

Company code: 600583    Company abbreviation: COOEC

# **2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.**

## Important Notes

**I. The Company's Board of Directors, Board of Supervisors and directors, supervisors and senior managers guarantee the contents of the semi-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. The semi-annual report hasn't been audited.**

**IV. Yu Yi, the principal of the Company, Chen Yonghong, the principal of accounting and Yao Baoqin, the principal of accounting agency (accountant in charge) state that they guarantee the authenticity, accuracy and completeness of the financial statements in the semi-annual report.**

**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**

None

### **VI. Risk statement for forward-looking statements**

Applicable Inapplicable

Forward-looking statements, such as Section IV in the annual report involving operational plans and targets and development strategies 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 decision-making procedures?**

No

### **IX. Serious Risks Warnings**

The Company has described the operation risks and construction risks in overseas projects as well as the risks arising from natural disasters or severe weather in details. Please refer to analysis details in Potential Risks in Section IV Discussion and Analysis on Operation.

### **X. Others**

Applicable Inapplicable

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## Section 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.

## Section II Company Profile and Primary Financial Indexes

### I. Company Information

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

### II. Contact Person and Contact Information

	Secretary of the Board of Directors
Name	Liu Lianju
Contact Address	No. 199, Haibin 15 Road, Tianjin Port Free Trade Zone
Tel.:	022-59898808
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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.cnocengineering.com">http://www.cnocengineering.com</a>
E-mail	mingyf@cooec.com.cn

### IV. Information Disclosure and Report Storage Place

Title of the newspaper designated by COOEC for information disclosure	<i>China Securities Journal, Shanghai Security News</i>
Website designated by China's Securities Regulatory Commission (CSRC) for publishing annual report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Semi-annual report storage place	Board Secretary Office

### V. Company Stock Briefing

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

### VI. Other Related Materials

Applicable  Inapplicable

**VII. Main Accounting Data and Financial Indexes****(i) Main Accounting Data**

Unit: Yuan

Currency: RMB

Major accounting data	Report period (January to June)	Same period of last year	Increase and decrease of current period compared with that of last year (%)
Operating income	4,559,416,187.87	3,575,719,177.21	27.51
Net profit attributable to the shareholders of listed company	-714,096,225.86	-182,410,322.88	Inapplicable
Net profit attributable to shareholders of listed company after deducting non-recurring profit and loss	-800,345,885.86	-242,791,263.00	Inapplicable
Net cash flow from business operation	39,706,182.24	-1,630,748,043.48	Inapplicable
	At the end of the report period	End of last year	Increase or decrease at end of report period compared with end of last year (%)
Net assets attributable to the shareholders of the listed company	21,995,200,234.20	22,892,941,649.83	-3.92
Total assets	29,233,350,143.31	30,149,200,569.79	-3.04

**(ii) Main Financial Indexes**

Primary financial indexes	Report period (January to June)	Same period of last year	Increase and decrease of current period compared with that of last year (%)
Basic earnings per share (EPS) (yuan / share)	-0.16	-0.04	Inapplicable
Diluted EPS (yuan / share)	-0.16	-0.04	Inapplicable
Basic earnings per share after deducting non-recurring profit and loss (yuan/share)	-0.18	-0.05	Inapplicable
Weighted average rate of return on (common shareholders') equity (%)	-3.18	-0.80	Down 2.38 percentage points
Weighted average rate of return on (common shareholders') equity after deduction of non-recurring profit and loss (%)	-3.56	-1.06	Down 2.50 percentage points

Description of major accounting data and financial indexes of the Company

□ Applicable √Inapplicable

**VIII. Differences in Accounting Data under Domestic and Foreign Accounting Standards**

Applicable  Inapplicable

**IX. Items and Amount of Nonrecurring Profit and Loss**

Applicable  Inapplicable

Unit: Yuan      Currency: RMB

Items of Non-recurring profit and loss	Amount
Profit and loss from disposal of non-current assets	151,900.93
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	15,698,143.74
Profit and loss from investment or assets management by others entrusted	65,608,678.49
Other non-operating incomes and expenses than the items above	5,321,785.04
Other profit and loss items in conformity with definition of non-recurring profit and loss	18,211,703.83
Affected minority Interest	-18,005.14
Affected income tax	-18,724,546.89
Total	86,249,660.00

**X. Others**

Applicable  Inapplicable

**Section III 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 7,800 employees, constituting a multi-level and wide-range professional team for general contracting of various projects, and has established the operation procedures and management standards that align with international standards. It owns an ocean engineering manufacturing base with a total area of over 1,200,000 m<sup>2</sup> in Qingdao, Shandong, an ocean engineering equipment manufacturing base with a total area of 575,000 m<sup>2</sup> in Lingang Industrial Area of Binhai 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 COOEC Fluor Heavy Industries Co., Ltd. (51% share held by COOEC and 49% held by FLUOR). These bases form a construction base layout pattern facing the international market, which crosses south and north and covers both deep and shallow waters with complementary functions. The Company owns 21 offshore construction ships, including deepwater pipeline laying ship, 7,500 t crane vessels, underwater engineering vessels, deepwater trenching vessels, and 50,000 t semi-submersible type self-propelled vessels, with offshore installation and pipe laying capabilities of leading level in Asia.

Through construction and development over many years, the Company has developed eight major capacities, including engineering design, construction and installation of offshore projects, offshore oil and gas field maintenance, underwater engineering inspection and installation, high-end skid-mounted product manufacturing, offshore project quality inspection and offshore EPCI management. It also has a strong comprehensive capability of oil and gas field construction in conventional waters with depth less than 300m. The Company has independently developed a series of core technologies, such as technologies for the design, construction and installation of 30,000-ton extra-large jackets and modules, comprehensive offshore floating installation, pipe laying and operation in 1,500 m deep waters, underwater structures installation, submarine pipeline repair and old offshore platform dismantling.

In recent years, the Company has implemented the strategy of “Maritime Power” and “The Belt and Road” Initiative, 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, demonstrating that the Company’s international operation capability is gradually improved. 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 core competitiveness and the new growth pole, which continuously enhanced its operation ability, comprehensive strength and anti-risk ability and further expanded the space for development.

The Company will unswervingly implement its development strategy, insist on the task of serving the national strategy and customer-centered, and stick to high-quality development, to construct an international first-class energy engineering company with Chinese characteristics.

#### (ii) Business model

The Company undertakes projects as a general contractor or subcontractor to engage in the construction of oil and gas field projects and onshore LNG projects.

The Company successively provides domestic and foreign customers, such as CNOOC Limited, ConocoPhillips, Shell, Saudi Aramco, Petrobras, Husky, Kerr-McGee, Technip, MODEC, Aker Solutions and FLUOR with engineering services for oil and gas resource development, covering 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

In the first half of 2019, the global offshore oil and gas industry is generally in a slow recovery stage. According to statistics of relevant organizations, both the number of projects entering decision-making stage and the number of newly commenced projects increased, and the total investment of the industry rose slightly. However, the key factor deciding the prosperity of industry - the price level, was still at a relatively low level, embodied in that there is still a big gap between the average investment scale of projects and that in its prosperity period, and the engineering service price was still low.

According to publicly disclosed data, some overseas leading enterprises had their income gentled increased in the first half of 2019, but the profit was not so optimistic, indicating certain pressure in industry operation. While in terms of order data, some leading enterprises achieved consistent robust growth in newly-signed orders, embodying certain pilot role, esp. the gradually growth of the orders in LNG and other business fields. This is consistent with the judgment of industry order trend made by the Company in annual report at the beginning of the year. Along with the gradually rising in the total investment of the industry, the project bidding and tendering gradually came alive. After entering 2019, many bidding/tendering projects were implemented, the order granting speed was accelerated and newly-signed orders of engineering company increased accordingly.

From a comprehensive view of the industry cycle and industry laws, it requires certain time for the transmission from regional LNG growth to the whole industry growth, and from quantity increase (order increase, workload increase) to price rise (price level rise). It still costs time for the obvious recovery of offshore oil and gas industry and obvious change of industry prosperity. However, the recovery of industry order is doubtlessly a positive signal.

## 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 0.524 billion, which showed a year-on-year decrease of RMB 1.857 billion, viz. 77.99%, mainly because that the net value of RMB 2.084 billion was transferred into fixed asset after the transformation of “Offshore Oil 201” was completed.

Wherein: overseas asset is RMB 20.76 (unit: 100,000,000 yuan, currency: RMB), accounting for 7.10% of total assets.

### III. Analysis on Core Competitiveness in the Report Period

Applicable    Inapplicable

The Company persistently focuses on developing its core businesses while continuously improving its general contracting capacity and deepwater engineering ability, achieving fast increase in overseas businesses and gradually enhancing its comprehensive strength.

#### (I) 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 serving national strategy, equipment development, research and development, financial support, etc.

#### (ii) EPCI contracting capability.

**High EPCI contracting capability in traditional waters.** EPCI capability is the unique competition advantage of the Company. Through years of development and accumulation, the Company has formed a complete set of mature process, technology, equipment and capability system from engineering design to procurement, to onshore construction and then to offshore installation for offshore oil and gas field development of under 300 m water depth, and is capable of providing clients with turnkey project and diversified service. Such capability is the footstone for the existence and development of the Company. The Company raised the cohesion efficiency of all links by continuously improving the capability in engineering design, procurement, construction and installation, to continuously improve the EPCI capability. Through successful execution of Liwan 3-1 deepwater gas field project in the South China Sea, the Company achieved a leap forward in its offshore platform EPCI capability from 10,000 t to 30,000 t. At present, the EPCI business of the Company is gradually expanded to FPSO and LNG engineering and gradually expanded to overseas offshore platform EPCI projects.

**Relatively complete 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 constructs the engineering design capability in deepwater oil and gas field of above 300 m deep, makes efforts in key design technologies of deepwater products such as deepwater floating platform system, deepwater subsea pipeline and vertical pipe, underwater system, with deepwater design capability accumulated gradually.

**Rich experiences in offshore oil engineering project management.** With 40 years of domestic oil and gas field engineering construction experiences, the Company has carried out the engineering construction of over hundred oil and gas fields and owned rich construction and management experiences in conventional waters of under 300 m deep. In terms of international project operation, in the past years, the Company has provided engineering services for owners from Russia, Australia, Saudi Arabia, Myanmar, Brunei and Malaysia, cumulating certain international project management and operation experiences.

