funds				
Enterprise development fund				
Others				
Total	1,449,944,931.43	157,882,626.62		1,607,827,558.05

### 30. Undistributed profits

√ Applicable    □ Inapplicable

Unit: Yuan    Currency: RMB

Item	Current period	Last period
Undistributed profits at end of previous period before adjustment	12,385,180,367.63	12,421,780,565.42
Total undistributed profit at beginning of adjustment (increase +, decrease -)		
Undistributed profit at beginning of later period of adjustment	12,385,180,367.63	12,421,780,565.42
Plus: Net profit attributable to owners of the parent company	79,778,008.87	491,055,511.44
Minus: withdrawal legal surplus	157,882,626.62	85,520,229.23
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common-stock dividends payable	221,067,740.00	442,135,480.00
Common stock dividends that converted to capital stock		
Undistributed profit at end of period	12,086,008,009.88	12,385,180,367.63

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.

### 31. 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	10,979,885,912.22	9,999,584,536.89	10,189,023,978.17	8,053,025,360.75
Other businesses	72,235,265.32	28,134,983.63	63,513,200.10	31,503,261.70
Total	11,052,121,177.54	10,027,719,520.52	10,252,537,178.27	8,084,528,622.45

Top 5 clients' operating income:

Client name	operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	7,159,596,386.31	64.78
TUPI B.V.	1,238,318,900.04	11.20
CNOOC Gas & Power Group	468,281,524.23	4.24
CNOOC Energy Technology & Services Limited	299,340,660.76	2.71
Husky Oil China Ltd.	148,866,200.03	1.35
Total	9,314,403,671.37	84.28

Major business income classified by products:

Product name	Accrued in current period	Accrued in last period
(1) Revenue from offshore engineering EPCI contract project	8,590,870,930.38	5,259,364,900.17
(2) Revenue from offshore engineering Non-EPCI contract project	2,065,931,804.84	1,146,739,134.72
Wherein: revenue from offshore installation and subsea pipe-laying	1,328,566,519.38	341,802,861.27
Maintenance service income	432,500,058.95	452,061,301.66
Revenue from onshore construction	160,312,958.21	256,336,781.00
Engineering design income	144,552,268.30	96,538,190.79
(3) Income from non-ocean engineering projects	323,083,177.00	3,782,919,943.28
Total	10,979,885,912.22	10,189,023,978.17

### 32. Taxes and surcharges

Applicable  Inapplicable

Unit: Yuan    Currency: RMB

Item	Accrued in current period	Accrued in last period
Consumption tax		
Business tax		
Urban maintenance and construction tax	29,605,679.40	48,798,482.02
Educational surtax	13,225,304.10	21,466,190.43
Resource tax		
Real estate tax	20,287,885.26	19,881,012.07
Land use tax	13,341,475.37	13,131,418.93
Vehicle and vessel use tax	676,294.64	533,541.12
Stamp tax	7,372,255.71	5,170,184.25
Local educational additional fee	7,915,995.30	13,414,935.21
Others	3,493,340.18	4,909,405.60
Total	95,918,229.96	127,305,169.63

### 33. Selling expenses

Applicable  Inapplicable

Unit: Yuan    Currency: RMB

Item	Accrued in current period	Accrued in last period
Publicity and exhibition expenses	6,762,168.01	6,779,861.45
Employee salary	3,538,221.92	4,337,382.34
Traveling expense	2,913,370.81	2,081,399.74
Office, water, electricity and communication expenses	12,024.48	48,353.07
Depreciation cost and amortization of intangible assets	52,337.27	967.20
Amortization of long-term unamortized expenses	401,119.17	
Low-value consumables	389,156.94	
Others	1,563,051.06	735,960.54
Total	15,631,449.66	13,983,924.34

**34. Management expenses**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	175,373,746.93	155,699,161.13
Depreciation cost and amortization of intangible assets	21,057,954.01	24,084,753.54
Auditing and consulting expense	15,851,047.09	10,549,908.57
Rental charge	8,933,161.32	4,527,942.09
Property management and afforestation expense	8,502,900.01	8,984,179.41
Traveling expense	5,293,910.23	5,232,885.25
Tax	4,877,458.92	2,921,296.75
Transportation expense	3,957,535.61	4,757,883.98
Office, water, electricity and communication expenses	3,693,634.79	4,392,176.71
Business entertainment expenses	191,387.79	236,854.34
Others	45,591,463.69	36,639,187.50
Total	293,324,200.39	258,026,229.27

**35. R&D costs**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	163,769,601.75	106,972,029.83
Machinery consumables	65,635,100.96	61,072,953.28
Traveling expense	4,771,666.20	5,825,005.67
Design expenses	2,890,763.13	1,837,356.35
Rental charge	2,882,741.41	3,147,521.85
Expert consultation expenses	775,212.55	845,938.97
Office and utility expenses	640,222.14	692,625.83
Others	428,132,784.13	440,286,828.55
Total	669,498,092.27	620,680,260.33

**36. Financial expenses**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Interest expenses	877,291.67	60,733,325.33
Minus: interest income	-50,124,776.13	-67,192,115.63
Exchange profit and loss	-37,782,598.02	344,282,606.38
Others	15,645,232.12	15,757,965.72
Total	-71,384,850.36	353,581,781.80

### 37. Assets 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	7,206,848.54
II. Loss of inventory devaluation	44,696,909.60	427,334,524.56
III. Impairment loss of 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. Fixed assets impairment loss		
VIII. Impairment losses on construction materials		
IX. Impairment losses on projects under construction		
X. Impairment loss of productive biological asset		
XI. Impairment losses on oil and gas assets		
XII. Impairment losses of intangible assets		
XIII. Impairment loss on goodwill		
XIV. Others		
Total	51,946,445.48	434,541,373.10

### 38. Other incomes

√ Applicable   □ Inapplicable

Unit: Yuan   Currency: RMB

Item	Accrued in current period	Accrued in last period
R&D subsidy	90,544,877.53	51,000,448.67
Consumption tax refund	77,677,549.47	44,370,830.44
Reimbursement of individual income tax commissions	2,319,822.09	2,910,629.01
Others	10,795,000.00	
Total	181,337,249.09	98,281,908.12

**39. Investment income**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Long-term equity investment income accounted by equity method	-91,735,268.69	-91,269,583.41
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	-124,379,720.70
Held-to-maturity investment income during holding period		
Investment incomes obtained from the disposal of held-to-maturity investment		
Investment income gained by available-for-sale financial assets etc.	9,006,827.26	6,468,380.92
Investment income gained by disposing available-for-sale financial assets		
Gains by metering residual stick rights by fair value after losing of control rights		
Investment income from bank financial products	80,005,983.59	87,664,482.19
Total	-46,707,457.84	-121,516,441.00

**40. Income from changes in fair value**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Sources for gains from change in fair value	Accrued in current period	Accrued in last period
Financial assets which are accounted at the fair value and of which the fluctuations are included in the current profit and loss		
Wherein: income from changes in fair value generated by derivative financial instruments.		
Financial liabilities which are accounted at the fair value and of which the fluctuations are included in the current profit and loss		212,302,530.08
Investment real estate calculated based on fair value		
Total		212,302,530.08

**41. 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	131,993.49	
Total	131,993.49	

#### 42. 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	17,072,978.04	42,378,203.80	17,072,978.04
Others	17,960,781.70	38,131,136.28	17,960,781.70
Total	35,033,759.74	80,509,340.08	35,033,759.74

##### Government subsidies included in current profit and loss

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Subsidy items	The amount incurred in current period	Amount incurred in last period	Related to assets/income
Return of site supporting facilities fee	1,365,125.04	1,365,125.04	Related to assets
Support funds	14,820,000.00	35,976,000.00	Related to income
Subsidy of Financial Bureau		966,119.00	Related to income
Financing cost for scientific R&D of Shenzhen		3,855,000.00	Related to income
Special funds for trading expansion from financial bureau	593,000.00		Related to income
Others	294,853.00	215,959.76	Related to income
Total	17,072,978.04	42,378,203.80	

#### 43. Non-operating expenses

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 loss sum on non-current assets	2,342,374.62	2,528,828.62	2,342,374.62
Wherein: Disposal loss on fixed assets	2,342,374.62	2,528,828.62	2,342,374.62
Disposal losses on intangible assets			
Loss on debt restructuring			
Loss on exchange of non-monetary assets			
External donations	205,000.00	185,900.00	205,000.00
Others	7,934,063.31	78,435.20	7,934,063.31
Total	10,481,437.93	2,793,163.82	10,481,437.93

**44. 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	24,502,946.77	303,610,517.74
Deferred income tax expense	24,440,375.02	-166,568,689.64
Total	48,943,321.79	137,041,828.10

**(2) Accounting profit and income tax expense adjustment process**√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period
Total profit	128,782,196.17
Income tax expense calculated according to legal/applicable tax rate	19,317,329.43
Influence of different tax rate application of subsidiary corporation	-3,271,132.82
Adjustment for influence of income tax in former period	-919,080.73
Influence for non-taxable income	30,309,393.22
Influence for cost, expense and losses that cannot be deductible	1,493,298.27
Influence of deductible losses from using unconfirmed deferred income taxes in former period	-255,033.94
Deductible temporary difference or Influence for deductible losses of unconfirmed deferred income taxes in this period	794,368.87
Others	1,474,179.49
Income tax expenses	48,943,321.79

Other description:

 Applicable  Inapplicable**45. 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	197,698,620.11	107,736,658.45
Insurance claim payment	53,729,315.75	50,899,557.91
Interest income	49,819,483.05	68,765,127.24
Imprest, deposit and cash deposit	2,641,793.25	45,325,371.52
Others	25,022,461.37	169,572,580.49
Total	328,911,673.53	442,299,295.61

## (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	41,197,637.29	91,265,253.04
Auditing and consulting expense	16,626,259.64	10,549,908.57
Service charge	15,645,232.12	15,757,965.72
Rental charge	11,815,902.73	4,527,942.09
Property management and afforestation expense	8,502,900.01	8,984,179.41
Traveling expense	12,978,947.24	7,314,284.99
Publicity and advertising expense	6,762,168.01	6,779,861.45
Transportation expense	3,957,535.61	4,757,883.98
Office expense	4,345,881.41	4,440,529.78
Healthy, safety and environmental protection fees	1,561,545.97	1,106,652.68
Article of consumption and repair charge	8,389,156.94	3,195,785.92
Property insurance	261,412.55	152,105.87
Business entertainment expenses	191,387.79	236,854.34
Meeting expense	155,056.90	66,015.21
Meal fee	13,011.54	119,936.11
Design expenses	2,890,763.13	
Others	29,759,376.97	28,424,689.61
Total	165,054,175.85	187,679,848.77