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

#### (iii) Globally competitive modular construction, erecting an international brand

In recent years, relying on its strong onshore construction resources and capabilities, the Company has undertaken and carried out a large number of international LNG modular construction projects, including

modular construction of 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. The Company achieved high-quality operation and on-schedule delivery of projects through refined management and "integrated engineering design, procurement and construction" control, to lay the foundation for its position in global modular construction market. In 2019, the Company won a large-scale module construction project of about RMB 5 billion, again showing the recognition of international oil and gas giant toward the Company's professional ability in construction field. The Company has set up the brand effect in modular construction field, based on which the high-end modular business will be further expanded in future.

**(iv) The deepwater capability comes into being and is continuously developed.**

**Fully equipped shallow water and deepwater workboat teams with advanced performance.** The Company owns "Offshore Oil 201", the world's first deepwater pipe-laying crane vessel that has 3,000-m deepwater pipe-laying capacity, 4,000-ton heavy lifting capacity and level III dynamic positioning capacity at the same time, and 21 engineering vessels including the 7,500-ton crane vessel "Bluewhale", 50,000-ton semi-submersible self-propelled vessel, multi-function underwater vessels that can operate in 3,000 m deep waters, multi-function deepwater installation vessels and deepwater trenching vessels. Each vessel for main operation features young age and good performance. Besides, the Company has the 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.

**Continuously increased comprehensive underwater engineering capability and deepwater capability.** The Company is continuously promoting the construction of deep underwater engineering equipment to significantly improve the equipment capability. It now owns such large equipment as 5 dynamic positioning (DP) underwater vessels, 17 remotely controlled vehicles (ROV), one deepwater flexible pipe-laying system and one trenching plough, and is capable of underwater operations in 3,000 m deep waters. It has accumulated the experiences of tens of underwater engineering projects, involving submerged production system installation, anchoring, deepwater flexible pipe-laying, subsea trenching, underwater facilities detection and maintenance and other underwater engineering works. Lihua 16-2, Lihua 29-1 and [Lingshuihua](#) 17-2 projects being constructed by the Company are the first batch of large-scale deepwater projects with true sense. Centered on the technical needs of these projects, scientific innovation is carried out to break through a batch of technical bottlenecks restricting the deepwater business development of the Company or even the country, and form a series of comprehensive deepwater business capability including floating platform, deepwater riser, submerged production system and deep-sea pipeline laying, to ensure a great leap in deepwater capability of the Company.

**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	Crane vessel	Binhai 108	Purchase	1979	1979	7,567	Rated lifting capacity: 900 t
2	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
3	Pipe-laying crane vessel	Lanjiang	Investment and construction	2001	-	105,222	Rated lifting capacity: 3,800 t; range of pipe diameter: 4.5~48"; tensioner 72.5x2 t
4	Crane vessel	Bluewhale	Purchase	2009	2009	141,730	Rated lifting capacity: 7,500 t
5	Pipe-laying crane	Offshore	Investment	2012	-	275,617	Rated lifting capacity: 4,000 t; range of pipe

	vessel	Oil 201	and construction				diameter: 6~60"; tensioner 200x2 t
6	Pipe-laying crane vessel	Offshore Oil 202	Investment and construction	2009	-	102,226	Rated lifting capacity: 1,200 t; range of pipe diameter: 4~60"; tensioner 100x2 t
7	Engineering auxiliary vessel	Offshore Oil 221	Investment and construction	2004	-	9,493	Load capacity: 29,000 t
8	Engineering auxiliary vessel	Offshore Oil 222	Investment and construction	2005	-	3,314	Load capacity: 7,000 t
9	Engineering auxiliary vessel	Offshore Oil 223	Investment and construction	2005	-	3,348	Load capacity: 7,000 t
10	Engineering auxiliary vessel	Offshore Oil 228	Investment and construction	2013	-	28,071	Load capacity: 57,784 t
11	Engineering auxiliary vessel	Offshore Oil 229	Investment and construction	2008	-	58,508	Load capacity: 89,000 t
12	Engineering auxiliary vessel	Offshore Oil 278	Investment and construction	2012	-	84,212	Load capacity: 53,500 t
13	Engineering auxiliary vessel	Offshore Oil 225	Purchase	2009	2009	23,965	Load capacity: 17,289 t
14	Engineering auxiliary vessel	Offshore Oil 226	Purchase	2009	2009	24,166	Load capacity: 16,800 t
15	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
16	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

17	Underwater vessel	Offshore Oil 286	Investment and construction	2014	-	93,725	Hoisting capacity of main crane is 400 t (active heave compensation (AHC), with operating depth of 3,000 m); equipped with two working ROVs for 3,000 m depth, with one moonpool capable of supporting deepwater hoisting, umbilical cable/hose/cable laying, saturated diving/ROV/IMR operation.
18	Underwater vessel	Offshore Oil 291	Purchase	2015	2015	111,032	Hoisting capacity of main crane is 250 t (AHC, bollard towing force of 361 t, operating moonpool 7 m×7 m; equipped with two 150 HP working ROVs; three hoist drums winch for handling of mooring system.
19	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
20	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
21	Underwater vessel	Offshore Oil 295	Investment and construction	2017	-	36,214	Hoisting capacity of main crane is 100 t (AHC; bollard towing force of 90 t.) Hoisting capacity of gantry crane is 100 t; maximum speed: 14 sea miles/h; cruising ability: 12,000 sea miles

## Section IV Discussion and Analysis on Operation

### I. Discussion and analysis on operation

In the report period, the international oil price was fluctuating and consolidated, and the offshore oil engineering industry was in gradual and slow recovery. The Company's projects under construction (on-hand order) were still at a low service price. The influence of the trough period continued and the Company faced great pressure in terms of production and operation. Facing the severe production and operation situation, the Company continuously enhanced the Party construction, gave play to the leading role of the CPC, made breakthroughs in highlighted problems in combination with the enterprise development, converged the confidence and driving force for development, expanded the market and focused on management. The Company has made certain achievements on the whole despite of the loss in the Middle East Project.

First, it actively expanded the domestic and foreign markets with great breakthroughs made, successively won two international orders, and finished a contracting amount of RMB 9.458 billion in overseas market, showing a great year-on-year growth compared with that (RMB 1.053 billion) of last year. First, it signed the contract for North America LNG Module Construction at a price of about RMB 5 billion; second, it won the bid for Marjan Onshore Construction and Offshore Installation Project of Saudi Aramco at a price of about USD 0.7 billion. Meanwhile, it also made satisfactory breakthroughs in domestic LNG market development, and won the bid for a LNG project at a price of over RMB 4 billion in North China in July. The above-mentioned three large-scale projects undertaken provide important workload support for the sustainable development of the Company in next few years.

Secondly, it synchronously operated 32 projects by overcoming such difficulties as increasing workload, numerous overseas projects, tight schedule and complicated working environment, as well as the safety and quality pressure incurred thereby and the difficulty in project management. Through strengthening project management and safety and quality control, it ensured the on-schedule operation of key projects, esp. the stable progress of Liuhua 16-2, Brazil FPSO P70 and other deepwater projects.

COOEC has gained business income of RMB 4.559 billion in the report period, including the net profit of RMB -714 million belonging to shareholders of the listed company. By the end of June 2019, the Company had the total assets of RMB 29.233 billion, including net assets of RMB 21.995 billion attributable to shareholders of listed company, with asset-liability ratio of 25%. Its closing cash balance was RMB 6.070 billion (including bank financial product balance of RMB 4.3 billion).

The obvious decline in net profit of the Company was mainly due to the great loss in Saudi Arabia 3648 Offshore Transportation & Installation Project. In February 2019, the Company dispatched the main-force engineering vessel of the project to Saudi Arabia for ship survey but it was not reviewed timely by the Client and relevant departments, thus leading to delay of offshore operation time and extension of contract duration. According to the latest construction plan and cost estimate, the cost for the project will be greatly increased and a contract impairment loss of RMB 394 million shall be withdrawn according to *Accounting Standards for Business Enterprises* (please refer to the announcement on withdrawal of impairment disclosed on the same day of the Report); the great loss in operation of the project encumbered the Company's performance and brought about great challenges for the current production and operation management of the Company.

Specific to the adverse effect brought about by Saudi Arabia 3648 Project, the Company carefully analyzed the reasons and developed a series of countermeasures. First, designate the senior managers to the site for resource coordination and allocation, and enhance the communication with the Client for more support. Second, select and designate more experienced project management team to enhance site management for completion of ship survey at an early date. At present, the main work boat has passed the survey on July 20 and formally started the offshore construction. Third, shorten and simplify the procurement and approval process and endow the PMT with more decision-making power to timely solve the urgent problems involved in construction on site. Fourth, centralize the Company's strength to fully ensure the subsequent smooth implementation of the project, take encouraging measures, urge the PMT to achieve the objectives with every effort, and try to minimize the influences.

The Company will encounter various risks and challenges in the process of internationalized operation, so we must carry out works more carefully, consider the problems in a more comprehensive manner and identify the risks more thoroughly. We have drawn a profound lesson from Saudi Arabia 3648 Project. The Company will summarize and analyze in an all-around manner from aspects of bidding, resource allocation, project implementation and risk identification, practically draw lessons in future overseas project implementation, well select overseas projects based on quality and benefit during market

exploitation, and make good resource allocation, to ensure a stable progress of project and guarantee the steady and long-term internationalization road.

Despite of the complicated internal and external operation environment faced with at present, the Company is also faced with opportunities. The country's reserve and production increase task on oil and gas is continuously promoted, and the domestic "seven-year action plan" for offshore oil and gas development is being implemented, which will further drive the demand of offshore oil and gas engineering. The Company will converge the development cognition again and clarify the development orientation under the leadership of the new leading body of the Party Committee, that is, regarding serving the national strategy as the task, centering on customer, and sticking to high-quality development, to construct an international first-class energy engineering company with Chinese characteristics. Reformulate the development strategy and carry out "three insisting": insisting on creating the EPCI capability for offshore oil engineering centered on engineering design; insisting on serving the national energy strategy to promote the internationalized development of COOEC; insisting on expanding the integrated service capability of energy engineering. Continuously and comprehensively deepen the reform to ensure the effective implementation of development strategy.

In order to reverse the current operation trend, the Company will be strict in safety and quality management in the second half of 2019 to guarantee the on-schedule and orderly implementation of all projects; deeply cultivate the potential in cost decreasing and benefit increasing, and carry out measures of instant rewards to further stimulate the enthusiasm of all staff toward cost decreasing and benefit increasing and entrepreneurship, fully arouse the employee's enthusiasm, try every effort to reduce the loss, try the best to turn losses into gain and constantly create values for shareholders.