## (3) Other cashes paid in connection with investment

√ 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	124,379,720.70
Total	43,985,000.00	124,379,720.70

## 46. 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	79,838,874.38	489,632,162.71
Plus: Assets depreciation reserve	51,946,445.48	434,541,373.10
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets	981,081,232.79	934,997,768.79
Amortization of intangible assets	33,634,571.85	36,192,374.61
Amortization of long-term unamortized expenses	6,372,159.98	4,344,900.60
Loss on disposal of fixed assets, intangible assets and other long-term assets (list earnings with "-")	-131,993.49	
Loss on retirement of fixed assets (list earnings with "-")	2,342,374.62	2,528,828.62
Loss from fair value change (list earnings with "-")		-212,302,530.08
Financial expense (list earnings with "-")	-36,905,306.35	405,015,931.71
Investment loss (list earnings with "-")	46,707,457.84	121,516,441.00
Decrease of deferred tax assets (list increase with "-")	20,636,762.14	-168,099,440.69
Increase of deferred income tax liabilities (list decrease with "-")	3,913,101.06	1,530,751.05
Inventory decrease (list increase with "-")	-839,716,574.86	-499,494,438.26
Decrease of business receivables (list increase with "-")	-1,287,332,195.21	-928,597,526.50
Increase of business receivables (list decrease with "-")	1,335,076,348.28	-78,159,969.59
Others	-21,007,829.66	-12,272,479.78
Net Cash Flow from Business Operation	376,455,428.85	531,374,147.29
<b>2. Major investment and financing events excluding 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	1,943,763,661.27	4,628,562,169.78
Minus: cash balance at beginning of period	4,628,562,169.78	6,628,261,765.31
Plus: cash equivalent balance at end of period		
Less: cash equivalent balance at beginning of period		
Net increase of cash and cash equivalent	-2,684,798,508.51	-1,999,699,595.53

## (2) 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	1,943,763,661.27	4,628,562,169.78
Wherein: Cash on hand	13,092.77	17,898.87
Bank deposits payable anytime	1,943,750,568.50	4,628,544,270.91
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	1,943,763,661.27	4,628,562,169.78
Wherein: Cash and cash equivalent in limited use for the parent company or subsidiaries of the Group		

Other description:

 Applicable  Inapplicable

## 47. 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	/

## 48. 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	48,442,019.04	6.8632	332,467,265.08
EUR			
HKD	3,291,578.03	0.8762	2,884,080.72
THB	932,942.69	0.2110	196,850.91
BND	135,677.26	5.0085	679,539.56
AED	623,477.05	1.8687	1,165,064.16
CAD	11,051,932.95	5.0381	55,680,743.39
AUD	3.30	4.8250	15.92
IDR	125,709,602,344.85	0.0005	60,268,361.21
NGN	5,439,355.44	0.0225	122,484.24
SAR	2,071,487.84	1.8292	3,789,124.27
Qatari Rial	343,228.20	1.8848	646,930.45
BRL	89,463.75	1.7461	156,212.65
Accounts receivable			
Wherein: USD	38,492,273.22	6.8632	264,180,169.56
EUR	363,970.00	7.8473	2,856,181.78
HKD	2,692,764.40	0.8762	2,359,400.17
CAD	2,192,728.33	5.0381	11,047,184.60
Other Receivables			
USD	32,607,692.45	6.8632	223,793,114.84
HKD	373,445.99	0.8762	327,213.38
THB	595,129.15	0.2110	125,572.25
AED	2,000.00	1.8687	3,737.32
CAD	72,987.07	5.0381	367,716.17
IDR	3,169,807,944.51	0.0005	1,517,404.18
SAR	518,743.13	1.8292	948,874.59
Qatari Rial	106,626.50	1.8848	200,973.96
Accounts payable			
USD	55,410,256.82	6.8632	380,291,674.63
HKD	220,752.47	0.8762	193,423.31
THB	1,389,845.78	0.2110	293,257.46
BND	11,954,854.86	5.0085	59,875,890.57
AED	188,529.84	1.8687	352,298.17
CAD	13,853,031.13	5.0381	69,792,956.13
SAR	3,101,419.41	1.8292	5,673,054.56
EUR	2,908,469.51	7.8473	22,823,632.79
Pound	61,607.84	8.6762	534,521.94
Other payables			
USD	7,225,151.28	6.8632	49,587,658.29

Item	Foreign currency balance at end of period	Exchange rate for conversion	RMB converted at end of period Balance
HKD	290,335.90	0.8762	254,392.32
THB	57,866.87	0.2110	12,209.91
CAD	56,546.54	5.0381	284,887.12
IDR	12,118,873.11	0.0005	5,801.37
SAR	60,901.32	1.8292	111,399.48
Pound	1,196.31	8.6762	10,379.42

- (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.

#### 49. 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 irrelevant to business activities but relevant to assets	1,365,125.04	Non-operating income	1,365,125.04
Government subsidy relevant to both business activities and income	181,337,249.09	Other incomes	181,337,249.09
Government subsidy irrelevant to business activities but relevant to income	15,707,853.00	Non-operating income	15,707,853.00

##### (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

#### 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

A new level-3 company, COOEC Brasil Offshore Ltda. was invested and founded in the current period.

## 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	-270,390.74		1,049,374.96
COTEC INC. (originally translated into Ketai Co., Ltd.)	30.00	331,256.25		10,448,729.06
Beijing Gaotai Deep-sea Technologies Co., Ltd.	30.00	190,089.19		7,104,800.68

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	11,296,894.85	1,606,501.86	12,903,396.71	2,409,647.11		2,409,647.11
COTEC INC.	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	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	13,474,270.23	1,621,468.67	15,095,738.90	2,538,598.51		2,538,598.51
COTEC INC.	46,754,033.29	424,975.24	47,179,008.53	13,734,856.26		13,734,856.26
Beijing Gaotai Deep-sea Technologies Co., Ltd.	35,028,665.91	137,398.89	35,166,064.80	12,117,026.50		12,117,026.50

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	14,453,597.46	-2,703,907.44	-2,063,390.79	-1,419,228.77
COTEC INC.	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

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	14,914,803.58	362,951.12	-522,240.39	3,589,294.20
COTEC INC.	27,789,980.50	-4,865,479.45	-5,457,699.02	-8,813,004.14
Beijing Gaotai Deep-sea Technologies Co., Ltd.	16,805,842.38	-2,084,993.63	-2,084,993.63	-9,210,365.12

## 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
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 cooperative enterprises

√ 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	1,415,081,266.27	1,245,921,977.29
Wherein: cash and cash equivalent	339,848,086.74	705,090,386.15
Non-current assets	4,806,284,751.90	4,691,087,455.44
Total assets	6,221,366,018.17	5,937,009,432.73
Current liabilities	617,786,617.94	444,959,193.54
Non-current liabilities	6,960,000.00	6,960,000.00
Total liabilities	624,746,617.94	451,919,193.54
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	5,596,619,400.23	5,485,090,239.19
Net assets share calculated based on shareholding proportion	2,854,275,894.12	2,797,396,021.99
Adjusting events	-627,438,275.63	-664,341,774.28
- Goodwill		
- Profit unrealized in internal transaction	-631,139,813.82	-667,655,024.47
- Others	3,701,538.19	3,313,250.19
Book value for equity investment of cooperative enterprises	2,226,837,618.49	2,133,054,247.71
Fair value for equity investment of cooperative enterprises with public offer		
operating income	1,417,175,269.15	494,478,143.89
Financial expense	-16,491,107.93	18,321,700.29
Income tax expenses	-80,800,024.98	-79,966,781.62
Net Profit	-251,471,528.12	-250,620,168.73
Net profit for discontinuing operation		
Other composite incomes		
Total comprehensive income	-251,471,528.12	-250,620,168.73
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	529,360.52	6,205,529.76
Non-current assets	1,174,206.88	2,998,513.70
Total assets	1,703,567.40	9,204,043.46
Current liabilities	26,062,651.77	31,738,821.01
Non-current liabilities		
Total liabilities	26,062,651.77	31,738,821.01
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	-24,359,084.37	-22,534,777.55
Net assets share calculated based on shareholding proportion	-9,743,633.75	-9,013,911.02
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	-1,824,300.89	-1,824,296.64
Net profit for discontinuing operation		
Other composite incomes		
Total comprehensive income	-1,824,300.89	-1,824,296.64
Dividend received from associates in current year		

## (4) Excess deficit incurred in joint venture or associates

√ Applicable □ Inapplicable

Unit: Yuan Currency: RMB

Name of 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.	9,013,911.03	729,722.72	9,743,633.75

## X. Risks in Connection to Financial Instruments

√ Applicable   □ Inapplicable

The main financial instruments of the Group 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 Group 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 this group has controlled and supervised the risk exposure.

### (i) Credit risk

On December 31, 2018, the maximum credit risk exposure that may cause financial loss of the Group 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 Group. Specific risk management policies are as follows: to reduce the credit risk, the Group 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 Group 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 Group think that the credit risk has been significantly reduced.

The Group adopts necessary policies to ensure good credit record for all trade debtors. Besides top five amount of payables, the Group has no major centralized credit risks.

As of December 31, 2018, the receivables of top five clients of the Group took up 93.18% of the total of the Group.

The credit risks of current capital of this group 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 Group 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 Group is located within Chinese territory and is settled in RMB; however, FX risk exists still for foreign currency assets and liabilities confirmed by the Group as well as foreign currency exchange in the future. The FX risk of the Group is mainly related to US dollar. On December 31, 2018, the foreign currency financial assets and foreign currency financial liabilities held by the Group 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 Group.

Item	Amount at end of period	Amount at beginning of year
Monetary capital - USD	48,442,019.04	519,528,194.65
Accounts receivable - USD	38,492,273.22	62,609,649.19
Other receivables - USD	32,607,692.45	523,755.48
Accounts payable - USD	55,410,256.82	45,472,741.33
Other payables - USD	7,225,151.28	5,421,435.18
Advance receipts - USD	195,386.08	10,153,152.75
Advance payment - USD	10,919,567.73	18,907,516.72

The Group 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 Group 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 Group's operation due to exchange rate fluctuation. Meanwhile, with the constant development of the Group on international market and in case of uncontrolled risks for the Group as appreciation of the RMB, the Group shall adjust the relevant policies to reduce the risks aroused.