### **First, ensure overall stable operation of engineering projects and continuously increase the workload.**

In the first half of 2019, the Company operated a total of 32 projects, including 25 offshore oil and gas field development projects and 5 onshore modular construction projects. A batch of new oilfield development projects were successively started, including Penglai, Kenli and Caofeidian; such large projects as Lihua 16-2 Deepwater Project, Lvda 21-2/Lvda 16-3 Oilfield Development Project, Ningbo LNG Receiving Terminal Phase II Project in Zhejiang, Fujian Zhangzhou LNG Receiving Terminal and Storage Tank Project were in a stable progress. It also has completed onshore construction of 9 jackets and 2 modules, offshore installation of 7 jackets and 3 modules and the laying of 196 km subsea pipeline, with another 8 modules and one jacket under construction. All projects were in a stable progress, and the major milestone nodes were 576 days ahead of schedule.

#### **① Lihua, Lingshui and other large-scale deepwater projects are under orderly implementation**

Lihua 16-2 Oilfields Development Project is the first deepwater FPSO EPCI project autonomously designed and constructed by China, so the Company plans to construct a 150,000-ton FPSO and several sets of submerged production system for the project. At present, the laying of more than 65 km deepwater subsea pipelines has been finished, with the hull construction and onshore fabrication of 14 single topsides under progress. Through the implementation of "integrated" construction, the Company effectively reduced the workload of working at heights in final assembly stage of module and lowered the safety risk in multi-discipline cross construction. The project has been implemented by more than 50% as of the end of the reporting period.

Lihua 29-1 Deepwater Project is located in the east of the South Sea, with an operating water depth of 520 m - 1,200 m. As of the report period, the detailed design was to be closed out, underwater units were being fabricated, pre-investigation was finished for offshore installation, and the two subsea pipelines were being laid, with the overall implementation progress of over 30%.

Lingshui 17-2 Deepwater Gasfield is located in the north sea area of Southeast Hainan Basin with a water depth of 1,200 to 1,600 m, so the development mode of "deepwater semi-submersible platform + subsea wellhead" is adopted. 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 riser, the first domestic design of submerged production system integrating downhole and submerged production systems and deepwater risers, with high requirements on manufacturing accuracy. At present, the work emphasis is laid on the construction of 110,000-ton superlarge semi-submersible production platform, and the platform hull and module are under segmented fabrication, with overall project progress of 18%.

#### **② Zhejiang LNG Project is comprehensively carried out.**

Since the commencement of Ningbo LNG Receiving Terminal Phase II Project in Zhejiang in June 2018, the bearing platform and wall construction of the three 160,000 m<sup>3</sup> full-capacity storage tanks (D, E and F respectively) was completed by the end of the report period, and the key nodes work of pneumatic jacking for storage tank D was implemented. Next, the pressure test of storage tank, cold insulation material filling and equipment commissioning will be completed successively, to ensure on-schedule completion. The innovative application of such new technologies as integrated pile-forming design and stratum exploration by seismic spectrum in the project greatly shortens the construction period.

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

No	Project name	Cumulative progress
1	Penglai 25-6 Oilfield Well Area 3 Project	0.1%
2	Kenli 3-2 Oilfield Expansion Project	3%
3	Penglai 25-1 Oilfield Well Area -11 Development Project	5%
4	Caofeidian 6-4 Oilfield Development Project	6%
5	Nanbao 35-2 Oilfield Well Area S-1 Development Project	9%
6	Lingshui 17-2 Gas field Development Project	18%
7	Lihua 29-1 Project	31%
8	Qinhuangdao 33-1 South Oilfield Phase I Development Project	43%
9	Lvda 21-2 and Lvda 16-3 Oilfield Development Project	49%
10	Penglai 19-3 Oilfield Area 4 Adjustment / Penglai 19-9 Oilfield Phase II Development Project	53%
11	Zhangzhou LNG Receiving Terminal and Storage Tank Project in Fujian	28%
12	IK Contract for Saudi Arabia CRPO3648 Offshore Transportation and Installation Project	30%
	OOK Contract for Saudi Arabia CRPO3648 Offshore Transportation and Installation Project	79%
13	Nigeria Dangote project	50%
14	Lihua 16-2 Oilfields Development Project	51%
15	Ningbo LNG Receiving Terminal Phase II Project in Zhejiang	44%
16	Nexen Oil Sand at Long Lake Southwest (LLSW) Project	58%
17	Hull Section of Shell Penguins FPSO Project	80%
18	Caofeidian 11-1 and 11-6 Oilfields Comprehensive Adjustment Project	81%
19	Topside of Brazil FPSO P70 Project	85%
20	Wenchang 13-2 Oilfield Comprehensive Adjustment and Development Project	81%
21	Qatar NFA Project	91%
22	Central Bohai Bay 34-9 oilfield development project	95%
23	Dongfang 13-2 project	100%

**Statistics on main workload:**

It is designed to input 440,000 man-hours into the business.

In terms of construction, processing of 86,300 ton of structure steels is completed.

6500 ship-days are devoted to offshore operation, such as installation.

**Second, make new achievements in market development, and realize rapid increase in overseas orders.**

In the report period, the Company achieved a contracting value of RMB 11.238 billion, showing a year-on-year growth of RMB 1.780 billion, including domestic market contracting value of RMB 1.780

billion and overseas market contracting value of RMB 9.458 billion. By the end of report period, the amount of in-hand uncompleted orders is about RMB 25.2 billion.

**① Make remarkable achievements in international market development.**

In recent years, the Company enhanced the cooperation with international large-scale oil companies and international ocean engineering companies based on its business capabilities in construction and EPCI field, found the cut-in point and jointly participated in the bidding of large-scale projects in the form of consortium to give full play to its advantages and promote the competitive bidding capability. Through continuous project tracking and rounds of competitive bidding, the Company seized the opportunities of recovery in some fields in the first time and signed two important overseas orders.

In the report period, Qing Dao Subsidiary signed the onshore module construction contract with JGC Corporation - Fluor at a contract price of about RMB 5 billion. It refers to another large-scale onshore LNG module project undertaken by the Company after successful delivery of Yamal Project. The project implementation will further promote the Company's capability and influence in LNG modular construction field, and further consolidate its market position in modular construction field.

The consortium established by the Company and McDermott Company was awarded the GOSP-4 Package 1 EPCI Contract of Marjan Oilfield Production Increase and Development Project by Saudi Aramco. The scope of work of the Company covers the onshore construction, transportation and offshore installation of some platforms under the contract, with a contract price of about USD 700 million and agreed effective date of June 18, 2019. The contracting and implementation of the project will lay a solid foundation for the Company's substantialization in the Middle East to further push forward its EPCI capability in the Middle East; will improve the resource utilization efficiency of the Company, cultivate a batch of talents familiar with the standards of Saudi Aramco, and deepen the cooperation with Saudi Aramco; and accumulate more experiences in engineering management, esp. the project implementation experiences in the Middle East, to further promote its international project operation and management capability.

**② Obtain new progress in domestic market development.**

In the report period, the Company achieved a contracting amount of RMB 1.780 billion in domestic market, signed the contracts for some medium and small-scale offshore platform projects such as Central Bohai Bay and Qinhuangdao, and undertook the booster station construction and installation of Sheyang Offshore Wind Power Project. In the next 3-5 years, the domestic coastal and offshore wind power generation industry is expected to step into a rapid development stage. The Company will give play to its advantages in skid-mounting, compressor construction and offshore wind tower installation, and enhance the development of new energy engineering market.

A LNG project with order price of over RMB 4 billion in the North was not included into the contracting amount of the report period as the bid was won in July. Lufeng Oilfield Development Project in the east waters of the South Sea is the key large-scale offshore platform project to be followed up by the Company in the second half of 2019 and is now under close follow-up at present.

**Third, strengthen Party construction of the Company and promote its deep integration with production and operation.**

**① Strengthen the political construction of the Party and continuously raise the political position.**

The Party Committee of the Company will lead the Party members and cadres at all levels to carry out continuous in-depth study on Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, firmly set up "four consciousnesses", persist in "four confidences" and be resolute in "two maintenances" under the leadership of political construction. Deeply understand the important instructions of the General Secretary Xi Jinping on strengthening the political construction of the Party, insist on the concept of "working for the Party in economic field", and consciously keep consistent with the Party Central Committee in both thought and action. Continuously enhance the political awareness and raise the political position.

**② Solidly carry out the thematic education of "never forget the original intention and keep the mission in mind", and break through the highlighted problems in combination with the company development.**

According to the requirements of the Party Central Committee and the unified arrangement of higher Party organizations, solidly carry out the thematic education of "never forget the original intention and keep the mission in mind", study and discuss Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the Company's development strategy positioning in various forms

such as study class, special tutoring and seminar; identify the problems existing in the Company's development and operation management in forms of investigation, grass-roots research, special investigation and symposium in professional field; formulate the solving ideas, measures and rectification plans for immediate action. Insist on interpenetration and integration of education, investigation, problem inspection, rectification and implementation, to ensure interpenetration of studying, thinking and application, and unification of knowing, believing and action.

Enable all Party members and employees to get a further understanding of the deficiencies of each unit in terms of thinking, politics, work style, capability and operation management by "insisting on original intention, assuming the mission, finding the differences and urging the implementation", further conduct the operation pressure level by level, further enhance the sense of crisis, mission and urgency of all Party members and employees in deepening the reform, further guide the cadres and employees to transform the ideas, deepen the understanding and recognize the deficiencies to make practical changes and carry out operation management in a refined, practical and detailed manner.

Give play to the role of Party construction in promoting cost decreasing and benefit increasing, safety management and problem solving. With the "three activities" of Labor Union and League as the carrier, give play to the role of Party organization in the organization, initiation and cohesion of cost decreasing and benefit increasing. The grassroots Party branch carries out thematic practical activity centered on cost decreasing and benefit increasing, to provide ideas and methods for cost decreasing and benefit increasing. For Lingshui 17-2 and other key and difficult projects, temporary Party branch is established to lead the project team in solving difficult problems, so as to guarantee orderly progress of the project. Through such effective practices, the Party construction work is closely combined with the production for co-sharing of objectives, exerting force jointly and mutual promotion.