#### (2) Other price risk

The Group 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 Group is failed to be performed before expiring date. The method for liquidity risk management of the Group is to ensure enough financial liquidity to perform the matured debts without causing unacceptable loss or damage to enterprise reputation. The Group 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	< 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 Group 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%	15,945,534.76	15,945,534.76
All foreign currencies	Depreciation of RMB by 5%	-15,945,534.76	-15,945,534.76

## 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	
<b>I. Measuring of the continuous fair value</b>				
(I) Financial assets which are measured at the fair value and of which the fluctuations are included in the current profit and loss				
1. Transaction financial assets				
(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) Available-for-sale financial assets	87,428,400.00			87,428,400.00
(1) Debt instrument investment				
(2) Equity instrument investment	87,428,400.00			87,428,400.00
(3) Others				
(III) 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				
(IV) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets measured continuously by fair value	87,428,400.00			87,428,400.00
(V) Trading financial liabilities				
Wherein: issued trading bond				
Derivative financial Liabilities				
Others				
(VI) Designated as financial liabilities measured by fair value with their changes included in current profit and loss				
Total liabilities measured continuously by fair value				
<b>II. Metering of the non-continuous fair value</b>				
(I) Assets held for sale				
Total assets measured non-continuously by fair value				

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	
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 available-for-sale financial assets metering by fair value of the Group 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.

## 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 see related contents in "Composition of Enterprise Group" of the Annex.

Applicable  Inapplicable

For details of the subsidiaries of the Company, please refer to the Note "IX. Equities in Other Subjects".

### 3. Profile of joint venture or associates of the enterprise

For details of key joint venture and associates of the Company, please refer to Note "VII. 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
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	Wholly owned 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.	1,172,982,158.33	736,843,476.28
COOEC-Fluor Heavy Industries Co., Ltd.	Engineering subcontracting	202,533,207.65	136,092,148.21
China National Offshore Oil Corporation	Staff insurance, software use and other services	58,479,872.96	27,836,918.46
CNOOC Bohai Corporation	Water, electricity and staff physical examination	40,163,678.51	46,437,502.40
China Offshore Oil Service (Hong Kong) Co., Ltd.	Material procurement	28,840,896.19	13,685,572.92
China Oilfield Services Ltd.	Transportation, vessel, etc.	16,059,843.24	44,739,213.89
CNOOC Industrial Co., Ltd.	Services such as real estate, engineering subcontracting, fuel, water & power, etc.	8,960,690.20	8,936,783.52
China Offshore Oil Nanhai East Corporation	Engineering subcontracting	4,068,017.63	193,323.57
CNOOC Oil & Petrochemicals Co., Ltd.	Engineering subcontracting	3,971,509.13	983,382.30
CNOOC Gas & Power Group	Engineering subcontracting	3,632,630.19	5,279,773.38
CNOOC Nanhai West Corporation	Property services	3,180,573.56	1,804,956.76
China BlueChemical Ltd.	Engineering subcontracting	2,200,000.00	
CNOOC Research Institutes Co., Ltd.	Engineering subcontracting	1,828,687.15	292,304.72
CNOOC Energy Technology & Development Institute	Water, electricity and other services	1,001,346.17	
China National Offshore Oil Corporation	Wharf service	499,149.29	153,106.80
CNCCC International Tendering Co., Ltd.	Bidding and tendering service	329,847.17	322,914.42
Total		1,548,732,107.37	1,023,601,377.63

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	7,159,596,386.31	4,399,241,253.13
CNOOC Gas & Power Group	Design, installation, construction and other professional services	468,281,524.23	147,866,217.74
CNOOC Energy Technology & Services Limited	Design, installation, construction and other professional services	299,340,660.76	1,195,037.44
China Oilfield Services Ltd.	Transportation, vessel, etc.	51,866,561.38	
CNOOC Research Institutes Co., Ltd.	Design, installation, construction and other professional services	17,529,523.49	61,144,563.59
COOEC-Fluor Heavy Industries Co., Ltd.	Personnel sent abroad, material sales and detection	12,494,831.36	21,074,126.07
CNOOC Oil & Petrochemicals Co., Ltd.	Design, installation, construction and other professional services		4,290,738.63
China National Offshore Oil Corporation	Design, installation, construction and other professional services		687,404.72

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 beginning of 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	31,313,784.20	28,800,780.54
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	12,094,527.19	14,342,200.30
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)	990,092.17	4,107,944.42

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**

Applicable  Inapplicable

The Company is the guarantee

Applicable  Inapplicable

Description of associated guarantee

Applicable  Inapplicable

**(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	682.46	708.24

## (8) Other connected transactions

√ Applicable □ Inapplicable

## 1) Interest income on deposit of related parties

Type and name of related parties	Accrued in current period	Accrued in last period
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	6,961,875.10	15,710,237.35
Total	6,961,875.10	15,710,237.35

## 2) Interest income on deposit of related parties

Related parties	Balance at end of period	Balance at beginning of year
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	1,392,106,869.39	1,450,643,263.78
Total	1,392,106,869.39	1,450,643,263.78

## 3) Investment incomes gained by related parties

Type and name of related parties	Accrued in current period	Accrued in last period
	Amount	Amount
Other enterprises controlled by the same controlling shareholder and final controlling party		
CNOOC Finance Co., Ltd.	9,006,827.26	6,468,380.92
Subtotal	9,006,827.26	6,468,380.92
Joint venture		
COOEC-Fluor Heavy Industries Co., Ltd.	-91,735,268.69	-91,269,583.41
Subtotal	-91,735,268.69	-91,269,583.41

## 4) Interest expense of related parties

Type and name of related parties	Accrued in current period	Accrued in last period
Other enterprises controlled by the same controlling shareholder and final controlling party		
China National Offshore Oil Corporation	877,291.67	245,000.00
Total	877,291.67	245,000.00

## 6. Receivables and payables of related parties

### (1) Receivables

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Project name	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	3,288,927,648.59		2,090,928,804.54	
Accounts receivable	CNOOC Energy Technology & Services Limited	230,110,468.51		1,314,498.69	
Accounts receivable	CNOOC Gas & Power Group	189,904,529.70		120,761,577.53	
Accounts receivable	China Oilfield Services Ltd.	26,109,660.00			
Accounts receivable	COOEC-Fluor Heavy Industries Co., Ltd.	5,347,480.24		12,299,803.46	
Accounts receivable	CNOOC Oil & Petrochemicals Co., Ltd.	7,099,004.86		28,518,728.67	
Accounts receivable	CNOOC Research Institutes Co., Ltd.	13,334,080.00		56,361,917.40	
Accounts receivable	China National Offshore Oil Corporation			280,769.00	
Other Receivables	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,711,324.79	1,711,324.79	1,997,644.74	
Other Receivables	COOEC-Fluor Heavy Industries Co., Ltd.	838,754.95		2,564,078.38	
Other Receivables	China National Offshore Oil Corporation	88,881.95		88,881.95	
Other Receivables	China National Offshore Oil Corporation			273,713.70	
Interest receivable	CNOOC Finance Co., Ltd.	1,177,695.18		1,483,018.74	

### (2) Payables

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Project name	Related parties	Book balance at end of period	Book balance at beginning of period
Accounts payable	CNOOC Energy Technology & Services Limited	471,072,020.96	428,460,712.27
Accounts payable	COOEC-Fluor Heavy Industries Co., Ltd.	130,611,504.53	88,317,940.86
Accounts payable	China Offshore Oil Service (Hong Kong) Co., Ltd.	11,675,013.16	2,713,286.77
Accounts payable	CNOOC Gas & Power Group	7,722,386.42	17,117,686.98
Accounts payable	China Oilfield Services Ltd.	3,494,434.21	27,905,170.47
Accounts payable	China National Offshore Oil Corporation	5,533,172.10	922,195.35
Accounts payable	CNOOC Bohai Corporation	9,093,692.60	11,728,343.16
Accounts payable	CNOOC Nanhai West Corporation	2,364,446.33	1,100,421.60
Accounts payable	CNOOC Oil & Petrochemicals Co., Ltd.	2,344,200.18	486,500.00
Accounts payable	CNOOC Nanhai East Corporation		168,144.60
Accounts payable	China BlueChemical Ltd.	2,200,000.00	
Accounts payable	China National Offshore Oil Corporation	123,290.10	
Accounts payable	CNOOC Industrial Co., Ltd.	2,836,031.36	
Accounts payable	CNOOC Research Institutes Co., Ltd.	2,082,303.14	
Advance receipts	China National Offshore Oil Corporation	1,945,064,916.84	68,278,791.45

Project name	Related parties	Book balance at end of period	Book balance at beginning of period
Advance receipts	CNOOC Gas & Power Group	2,033,446.33	
Other payables	COOEC-Fluor Heavy Industries Co., Ltd.		2,467,117.75
Other payables	China National Chemical Construction Corporation	75,204.25	75,204.25
Other payables	CNOOC Energy Technology & Services Limited	42,729.57	105,292.18
Interest payable	China National Offshore Oil Corporation	29,486.11	9,625.00
Long-term loans	China National Offshore Oil Corporation	220,000,000.00	90,000,000.00

## 7. Commitment of related parties

Applicable  Inapplicable

## XIII. Stock Payment

### 1. Overall condition of stock payment

Applicable  Inapplicable

## XIV. Commitments and Contingencies

### 1. Important commitments

Applicable  Inapplicable

Important external commitments, property and amount on balance sheet date.

#### (1) Major commitments for investments abroad

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, 2018, USD 482.8 million was contributed, and the rest contribution obligation of USD 27 million will be performed before December 31, 2019.

#### (2) Up to December 31, 2018, the Group has no contract that has been signed but not paid:

### 2. Contingencies

#### (1) Important contingencies on balance sheet date

Applicable  Inapplicable

##### Providing guarantee for subsidiary

- 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, website of Shanghai Stock Exchange on April 26 and May 12, 2012 respectively)
- 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, website of Shanghai Stock Exchange on January 23, 2018)

- 3) 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)
  - 4) 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).
  - 5) 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, website of Shanghai Stock Exchange on July 08, 2016)
  - 6) Upon approval by all directors 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 offshore transportation and installation project of Dangote 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 guarantee period adjusted from "issuing date till December 31, 2018" to September 30, 2019. 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, website of Shanghai Stock Exchange on August 20, 2018)
  - 7) 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, website of Shanghai Stock Exchange on May 21, 2018)
- (2) The important contingencies not required to be disclosed shall be explained as well:**

Applicable    Inapplicable

1) 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. Currently, the arbitration is in early stage. According to the lawyer comment letter of Pinsent Masons, the arbitration result is of great uncertainty. As of the date approving the financial report, the arbitration has no progress.