#### **Fourth, strengthen tackling key problems in deepwater and underwater technologies, and promote the application of digital technology.**

Equipment and engineering technology for submerged production system of Bohai Bay Oil and Gas Field are developed. Some oil and gas fields in shallow waters of China are subject to special restrictions of military management and channel influences, so the Company designed and formed a whole set of development scheme of submerged production system for shallow-water oil and gas field under the premise of guaranteeing intrinsic safety, and developed dedicated subsea manifold, subsea distribution unit, subsea connection system, subsea safety protection devices and other key domestic equipment for shallow-water oil and gas field, to provide domestic solutions for applying submerged production system in shallow-water oil and gas field in China.

The Company made breakthroughs in Christmas tree installation capability, finished the design of installation scheme for 7 sets of horizontal Christmas tree with a water depth of 720 m for Lihua 29-1 Project, successfully finished the installation of Christmas tree according to the design scheme, and achieved the performance of quick and efficient deepwater Christmas tree installation with DP engineering vessel.

Great progress is made in deepwater design technology. Based on the technical needs of Lingshui 17-2, Lihua 29-1, Lihua 16-2 and other deepwater projects, progress is made in the detailed design technology of deepwater subsea pipeline, deepwater riser and deepwater production system, to provide technical support for the implementation of three deepwater projects.

Digital and intelligent technologies are gradually applied. It autonomously finished the simulation of offshore floating installation of Dongfang 13-2 and Central Bohai Bay 34-9 projects, and carried out scheme verification, process rehearsal and safety evaluation through digital simulation in advance, to provide powerful technical guarantee for safe and efficient completion of the project. The construction of safe and intelligent system is stably carried out. Relying on Lihua 16-2 Project, personnel positioning and control system is practiced to master the personnel positioning and man-hour statistics information in the FPSO cabin of Lihua 16-2 Project, to provide powerful guarantee for work safety and project control.

#### **(i) Analysis on major business**

##### **1. Analysis on changes of relevant items in financial statement**

Unit: Yuan

Currency: RMB

Item	Amount in current period	Amount in same period of previous	Change ratio (%)
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		year	
Operating income	4,559,416,187.87	3,575,719,177.21	27.51
Operating cost	4,674,949,249.88	3,506,959,304.60	33.30
Sales cost	10,546,467.88	4,489,351.56	134.92
Administration expense	94,312,071.37	106,162,056.84	-11.16
Financial expense	-7,002,261.22	-3,515,651.89	Inapplicable
R&D expense	115,317,587.04	116,890,968.23	-1.35
Net cash flow from business operation	39,706,182.24	-1,630,748,043.48	Inapplicable
Net cash flow from investment activities	12,000,549.72	-323,835,407.63	Inapplicable
Net cash flow from financing activities	-221,555,601.11	-91,067,740.00	Inapplicable
Net profits attributable to shareholders of the parent company	-714,096,225.86	-182,410,322.88	Inapplicable

Causes for operating income change: in the report period, the Company achieved operating income of RMB 4.559 billion, showing a year-on-year increase of RMB 984 million, viz. 27.51%, mainly because that the workload finished by the Company quickly increased along with the accumulation of in-hand orders, esp. some large-scale projects that enter into construction peak. Among them, 86,300 structural tons of steels were processed for onshore construction, showing a year-on-year increase of 75%, and 6,500 operation ship-days were input, showing a year-on-year increase of 34%. Such increase in total workload ensures the growth of operating income.

Causes for operating cost change: the operating cost was RMB 4.675 billion, showing a year-on-year increase of RMB 1.168 billion, viz. 33.30%, mainly because that: first, the year-on-year increase of workload naturally led to the increase of operating cost scale; second, the gross profit rate of projects were at a low level; third, the loss in Saudi Arabia 3648 Offshore Transportation & Installation Project also contributed to the cost increase.

Causes for selling expense change: the selling expense was RMB 10,546,500, showing a year-on-year increase of RMB 6,057,100, viz. 134.92%, mainly because that the Company increased the selling personnel allocation and strengthened the market development.

Causes for management cost change: management cost was RMB 94 million, showing a year-on-year decrease of RMB 12 million, viz. 11.16%, mainly because that the Company took various cost reduction measures to ensure strict control over the management expense expenditure.

Causes for financial expense changes: the financial expense was RMB -7.0023 million, showing a year-on-year decrease of RMB 3.4866 million, mainly because that exchange net loss of the current period decreased by RMB 31 million compared with the same period of last year due to the influence of exchange rate fluctuation, and the interest income decreased by RMB 29 million compared with the same period of last year.

Causes for R&D expense change: R&D expenditure was RMB 115 million, basically equal to that of the same period of last year, but seen from the whole-year project R&D arrangement, the R&D expenditure was mainly centralized in the second half with a few in the first half.

Causes for changes in net cash flow from business operation: the net cash flow from business operation was about RMB 40 million, showing a year-on-year inflow increase of RMB 1.670 billion, mainly because that: (1) the Company gradually collected the project fund and advance payment, which made the inflow of business operation increase by RMB 2.131 billion compared with the same period of last year; (2) with the stable progress of projects, cash outflow of business operation increased by RMB 460 million compared with the same period of last year.

Causes for changes in net cash flow from investment activities: net cash flow from investment activities was RMB 12 million, showing a year-on-year increase of RMB 336 million, mainly because that: (1) the cash paid for purchasing fixed assets, intangible assets and other long-term assets decreased by RMB 320 million compared with the same period of last year; (2) the cash from investment income in the

current period increased by RMB 34 million compared with the same period of last year; (3) the net cash flow affected by purchasing and recovering bank financial products in the current period was RMB 9 million, showing a year-on-year cash inflow of RMB 17 million. All the above factors jointly led to the increase in net cash flow from investment activities.

Causes for changes in net cash flow from financing activities: net cash flow from financing activities was RMB -222 million, showing a year-on-year net cash outflow increase of RMB 130 million, mainly because that the entrusted loan of RMB 130 million allocated by China National Offshore Oil Corporation was received in the same period of last year, but there was no relevant matters in the current period.

Causes for changes in net profit attributable to the shareholders of the parent company: the net profit attributable to parent company was RMB -714 million, showing a year-on-year decrease of RMB 532 million, mainly because that: on one hand, the order price was low and overall gross profit rate was low, with no profit increase despite of the income increase; on the other hand, the main-force engineering vessel of Saudi Arabia 3648 Offshore Transportation & Installation Project dispatched to Saudi Arabia for ship survey was not reviewed timely by the Client and relevant departments, which led to delay of offshore operation time and extension of contract duration, resulting in a loss of RMB 166 million in the report period. Moreover, a contract impairment loss of RMB 394 million was withdrawn according to *Accounting Standards for Business Enterprises*, which jointly led to total profit loss of RMB 560 million.

## 2. Others

### (1) Detailed description of company profit component and major profit source change

Applicable  Inapplicable

### (2) Others

Applicable  Inapplicable

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

Applicable  Inapplicable

Item	Amount in current period	Amount in same period of previous year	Unit: Yuan		Currency: RMB
			Change ratio (%)	Whether sustainable	
Other incomes	15,698,143.74	26,632,681.77	-41.06		The sustainability of profit cannot be guaranteed
Investment income	9,120,643.59	-3,461,276.38	Inapplicable		The sustainability of profit cannot be guaranteed
Income from changes in fair value	0	-22,658,812.72	Inapplicable		The sustainability of profit cannot be guaranteed
Credit impairment loss	-13,311,657.75	0	Inapplicable		The sustainability of profit cannot be guaranteed
Assets impairment loss	-395,930,275.88	-1,670,444.76	Inapplicable		The sustainability of profit cannot be guaranteed
Income tax expenses	-28,347,777.81	1,009,525.05	-2,908.03		The sustainability of profit cannot be guaranteed

Reasons for change:

Other income was RMB 15,698,100, showing a year-on-year decrease of RMB 10,934,500, mainly because that Shenzhen Subsidiary received S&T innovation subsidy and supporting project subsidy of RMB 13 million in the same period of last year, but there was no such matter in the current period.

The Investment income was RMB 9.1206 million, showing a year-on-year increase of RMB 12,581,900, mainly because that: (1) bank financing income of the Company in the current period was RMB 66 million, showing a year-on-year increase of RMB 25 million; (2) loss of COOEC Fluor Heavy Industries Co., Ltd. in the report period showed a year-on-year increase, and the investment loss confirmed by Offshore Oil Engineering (Zhuhai) Co., Ltd. increased by RMB 12 million. Both the above factors jointly led to the increase in investment income of the current period after offsetting.

Change in fair value earnings was RMB 0, showing a year-on-year increase of RMB 22,658,800, mainly because that Qing Dao Subsidiary locked the exchange settlement contract of USD 0.1 billion and a loss of RMB 23 million occurred in fair value earnings due to dollar appreciation; but there was no such matter in the current period.

Credit impairment loss was RMB -13,311,700, showing a year-on-year increase of RMB 13,311,700, mainly because that provision for bad debt in the current period was listed in credit impairment loss item according to new accounting standards of financial instruments, but it was listed in assets impairment loss item in the same period of last year.

The assets impairment loss was RMB -396 million, showing a year-on-year increase of 394 million, mainly because that a contract impairment loss of RMB 394 million was withdrawn for Saudi Arabia 3648 Offshore Transportation & Installation Project under construction expected to have loss according to the standard of construction contracts, but there was no such matter in the same period of last year.

Income tax expense was RMB -28,347,800, showing a year-on-year decrease of RMB 29,357,300, viz. 2,908.03%, mainly due to the expanded loss in the report 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 (%)
Accounts receivable	2,244,827,532.29	7.68	4,186,332,475.43	13.89	-46.38
Advance payment	178,937,299.52	0.61	119,263,733.62	0.40	50.03
Other receivables	220,483,498.37	0.75	98,783,571.36	0.33	123.20
Inventory	4,159,026,123.40	14.23	2,898,116,191.04	9.61	43.51
Available-for-sale financial assets	0	0.00	158,099,778.00	0.52	-100.00
Projects under construction	523,952,705.86	1.79	2,381,041,517.05	7.90	-77.99
Employee salary payable	162,697,788.23	0.56	277,872,237.15	0.92	-41.45
Estimated liabilities	417,626,038.92	1.43	105,746,387.29	0.35	294.93
Other comprehensive income	66,397,860.47	0.23	47,540,172.61	0.16	39.67

**Other description**

The accounts receivable were RMB 2.245 billion, showing a decrease of RMB 1.942 billion compared with that at the end of last year, viz. 46.38%, mainly because that the Company enhanced the collection and settlement of engineering projects and input more efforts in collection.

The advance payment was RMB 179 million, showing an increase of RMB 60 million compared with that at the end of last year, viz. 50.03%, mainly due to the advance payment of purchasing materials for production projects.

Other receivables were RMB 220 million, showing an increase of RMB 122 million compared with that at the end of last year, viz. 123.20%, mainly because that the indemnity receivable from Ping An Insurance Company was not actually received.

The inventory was RMB 4.159 billion, showing an increase of RMB 1.261 billion compared with that at the end of last year, viz. 43.51%, mainly because of the increased projects that have been completed but unsettled.

Available-for-sale financial assets was RMB 0, showing a decrease of RMB 158 million compared with that at the end of last year, viz. 100%, mainly because that the new accounting standards of financial instruments were implemented in the current period, and the items listed in available-for-sale financial assets item was transferred to other equity instruments investment in the current period.

The total asset value of projects under construction was RMB 0.524 billion, which showed a decrease of RMB 1.857 billion compared with that at the end of last year, viz. 77.99%, mainly because that the net asset value of RMB 2.084 billion was transferred into fixed asset after the transformation of "Offshore Oil 201" was completed.

The employee salary payable was RMB 163 million, showing a decrease of RMB 115 million compared with that at the end of last year, mainly due to the decreased employee salary payable resulted from the withdrawn year-end bonus of last year issued in the current period.

The expected liabilities were RMB 418 million, showing an increase of RMB 312 million compared with that at the end of last year, viz. 294.93%, mainly because that the part completed but unsettled beyond Saudi Arabia 3648 Offshore Transportation & Installation Project that has a contract impairment loss of RMB 394 million withdrawn was included into the expected liabilities.

Other comprehensive incomes were RMB 66 million, showing an increase of RMB 19 million compared with that at the end of last year, viz. 39.67%, mainly because the after-tax price fluctuation of stock of Lanpec Technologies held resulted in RMB 17 million and converted difference in foreign currency statements resulted in RMB 2 million.

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

Applicable  Inapplicable

**3. Other descriptions**

Applicable  Inapplicable

**(iv) 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 17,770,000 shares, showing no change in the report period, and the shareholding proportion is 5.01%.

Unit: 10,000 Yuan Currency: RMB

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	ST Lanpec	3,668.41	5.01	5.01	10,697.54	0	1,954.70	Other equity instruments investment	Investment in original issue stock
Total		3,668.41	/	/	10,697.54	0	1,954.70	/	/

**(v) Significant assets and equity offering**

Applicable  Inapplicable

**(vi) 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	571,143.36	411,749.34	-7,937.83	100%
2	Offshore Oil Engineering (Qing Dao) Co., Ltd.	300,000.00	Construction, installation, design and maintenance, etc. of offshore oil and gas engineering	626,567.90	461,823.56	-7,952.54	100%
3	Offshore Oil Engineering	395,000.00	Construction, installation,	399,717.76	386,107.59	-5,123.83	100%

	(Zhuhai) Co., Ltd.		design and repair of offshore oil and gas engineering				
4	COOEC International Engineering Co., Ltd	6,000.00	EPCI contract and specialized contract	17,163.61	4,691.83	14.84	100%
5	PT. COOEC Indonesia	195.21	Oil and gas field development and repair service business	9,249.67	8,340.55	-160.74	100%
6	COOEC Nigeria Limited	54.88	Contract, design, installation, repair and relevant business of offshore oil and gas filed development engineering	60.91	32.54	-	100%
7	COOEC NIGERIA FZE	Inapplicable	Set for the implementation of Nigeria Dangote Project	42,704.76	228.26	121.22	100%
8	A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	114.57	Nondestructive testing and welding experiments	1,145.78	886.29	-164.84	90%
9	Lanhai International Limited	669.81	EPCI contract of offshore oil engineering	673.82	673.61	-	100%
10	COTEC INC.	956.87	EPCI contract of offshore oil engineering	884.38	508.81	-655.85	70%
11	Beijing Gaotai Deep-sea Technologies Co., Ltd.	500.00	Consulting services for deep-sea engineering	4,624.96	2,438.33	70.06	70%
12	COOEC International Co., Limited	669.11	EPCI contract and design, construction and installation, etc. of oil and	121,609.27	41,431.87	562.89	100%

			gas development engineering				
13	COOEC CANADA COMPANY LTD.	2,067.66	Design, procurement, construction and installation of oil and gas engineering	20,797.06	3,606.24	2,509.39	100%
14	COOEC (Thailand) Co., Ltd.	283.04	Project contracting	1,692.25	286.36	-201.99	100%
15	COOEC Brasil Offshore Ltda.	314.30	Project contracting	228.99	228.99	-91.28	100%

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

In the first half of 2019, Offshore Oil Engineering (Qing Dao) Co., Ltd. gained the operating income of RMB 1.148 billion, with operating profit of RMB -92 million and net profit of RMB -80 million, accounting for more than 10% of the combined net profit of the Company. As the projects executed in the current period was signed in the trough period of the industry, the gross profit rate was generally low, leading to a great decline in the net profit compared with RMB 78 million in the same period of last year.

In 2019, COOEC SUBSEA TECHNOLOGY CO., LTD. gained the operating income of RMB 674 million, with operating profit of RMB -94 million and net profit of RMB -79 million, accounting for more than 10% of the combined net profit of the Company. It showed a year-on-year net profit decline of RMB -48 million, mainly because of low gross profit rate of projects in the report 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.

**(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.

**(vii) Structured entity controlled by the Company**

Applicable  Inapplicable

**II. Other matters to be disclosed****(i) Warning and description for expected loss or major year-on-year change of cumulative net profit from the beginning of the year to the end of next report period**

Applicable  Inapplicable

**(ii) Potential risks**

Applicable  Inapplicable

**1. Risks brought by international operation**

For the short-time participation in international market, international talents are relatively insufficient, the international project operation experiences and risk prevention and control ability are insufficient, the understanding toward the international project operation rules, local policies and technical standards is not thorough, so geopolitics, policies, marine environment, and remote resource allocation of different kinds in different countries or regions may bring risks in operation of international projects.

Countermeasures: first, we will strengthen the cultivation and training of international talents with emphasis on improving the business ability of employees in international business, procurement, technology and management; second, enhance research and analysis, get knowledge on the trend of industry development and policies, analyze and identify the risk points in overseas project operation in a scientific and comprehensive manner, and develop targeted countermeasures; third, further perfect the overseas establishment framework and enhance the resource allocation capability to continuously perfect the overseas project management and control system.

**2. Implementation risks in engineering project**

Offshore oil and gas field development project of the Company is stepping toward the deepwater area above 300 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 techniques in reserves and construction of deepwater equipment, accumulate more experiences in actual operation of deepwater projects, raise the deepwater engineering technology level as quickly as possible, and increase management and construction experiences, so as to reduce construction risks.

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

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

Countermeasures: regard safety management as the top priority of the Company and pay close attention to severe weather as typhoon for tracking and preparation, prevent the emergencies earlier, track closely and report timely, and start the emergency response to cut losses at the lowest level.

**4. Risks in exchange rate fluctuation**

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

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

**(iii) Other matters to be disclosed**

Applicable  Inapplicable

## Section V Important Matters

### I. Brief introduction to the shareholders meeting

Session	Date	Index of query on specified website where the resolution is published	Disclosure date of published resolution
Shareholders Meeting of COOEC in 2018	May 17, 2019	The website of the Shanghai Stock Exchange: www.sse.com.cn	May 20, 2019
The 1st Extraordinary Shareholders Meeting of COOEC in 2019	June 25, 2019	The website of the Shanghai Stock Exchange: www.sse.com.cn	June 26, 2019

Description to the shareholders meeting

Applicable  Inapplicable

### II. Plan on profit-sharing or capital reserve capitalization

#### (i) The proposed semi-annual profit-sharing plan and the plan of transferring public accumulation fund to capital stock

Whether shared or transferred	No
No. of presented bonus every 10 shares (shares)	0
No. of dividend every 10 shares (including tax)	0
Capitalizing No. every 10 shares (shares)	0

### III. 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	Date of commitment : August 15, 2001, duration: existence of the Company.	No	Yes

			now or in the future and shall not hold activities in any way which might reduce the Company's benefits.			
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#### IV. Recruitment and decruitment of accounting firms

Recruitment and decruitment of accounting firms

Applicable Inapplicable

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

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

Changing the accounting firm during audit

Applicable Inapplicable

Statement on "Non-standard Audit Report" of accounting firm from the Company

Applicable Inapplicable

Statement of the Company on "Non-standard Audit Report" issued by certified public accountant for the financial report in semi-annual report

Applicable Inapplicable

#### V. Bankruptcy and reorganization matters

Applicable Inapplicable

#### VI. Significant litigation or arbitration

There's significant litigation or arbitration occurred to the Company in the report period.  There's no significant litigation or arbitration occurred to the Company in the report period.

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

Applicable Inapplicable

#### VIII. 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.

**IX. Condition and impact of Company stock incentive plan, employee stock ownership plan or other employee incentive measures**

**(i) Equity 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**

IV. Equity incentive

Applicable  Inapplicable

Other description

Applicable  Inapplicable

Employee stock ownership plan

Applicable  Inapplicable

Other incentive measures

Applicable  Inapplicable

**X. Significant connected transaction**

**(i) Transaction 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

**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 connected 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.	534,395,295.90	534,395,295.90	11.43	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.	118,953,674.42	118,953,674.42	2.54	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.	28,618,219.22	28,618,219.22	0.61	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.	15,033,066.30	15,033,066.30	0.32	Normal clearing according to the contract agreement
China National Offshore Oil	Parent company	Accepting labor service	Provide house leasing, software	Determine contract price by tendering	10,539,375.42	10,539,375.42	0.23	Normal clearing

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Corporation			use and other services for the Company	based on market principle.				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.	8,431,767.83	8,431,767.83	0.18	Normal clearing according to the contract agreement
CNOOC Industrial Co., Ltd.	Wholly owned subsidiary of parent company	Accepting labor service	Provide the Company with following services: real estate, engineering subcontracting, fuel, water & power, etc.	Determine contract price by tendering based on market principle.	6,359,759.87	6,359,759.87	0.14	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.	2,262,618.11	2,262,618.11	0.05	Normal clearing according to the contract agreement
CNOOC 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.	731,845.14	731,845.14	0.02	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.	592,011.07	592,011.07	0.01	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	Provide water, electricity and other services for the Company	Determine contract price by tendering based on market principle.	518,582.34	518,582.34	0.01	Normal clearing according to the contract