2) Matters relating to paint of Yamal Project

After experiencing the extremely cold weather in Russia Sabetta field at the end of 2016, the fire-proof paint and anti-splashing paint of some module of the first column in YAMAL project cracked in Russia field, while the second and third columns were free from such defect after delivery in 2017. As such issue involves various factors such as general contractor, material supplier and the constructor, the three parties are negotiating on investigation and analysis of the root cause and responsibility division, however with no final conclusion formed yet. The paint supplier selected according to suppliers list and paint specifications provided by the owner, so till 2017, the general contractor and paint supplier have finished the repair work of the cracked module in first column which has been put into operation. Till now, as for the first column of cracked modules, the Company has reached an agreement with the owner for preliminary solution,

and provides the deduction of project fund (USD 2 million) as the compensation with no other liability shouldered for these cracked modules.

Except the aforesaid contingencies, the Group had no other major or contingent matters as of December 31, 2018.

### 3. Others

Applicable  Inapplicable

## XV. Events after the Balance Sheet Date

### 1. Major non-adjusting events

Applicable  Inapplicable

### 2. Profit-sharing

Applicable  Inapplicable

Unit: 100,000,000 Yuan Currency: RMB

Profits or dividends to be allocated	2.21
Profits or dividends to be released upon approval	2.21

### 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. Notes and accounts receivable****Summary statement****(1) Classification list** Applicable  Inapplicable

Unit: Yuan    Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Notes receivable		
Accounts receivable	3,858,091,286.22	2,723,731,607.21
Total	3,858,091,286.22	2,723,731,607.21

Other description:

 Applicable  Inapplicable**Notes receivable****(1) Classification list of notes receivable** Applicable  Inapplicable**(2) Notes receivable pledged by the Company at the end of period** Applicable  Inapplicable**(3) Notes receivable endorsed or discounted by the Company at term end and not due yet on balance sheet date:** Applicable  Inapplicable

## (4) Notes converted into receivables at the end of period due to unfulfillment of drawer

Applicable  Inapplicable

## Accounts receivable

## (1) Classification disclosure of receivables:

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Type	Balance at end of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Receivables with significant unit amount and single provision for bad debts					
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	3,864,036,440.67	100.00	5,945,154.45		3,858,091,286.22
Receivables with less significant unit amount and single provision for bad debts					
Total	3,864,036,440.67	/	5,945,154.45	/	3,858,091,286.22

Type	Balance at beginning of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Receivables with significant unit amount and single provision for bad debts					
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	2,731,126,854.40	100.00	7,395,247.19		2,723,731,607.21
Receivables with less significant unit amount and single provision for bad debts					
Total	2,731,126,854.40	/	7,395,247.19	/	2,723,731,607.21

Receivables with significant unit amount and single provision for bad debts at end of period

Applicable  Inapplicable

Account receivables with provision for bad debts by aging analysis method in combination:

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Accounting age	Balance at end of period		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
< 1 year			
Of which: subentry within 1 year	82,117,524.70		
Subtotal within 1 year	82,117,524.70		
1 to 2 year(s)			30.00
2 to 3 years			60.00
Above 3 years	5,945,154.45	5,945,154.45	100.00
Total	88,062,679.15	5,945,154.45	

Receivables with provision for bad debts by percentage of balance in the combination:

Applicable  Inapplicable

In combination, the receivable with provision for bad debts by other methods:

Applicable  Inapplicable

**(2) Provision for bad debts withdrawn, reclaimed or turned back in current period**

The amount of bad debt reserves withdrawn in current period is RMB 32,647.26, and that reclaimed or turned back in current period is RMB 1,482,740.00.

Including withdrawn or recovered amount of important bad debt reserves in this period:

Applicable  Inapplicable

**(3) Receivables canceled actually after verification in current period**

Applicable  Inapplicable

Canceling of significant receivables:

Applicable  Inapplicable

**(4) Receivables gathered based on debt party with top five balances at end of period:**

Applicable  Inapplicable

Company name	Balance at end of period		
	Accounts receivable	Proportion to total number of receivables at end of year (%)	Bad debt reserves
China National Offshore Oil Corporation	2,945,909,112.54	76.24	
Offshore Oil Engineering (Qing Dao) Co., Ltd.	288,353,282.87	7.46	
COOEC SUBSEA TECHNOLOGY CO., LTD.	228,778,471.84	5.92	
CNOOC Gas & Power Group	189,904,529.70	4.91	
COOEC International Engineering Co., Ltd	46,049,704.32	1.19	
Total	3,698,995,101.27	95.72	

## 2. Other receivables

### Summary statement

#### (1) Classification list

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable	340,875.25	168,463.46
Dividends receivable		
Other Receivables	673,915,550.78	685,778,420.23
Total	674,256,426.03	685,946,883.69

### 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.	340,875.25	168,463.46
Total	340,875.25	168,463.46

#### (2) Important overdue interest

Applicable  Inapplicable

### Dividends receivable

#### (1) Dividends receivable

Applicable  Inapplicable

## Other Receivables

## (1) Classification disclosure of other receivables

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Category	Balance at end of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Other receivables with significant unit amount and single provision for bad debts					
Other receivables with consolidated withdrawal of bad debt reserves according to credit risk characteristics	674,375,665.19	99.62	460,114.41		673,915,550.78
Other receivables of single amount insignificant but separate withdrawal of bad debt reserves	2,582,202.35	0.38	2,582,202.35	100.00	
Total	676,957,867.54	/	3,042,316.76	/	673,915,550.78