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		utilities (purchase)						agreement
CNOOC Nanhai West Corporation	Wholly owned subsidiary of parent company	Accepting labor service	Provide house leasing and other services for the Company	Determine contract price by tendering based on market principle.	467,400.01	467,400.01	0.01	Normal clearing according to the contract agreement
China Blue Chemical Ltd.	Holding subsidiary of parent company	Accepting labor service	Provide the Company with engineering subcontracting	Determine contract price by tendering based on market principle.	30,362.38	30,362.38	0.00	Normal clearing according to the contract agreement
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.	752,550.00	752,550.00	0.02	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.	2,835,786,486.48	2,835,786,486.48	62.20	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.	219,235,935.75	219,235,935.75	4.81	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,	Determine contract price by tendering based on market principle.	5,632,030.19	5,632,030.19	0.12	Normal clearing according to the contract agreement

			construction, etc. for related parties					
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.	5,630,040.48	5,630,040.48	0.12	Normal clearing according to the contract agreement
CNOOC Energy Technology & Services Limited	Holding subsidiary of parent company	Providing labor service	The Company provides specialized services such as design, installation, construction, etc. for related parties	Determine contract price by tendering based on market principle.	19,847.00	19,847.00	0.0004	Normal clearing according to the contract agreement
Total				/	/	3,793,990,867.91	82.82	/
Details of large sales returns			Inapplicable					
Description of connected transactions			<p>(1) Main content of connected transactions</p> <p>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</p> <p>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</p> <p>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**

**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

**4. 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**

**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

**(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) Other significant connected transaction**

Applicable  Inapplicable

**(vi) Others**

Applicable  Inapplicable

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

**XI. Significant contracts and corresponding performances****1. Trusteeship, contracting and leasing**

Applicable  Inapplicable

**2. Guarantee**

Applicable  Inapplicable

Unit: \$100,000,000 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's guarantee to its subsidiaries	
Total guarantee accrual to subsidiaries in the report period	3.64
Total guarantee balance to subsidiaries at end of report period (B)	11.69
Total guarantee amount of the Company (including guarantee to subsidiary company)	
Total guarantee amount (A + B)	11.69
Proportion (%) of total guarantee amount net asset of the Company	36.54
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
Guarantee	<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 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 Qing Dao Subsidiary. 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</p>

published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on July 25, 2014 and September 17, 2014 respectively)

(2) As approved upon deliberation by the 19th Meeting of the 5th Board of Directors held on July 6, 2016, the Company provides parent company guarantee for Qing Dao Subsidiary 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on July 8, 2016)

(3) As approved on the 26th Meeting of the 5th Board of Directors on March 17, 2017, the Company would reissue three performance guarantees for three columns of modules involved in Yamal project of Qing Dao Subsidiary, 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on March 21, 2017)

(4) Upon approval on the 9th Meeting of the 6th Board of Directors of the Company held on May 21, 2018, the Company issued parent company guarantee for Nexen LLSW (Long Lake Southwest) EPC Project undertaken by Offshore Oil Engineering (Canada) Co., 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on May 22, 2018)

(5) Upon approval on the 10th Meeting of the 6th Board of Directors of the Company held on August 17, 2018, the Company issued a performance bank guarantee and an advance payment guarantee for 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 the longest guarantee period adjusted 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on August 21, 2018)

(6) Upon approval on the 14th Meeting of the 6th Board of Directors of the Company held on March 22, 2019, the Company issued parent company guarantee for two platforms dismantling of Thailand SKL-Block C Project

	<p>undertaken by its subsidiary COOEC (Thailand) Co., Ltd., with the guarantee amount of CAD 8.15 million and guarantee period from the date of issuing till January 31, 2021. The above guarantee does not have to be submitted to the general shareholders' meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on March 26, 2019)</p> <p>(7) As approved upon deliberation by the 17th Meeting of the 6th Board of Directors held on June 6, 2019, the Company issued parent company guarantee for the LNG module construction contract signed with JGC Corporation - Fluor by Qing Dao Subsidiary. The guarantee amount is RMB 2.449 billion and guarantee period is from the issue date to September 15, 2025. Commitments as above have been reviewed and approved by the 1st extraordinary shareholders meeting of 2019 held on June 25, 2019. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on www.sse.com.cn, website of Shanghai Stock Exchange on June 7, 2019 and June 26 respectively)</p> <p>Guarantees released in 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 Qing Dao Subsidiary as well as letter of commitment for the bank guarantee that Qing Dao Subsidiary 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) The Company issued parent company guarantee for Qing Dao Subsidiary'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 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>The above two guarantees have been due and released.</p>
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### 3. Other significant contracts

Applicable    Inapplicable

Payer	Content of contract	Contract amount	Cumulative payment amount by the end of June 2019
China National Offshore Oil Corporation	Contract of offshore oil engineering	RMB 14.169 billion	RMB 6.687 billion
TUPI B.V.	FPSO Project	RMB 4.007 billion	RMB 2.646 billion

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

## XII. Poverty alleviation work of listed companies

Applicable Inapplicable

### 1. Planning of targeted poverty alleviation

Applicable Inapplicable

### 2. Summary of targeted poverty alleviation in the report period

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, assistantship and other relief actions, providing support for science, education, culture, health and sports and other public welfare, serving the society and other youth volunteer activities. The total investment amount achieved RMB 173,000 in the first half of 2019.

#### (1) Poverty alleviation work

Management level of the Company visit five party members and five worker's families in difficulties in this city just before the Spring Festival, 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 173,000.

#### (2) Hope primary school consolation & assistance and voluntary work

In the second half of 2019, the Company plans to organize consolation & assistance of two hope primary schools, Tongzhaizi Primary School and Xiaotangtougou Primary School in Longhua County, Hebei Province, reward merit students and prominent teachers, and assist students in difficulties.

#### (3) Community charitable contribution

Qing Dao Subsidiary of the Company established the COOEC naming sponsorship fund of RMB 3.5 million for 2019-2021, during which 3% added value of the fund (RMB 105,000) is donated annually to Charity Federation of Qingdao Economic and Technical Developing Zone for the purpose of nursery education. It is planned to donate RMB 105,000 in the second half of 2019.

### 3. Performance of targeted poverty alleviation

Applicable Inapplicable

Unit: 10,000 Yuan Currency: RMB

Indicators	Quantity and implementation
I. General condition	
1. Capital	17.3
2. Materials converted into cash	
3. Number of registered workers overcoming poverty with help (people)	8
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	
5. Poverty alleviation on health	
6. Poverty alleviation on ecological protection	
7. Safeguard measures	Help poverty workers
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	17.3
7.4 Number of poverty disabled getting help (people)	27
8. Social poverty alleviation	
9. Other items	

#### 4. Staged fulfillment of social responsibility for targeted poverty alleviation

Applicable  Inapplicable

#### 5. Subsequent targeted poverty alleviation plan

Applicable  Inapplicable

#### XIII. Convertible corporate bonds

Applicable  Inapplicable

#### XIV. Environmental information

##### (i) 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 Qingdao, Shandong in 2019. The supervision items involve water environment, atmospheric environment and soil environment. The main pollutants of Qing Dao Subsidiary include domestic sewage of plant area, organic waste gas generated by coating work and dangerous waste generated in production.

(1) The process and reason of pollutants forming:

① Wastewater refers to domestic sewage of Qing Dao Subsidiary with no production wastewater. Domestic sewage mainly contains the following pollutants: COD (chemical oxygen demand), ammonia nitrogen, suspended matter, etc. The reason why Qing Dao Subsidiary 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 under supervision.

② Pollutants in waste gas mainly include benzene, toluene, xylene, non-methane total hydrocarbon (NMHC) and particles. It is mainly due to the welding fume during production and operation, grinding dust, the particle dust during sand blasting, and organic waste gas generated during painting and drying. Although the emission concentration meets the standard and relevant provisions, the large annual paint application amount leads to high waste gas emission, so Qing Dao Subsidiary is listed as the key unit under supervision.

③ Dangerous waste mainly refers 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 Qing Dao Subsidiary is listed as the key soil unit by local environment protection department. However, Qing Dao Subsidiary attaches high importance to waste management and is free from soil pollution due to waste leakage till now.

(2) Mode of pollutant discharge:

① The domestic sewage generated by Qing Dao Subsidiary shall be pretreated by the integrated sewage treatment equipment in the plant area to meet the Class A standard of *Wastewater Quality Standards for Discharge to Municipal Sewers* (GB/T31962-2015), and then discharged into the municipal sewage pipeline to enter the Nibuwan Sewage Treatment Plant. Online sewage monitoring system is installed in the plant area of Qing Dao Subsidiary and interconnected with local environmental protection bureau for 24 hours a day.

② Welding fume and grinding dust generated during the production of Qing Dao Subsidiary shall be collected by exhaust gas collection arm and mobile welding purification unit that is configured with electrostatic precipitator. Metallic oxide dust generated during shot blasting shall be treated by secondary dedusting with cyclone filter cartridge, and then discharged by exhaust funnel of 25 m high after it reaches the standard. The painting dust generated is purified by the dry filter unit of the painting production line. The treated organic waste gas and the organic waste gas from drying section enters into the combustion unit with propane used as the hot resource for catalytic combustion, and the heat energy is reused and dried. Then the waste gas is discharged by the exhaust funnel of 25 m high.

③ For disposal of waste possible of causing soil pollution, Qing Dao Subsidiary totally entrusted the third-party unit qualified for hazardous waste disposal. Before disposal, the hazardous waste is temporarily 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.

(3) Discharge concentration and total amount:

① Organized waste gas discharge:

Benzene: 0.58 kg;

Toluene: 72.92 kg;

Xylene: 2.33 kg;

NMHC: 1.521 t;

Total discharge of particulate matter: 1.33 t.

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

② Discharge amount of waste water:

Water discharge: 28,800 t;

COD discharge concentration: 69.4 mg/L, total COD discharge: 2 t;

Ammonia-nitrogen discharge concentration: 13.4 mg/L; total ammonia-nitrogen discharge: 0.38 t;

SS discharge concentration: 61 mg/L, total SS discharge: 11 t;

It needs explanation that domestic sewage of Qing Dao Subsidiary 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.

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

(5) Discharge beyond the standard: none.

(6) Pollutants discharge standard executed: organic waste gas emission shall follow the relevant standards in Table 1 of *Emission Standard of Volatile Organic Compounds - Part 5: Surface Coating Industry* (DB37/2801.5-2018); organized particulate matter emission shall follow relevant standards in Table 1 (Limit on Emission Concentration of Air Pollutants (Phase III)) of *Shandong Province Regional Air Pollutants Emission Standards* (DB37/2376-2013); unorganized particulate matter emission shall follow relevant standards in Table 2 of *Integrated Emission Standard of Air Pollutants* (GB16297-1996);

wastewater discharge shall follow the Class A standards in *Wastewater Quality Standards for Discharge to Municipal Sewers* (GB/T31962-2015).

In the report period, Qing Dao Subsidiary was free from environmental pollution accident.

## **2. Construction and operation of facilities for pollution prevention and control**

Applicable   Inapplicable

A set of integrated sewage treatment equipment with a capacity of 200 t/a is configured in the plant area of Qing Dao Subsidiary, and the treated effluent meets the Class A standard of *Wastewater Quality Standards for Discharge to Municipal Sewers* (GB/T31962-2015).

All the coating workshops in the plant area are 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

Qing Dao Subsidiary 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

Qing Dao Subsidiary prepares independent environmental monitoring plan and submits to the Headquarters of COOEC for approval.

## **6. Other environmental information should be disclosed**

Applicable   Inapplicable

### **(ii) Environmental protection of companies other than main pollutant discharging companies**

Applicable   Inapplicable

#### **Environmental protection condition of ships of the Company**

By the end of the report period, the Company 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 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 a harmonious 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) Reformation project for domestic sewage zero release from large-scale ships

In accordance with the requirements of *Regulations of Lead Sealing Management of Ship Sewage Disposal Equipment in Coastal Area* (JHF [2007] No. 165), oily sewage from ships of the Company is

disposed in the principle of zero 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 *Discharge Standard for Water Pollutants from Ships* (GB 3552-2018) and carries out transformation plan for the domestic sewage system of the eight self-owned ships.

#### 2) 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.

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

The ship safety management system of the Company puts forward clear requirements for ship garbage and oily sewage. At present, all garbage and oily water are received by qualified professional company, the receiving certificate conforming to the requirements of maritime authorities provided. Filling vehicle is adopted for garbage and oily water receiving at wharf or onshore site, while ship is used for offshore site and places unable to receive.

#### 4) Emergency management

All ships of the Company are provided with the *Garbage Management Plan (GMP)* and *Shipboard Oil Pollution Emergency Plan (SOPEP)* approved by the China MSA, which are mandatory for all ship-related operations.

The Company carries out exercises within the offices and ships regularly to improve the Company and staff emergency response and on-site disposal capacity and reduce the impact on the environment.

### **(iii) Reasons for non-disclosure of environmental information by companies other than main pollutant discharging companies**

Applicable  Inapplicable

### **(iv) Subsequent progress and changes of the environment information disclosed in the report period**

Applicable  Inapplicable

## **XVI. Other significant matters**

### **(i) Changes in accounting policy, accounting estimate and accounting method compared with last accounting period, as well as the reasons and influences**

Applicable  Inapplicable

It is required to implement *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24 - Hedge Accounting*, and *Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments* (2017 Revision) revised by Ministry of Finance in 2017, and companies listed within Chinese territory are required to implement these standards since January 1, 2019. The Company will implement since the date of issuing the regulation. It is stipulated in the Accounting Standard that, for the financial instruments not derecognized on the first execution day and the previous recognition and measurement is inconsistent with the requirements in the revised Accounting Standard, retroactive adjustment is required. Those with financial statement data in early stage inconsistent with the requirements in the revised Accounting Standard need no adjustment.

The Company adjusts the cumulative affected number due to retroactive adjustment to the retained earnings and other comprehensive income at the beginning of the current year. The above accounting

policy changes have been approved upon deliberation at the 7th Meeting of the 6th Board of Directors held on March 27, 2018.

Major influences of executing the above standards on the Company:

The content and reason for change of accounting policy	Name and amount of report items influenced
(1) Due to changes of statement item name, the financial assets (financial liabilities) that are measured at the fair value and of which changes are included in the current profit and loss are reclassified into "transaction financial assets (liabilities)".	The affected amount of the current period is RMB 0.00.
(2) Available-for-sale equity instruments investment is reclassified into "financial asset measured at fair value with their changes included in the current profit and loss".	The affected amount of the current period is RMB 0.00.
(3) Non-transaction available-for-sale equity instruments investment is designated as "financial asset measured at fair value with their changes included in other comprehensive income".	Available-for-sale financial assets: decreased by RMB 158,099,778.00; Other equity instruments investment: increased by RMB 158,099,778.00.
(4) Available-for-sale debt instruments investment is reclassified into "financial asset measured at fair value with their changes included in other comprehensive income".	The affected amount of the current period is RMB 0.00.
(5) Available-for-sale debt instruments investment is reclassified into "financial assets measured at amortized cost".	The affected amount of the current period is RMB 0.00.
(6) Held-to-maturity financial investment reclassified into "financial assets measured at amortized cost".	The affected amount of the current period is RMB 0.00.
(7) Expected credit impairment loss is withdrawn for "financial assets measured at amortized cost" and "financial asset (debt instruments) measured at fair value with their changes included in other comprehensive income".	The affected amount of the current period is RMB 0.00.

2. It is required to implement the *Notice on Revising and Issuing of the Format of Financial Statements of General Enterprises in 2019* (CK [2019] No. 6) issued by the Ministry of Finance on April 30, 2019 to revise the format of financial statements of general enterprises.

The above accounting policy changes have been approved upon deliberation at the 18th Meeting of the 6th Board of Directors held on August 16, 2019.

Major influences of executing the above provisions on the Company:

The content and reason for change of accounting policy	Name and amount of report items influenced
(1) In the balance sheet, "notes and accounts receivable" is split into "notes receivable" and "accounts receivable"; "notes and accounts payable" is split into "notes payable" and "accounts payable"; the comparative data is adjusted accordingly.	"Notes and accounts receivable" is split into "notes receivable" and "accounts receivable". The amount of "notes receivable" is RMB 0.00 both at the end of the period and at the beginning of the year; "accounts receivable" is RMB 2,244,827,532.29 at the end of the period and RMB 4,186,332,475.43 at the beginning of the year; "Notes and accounts payable" is split into "notes payable" and "accounts payable". The amount of "notes payable" is RMB 0.00 both at the end of the period and at the beginning of the year; "accounts payable" is RMB 4,239,717,719.82 at the end of the period and RMB 3,940,765,468.72 at the beginning of the year;

The content and reason for change of accounting policy	Name and amount of report items influenced
(2) The item “wherein: derecognition of income for financial assets measured at amortized cost” is newly added under “investment income” in the profit statement. The comparative data is not adjusted.	The amount of “derecognition of income for financial assets measured at amortized cost” in the current period is RMB 0.00.
(3) In the profit statement, the “credit impairment loss” and “assets impairment loss” are adjusted as the added items of calculating operating profit, with the loss indicated by “-”. The comparative data is adjusted accordingly.	The amount of “credit impairment loss” (with the loss indicated by “-”) in the current period is RMB -13,311,657.75; the amount of “assets impairment loss” (with the loss indicated by “-”) in the current period is RMB -395,930,275.88, and that in the last period is RMB -1,670,444.76.

**(ii) Correction of major accounting errors needing tracing and restatement in the report period, as well as the amount, reason and influences**

Applicable  Inapplicable

**(iii) Others**

Applicable  Inapplicable

## Section VI Ordinary Share Changes and Shareholders

### I. Changes in share capital

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

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

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

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

Applicable  Inapplicable

##### 3. Influence of share change during the time after report period till the disclosure date of semi-annual report on financial indexes such as earnings per share and net asset value per share (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. Shareholders

#### (i) Total number of shareholders:

Total number of shareholders by the end of report period (nos.)	107,787
Total number of preferred shares shareholders with recovered voting right by the end of report period	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							
Shareholder's 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		Nature of shareholder
					Share status	Quantity	
China National Offshore Oil Corporation	0	2,138,328,954	48.36	0	None	0	State
CNOOC Nanhai West Corporation	0	294,215,908	6.65	0	None	0	State-owned legal-person

Hong Kong Securities Clearing Company Ltd.	109,588,737	168,524,233	3.81	0	None	0	Overseas legal person
China Securities Finance Co., Ltd.	0	124,653,942	2.82	0	None	0	State-owned legal-person
Central Huijin Asset Management Co., Ltd.	0	89,714,500	2.03	0	None	0	State-owned legal-person
Bosera Funds - Agricultural Bank of China - Bosera CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
E Fund - Agricultural Bank of China - E Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Dacheng Funds - Agricultural Bank of China - Dacheng CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Harvest Fund - Agricultural Bank of China - Harvest Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown

Guangdong Development Fund - Agricultural Bank of China - Guangdong Development Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Lombarda China Fund - Agricultural Bank of China - Lombarda China Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
China Asset Management - Agricultural Bank of China - China Asset Management CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Yinhua Fund - Agricultural Bank of China - Yinhua Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown

China Southern Fund - Agricultural Bank of China - China Southern Fund CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
ICBCCS Funds - Agricultural Bank of China - ICBCCS CSF Financial Assets Management Plan	0	36,704,400	0.83	0	None	0	Unknown
Shareholding of top 10 shareholders not subject to restrictions on sales							
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				
Hong Kong Securities Clearing Company Ltd.	168,524,233	RMB ordinary shares	168,524,233				
China Securities Finance Co., Ltd.	124,653,942	RMB ordinary shares	124,653,942				
Central Huijin Asset Management Co., Ltd.	89,714,500	RMB ordinary shares	89,714,500				

Bosera Funds - Agricultural Bank of China - Bosera CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
E Fund - Agricultural Bank of China - E Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Dacheng Funds - Agricultural Bank of China - Dacheng CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Harvest Fund - Agricultural Bank of China - Harvest Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Guangdong Development Fund - Agricultural Bank of China - Guangdong Development Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400

Lombarda China Fund - Agricultural Bank of China - Lombarda China Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
China Asset Management - Agricultural Bank of China - China Asset Management CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Yinhua Fund - Agricultural Bank of China - Yinhua Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
China Southern Fund - Agricultural Bank of China - China Southern Fund CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400

ICBCCS Funds - Agricultural Bank of China - ICBCCS CSF Financial Assets Management Plan	36,704,400	RMB ordinary shares	36,704,400
Particulars about connected relation or concerted action among the shareholders mentioned above	Among the top 10 shareholders, CNOOC Nanhai West Corporation is a wholly-owned subsidiary of and connected to CNOOC. It is unknown that whether there is connected relation or concerted action among other shareholders.		