Category	Balance at beginning of period				
	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)	
Other receivables with significant unit amount and single provision for bad debts					
Other receivables with consolidated withdrawal of bad debt reserves according to credit risk characteristics	686,228,763.52	99.75	450,343.29		685,778,420.23
Other receivables of single amount insignificant but separate withdrawal of bad debt reserves	1,711,324.79	0.25	1,711,324.79	100.00	
Total	687,940,088.31	/	2,161,668.08	/	685,778,420.23

Other receivables with significant single amount and separate withdrawal of bad debt reserves at end of period:

 Applicable  Inapplicable

Other receivables with provision for bad debts by aging analysis method in combination:

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Accounting age	Balance at end of period		
	Other Receivables	Bad debt reserves	Provision proportion (%)
< 1 year			
Of which: subentry within 1 year	70,953,752.32		
Subtotal within 1 year	70,953,752.32		
1 to 2 year(s)			30.00
2 to 3 years			60.00
Above 3 years	460,114.41	460,114.41	100.00
Total	71,413,866.73	460,114.41	

Other receivables with provision for bad debts by percentage of balance in the combination:

 Applicable  Inapplicable

## (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
Loan and interest of related parties and other related current account	595,392,585.16	655,382,292.76
Insurance claim payment	60,625,000.00	
Advance money	12,531,171.04	6,103,851.42
Imprest, deposit and cash deposit	8,409,111.34	8,495,125.83
Refunding export taxes		17,958,818.30
Total	676,957,867.54	687,940,088.31

## (3) Provision for bad debts withdrawn, reclaimed or turned back in current period

The amount of bad debt reserves withdrawn in current period is RMB 836,319.29, and that reclaimed or turned back in current period is RMB 44,329.39.

Including recovered or withdrawn amount of important bad debt reserves in current period:

 Applicable  Inapplicable

## (4) Other receivables canceled actually after verification in current period

 Applicable  Inapplicable

## (5) Other receivables with top five balance gathered by debt party at end of period

√ Applicable  Inapplicable

Unit: Yuan Currency: RMB

Company name	Nature of accounts	Balance at end of period	Accounting age	Proportion of other receivables accounting for the total balance at end of the period (%)	Bad debt reserves Balance at end of period
COOEC International Co., Limited	Loan and interest	474,075,793.01	Including RMB 22,947,430.90 for accounting age within 1 year; RMB 11,136,150.31 for 1-2 year(s); RMB 3,753,303.70 for 2-3 years, RMB 436,238,908.10 for more than 3 years.	70.03	
COOEC International Engineering Co., Ltd	Advance money	69,844,397.59	Including RMB 20,191,526.15 for accounting age within 1 year; RMB 18,922,725.57 for 1-2 year(s); RMB 12,269,407.26 for 2-3 years, RMB 18,460,738.61 for more than 3 years.	10.32	
Ping An Property & Casualty Insurance Company of China, Ltd.	Insurance claim payment	60,625,000.00	< 1 year	8.96	
Offshore Oil Engineering (Qing Dao) Co., Ltd.	Transaction expense	22,135,869.11	RMB 17,907,811.12 within 1 year; RMB 4,228,057.99 within 1-2 years	3.27	
China Pacific Property Insurance Co., Ltd.	Insurance claim payment	9,877,000.00	< 1 year	1.46	
Total		636,558,059.71		94.04	

### 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	9,075,974,170.87		9,075,974,170.87
Investment for associated companies and cooperative venture						
Total	9,205,974,170.87		9,205,974,170.87	9,075,974,170.87		9,075,974,170.87

#### (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.	2,062,473,625.85	130,000,000.00		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	9,075,974,170.87	130,000,000.00		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	9,323,112,615.97	8,723,945,243.79	6,173,935,476.03	6,574,909,777.97
Other businesses	44,572,849.92	8,238,407.99	48,214,236.61	7,912,431.22
Total	9,367,685,465.89	8,732,183,651.78	6,222,149,712.64	6,582,822,209.19

Other description:

Wherein: Top 5 clients' revenues

Client name	operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	6,375,358,343.70	68.06
TUPI B.V.	1,238,318,900.04	13.22
CNOOC Gas & Power Group	468,281,524.23	5.00
China Oilfield Services Ltd.	51,866,561.38	0.55
CNOOC Research Institutes Co., Ltd.	17,529,523.49	0.19
Total	8,151,354,852.84	87.02

#### 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	1,485,000,000.00	1,984,347,173.29
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 for available-for-sale financial assets during holding period	9,006,827.26	6,468,380.92
Investment income gained by disposing available-for-sale financial assets		
Gains by metering residual stick rights by fair value after losing of control rights		
Others	21,487,931.14	31,267,152.57
Total	1,515,494,758.40	2,022,082,706.78

## 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	-2,210,381.13	
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	198,410,227.13	It is mainly appropriation for national scientific research projects and consumption tax refund.
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	80,005,983.59	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 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	
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	9,821,718.39	
Other profit and loss items in conformity with definition of non-recurring profit and loss	36,515,210.65	
Affected income tax	-49,281,908.62	
Affected minority Interest	-286,812.73	
Total	228,989,037.28	

## 2. Rate of return on (common shareholders') 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	0.35	0.02	0.02
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	-0.65	-0.03	-0.03

## 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: Jin Xiaojian

Date of Submission to and Approval by Board of Directors: March 22, 2019