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

**III. Changes in controlling shareholder or actual controller**

Applicable  Inapplicable

## **Section VII Particulars about Preferred Shares**

Applicable  Inapplicable

## Section VIII Directors, Supervisors, and Senior Managers

### I. Shareholding change

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

Applicable  Inapplicable

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

Applicable  Inapplicable

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

Applicable  Inapplicable

Name	Post	Change
Yu Yi	Chairman, and Secretary of the Party Committee	Elected
Yang Jinghong	Deputy Secretary of CPC	Engaged
Jin Xiaojian	Original Chairman and President	Former

#### Description on turnover of directors, supervisors and senior managers

Applicable  Inapplicable

Mr. Yu Yi was elected as the candidate director on the 15th Meeting of the 6th Board of Directors held on April 24, 2019, approved as the director of the Company at the Shareholders Meeting of 2018 held on May 17, 2019, and elected as the Chairman of the Company at the 16th Meeting of the 6th Board of Directors held on the same day.

Mr. Jin Xiaojian, the original President and Chairman of the Company resigned from all relevant posts on April 24, 2019 as he reached the legal retirement age.

### III. Other description

Applicable  Inapplicable

## **Section IX Relevant Condition of Corporate Bonds**

Applicable  Inapplicable

## Section X Financial Report

### I . Audit report

Applicable  Inapplicable

### II. Financial statements

#### Consolidated Balance Sheet

June 30, 2019

Prepared by: 海洋石油工程股份有限公司

Unit: Yuan

Currency: RMB

Item	Notes	June 30, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary capital	VII (i)	1,769,520,136.71	1,943,895,590.53
Settlement reserves			
Lending funds			
Transaction financial assets			
Financial asset measured at fair value with their changes included in the current profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII (ii)	2,244,827,532.29	4,186,332,475.43
Accounts receivable financing			
Advance payment	VII (iii)	178,937,299.52	119,263,733.62
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII (iv)	220,483,498.37	98,783,571.36
Wherein: interest receivable		2,762,703.55	4,931,006.22
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	VII (v)	4,159,026,123.40	2,898,116,191.04
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII (vi)	4,723,060,051.76	4,661,230,094.25
Total current assets		13,295,854,642.05	13,907,621,656.23
<b>Non-current assets:</b>			
Issued loans and advances			
Creditors' investment			
Available-for-sale financial assets			158,099,778.00
Other creditors' investment			

Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	VII (vii)	2,162,890,602.17	2,226,837,618.49
Other equity instruments investment	VII (viii)	177,646,778.00	
Other non-current financial assets			
Investment real estate			
Fixed assets	VII (ix)	11,146,876,132.16	9,565,140,378.45
Projects under construction	VII (x)	523,952,705.86	2,381,041,517.05
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	VII (xi)	1,140,940,746.99	1,156,963,479.71
Development expenditure			
Business reputation	VII (xii)	13,075,057.26	13,075,057.26
Long-term unamortized expenses	VII (xiii)	81,319,246.45	87,232,309.27
Deferred income tax assets	VII (xiv)	690,794,232.37	653,188,775.33
Other non-current assets			
Total non-current assets		15,937,495,501.26	16,241,578,913.56
Total assets		29,233,350,143.31	30,149,200,569.79
<b>Current liabilities:</b>			
Short-term loan			
Loans from the Central Bank			
Borrowing funds			
Transaction financial liabilities			
Financial liabilities measured at the fair value with the changes included in the current profit and loss			
Derivative financial Liabilities			
Notes payable			
Accounts payable	VII (xv)	4,239,717,719.82	3,940,765,468.72
Advance receipts	VII (xvi)	1,487,707,384.76	1,966,300,647.30
Financial assets sold for repurchase			
Accepting money deposits and due from banks			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee salary payable	VII (xvii)	162,697,788.23	277,872,237.15
Taxes payable	VII (xviii)	394,632,430.29	449,995,333.01
Other payables	VII (xix)	81,585,547.85	74,401,069.57
Wherein: interest payable			29,486.11

Dividends payable			
Handling charges and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	VII (xx)	7,295,528.48	7,300,330.85
Total current liabilities		6,373,636,399.43	6,716,635,086.60
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term loans	VII (xxi)	220,000,000.00	220,000,000.00
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	VII (xxii)	27,112,403.57	27,316,350.24
Employee salary payable for long-term			
Estimated liabilities	VII (xxiii)	417,626,038.92	105,746,387.29
Deferred income	VII (xxiv)	169,693,092.75	156,163,722.90
Deferred income tax liabilities	VII (xiv)	20,537,837.43	18,899,268.91
Other non-current liabilities			
Total non-current liabilities		854,969,372.67	528,125,729.34
Total liabilities		7,228,605,772.10	7,244,760,815.94
<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
Less: treasury stock			
Other comprehensive income	VII (xxvii)	66,397,860.47	47,540,172.61
Special reserve	VII (xxviii)	500,835,765.55	482,270,903.18
Surplus reserves	VII (xxix)	1,607,827,558.05	1,607,827,558.05
Generic risk reserve			
Undistributed profit	VII (xxx)	11,150,844,044.02	12,086,008,009.88
Total owners' equity (or shareholders' equity) attributable to the parent company		21,995,200,234.20	22,892,941,649.83
Minority stockholders' interest		9,544,137.01	11,498,104.02
Total owner's equity (or shareholders'		22,004,744,371.21	22,904,439,753.85

equity)			
Total liabilities and owner's equity (or shareholders' equity)		29,233,350,143.31	30,149,200,569.79

Legal representative: Yu Yi                      Person in charge of accounting affairs: Chen Yonghong  
Person in charge of accounting department: Yao Baoqin

### Balance Sheet of the Parent Company

June 30, 2019

Prepared by Offshore Oil Engineering Co., Ltd.

Unit: Yuan                      Currency: RMB

Item	Notes	June 30, 2019	December 31, 2018
<b>Current assets:</b>			
Monetary capital		935,303,028.49	1,217,322,938.46
Transaction financial assets			
Financial asset measured at fair value with their changes included in the current profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII (i)	2,148,106,621.62	3,858,091,286.22
Accounts receivable financing			
Advance payment		84,156,955.99	46,477,628.38
Other receivables	XVII (ii)	741,344,763.93	674,256,426.03
Wherein: interest receivable			340,875.25
Dividends receivable			
Inventory		3,748,366,402.81	2,686,448,143.15
Assets held for sale			
Non-current assets due within one year			
Other current assets		3,968,879,307.14	3,734,113,157.24
Total current assets		11,626,157,079.98	12,216,709,579.48
<b>Non-current assets:</b>			
Creditors' investment			
Available-for-sale financial assets			158,099,778.00
Other creditors' investment			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	XVII (iii)	9,205,974,170.87	9,205,974,170.87
Other equity instruments investment		177,646,778.00	
Other non-current financial assets			
Investment real estate			
Fixed assets		5,325,554,340.98	3,417,054,227.08

Projects under construction		156,205,176.90	2,113,313,515.76
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets		395,988,559.23	403,030,394.29
Development expenditure			
Business reputation			
Long-term unamortized expenses		68,761,524.96	71,854,468.44
Deferred income tax assets		445,971,574.33	432,367,280.79
Other non-current assets			
Total non-current assets		15,776,102,125.27	15,801,693,835.23
Total assets		27,402,259,205.25	28,018,403,414.71
<b>Current liabilities:</b>			
Short-term loan			
Transaction financial liabilities			
Financial liabilities measured at the fair value with the changes included in the current profit and loss			
Derivative financial Liabilities			
Notes payable			
Accounts payable		6,855,689,717.34	6,574,816,227.05
Advance receipts		1,476,342,224.80	1,939,072,850.28
Employee salary payable		117,628,670.57	195,717,732.68
Taxes payable		35,240,839.54	81,545,033.12
Other payables		157,525,414.50	81,822,316.05
Wherein: interest payable			29,486.11
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		8,646,460,520.05	8,877,007,812.48
<b>Non-current liabilities:</b>			
Long-term loans		220,000,000.00	220,000,000.00
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables		27,112,403.57	27,316,350.24
Employee salary payable for long-term			
Estimated liabilities		311,879,651.63	
Deferred income		98,670,808.25	85,611,044.64

Deferred income tax liabilities		10,543,693.43	9,394,129.50
Other non-current liabilities			
Total non-current liabilities		668,206,556.88	342,321,524.38
Total liabilities		9,314,667,076.93	9,219,329,336.86
<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 comprehensive income		36,670,584.74	19,971,616.77
Special reserve		457,585,641.36	438,785,312.37
Surplus reserves		1,598,184,996.16	1,598,184,996.16
Undistributed profit		7,328,408,108.19	8,075,389,354.68
Total owner's equity (or shareholders' equity)		18,087,592,128.32	18,799,074,077.85
Total liabilities and owner's equity (or shareholders' equity)		27,402,259,205.25	28,018,403,414.71

Legal representative: Yu Yi                      Person in charge of accounting affairs: Chen Yonghong  
Person in charge of accounting department: Yao Baoqin

**Consolidated Profit Statement**

January to June 2019

Unit: Yuan

Currency: RMB

Item	Notes	Semi-annual data of 2019	Semi-annual data of 2018
I. Gross operating income		4,559,416,187.87	3,575,719,177.21
Wherein: operating income	VII (xxxix)	4,559,416,187.87	3,575,719,177.21
Interest income			
Earned premiums			
Income from handling charges and commissions			
II. Gross operating cost		4,924,832,930.59	3,768,386,102.59
Wherein: operating costs	VII (xxxix)	4,674,949,249.88	3,506,959,304.60
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)	36,709,815.64	37,400,073.25
Sales cost	VII (xxxix)	10,546,467.88	4,489,351.56
Administration expense	VII (xxxix)	94,312,071.37	106,162,056.84
R&D expense	VII (xxxix)	115,317,587.04	116,890,968.23
Financial expense	VII (xxxix)	-7,002,261.22	-3,515,651.89
Wherein: interest expense	VII (xxxix)	458,375.00	357,263.89
Interest income	VII (xxxix)	9,968,367.86	38,860,870.98
Plus: other incomes	VII (xxxix)	15,698,143.74	26,632,681.77
Investment income (loss indicated with "-")	VII (xxxix)	9,120,643.59	-3,461,276.38
Wherein: investment income from associates and joint ventures	VII (xxxix)	-64,747,016.32	-53,194,706.74
Derecognition of income for financial assets measured at amortized cost (with the loss indicated by "-").			
Exchange gain (loss indicated by "-")			
Net exposure hedging income (loss indicated with "-")			
Income from changes in fair value (loss indicated with "-")	VII (xxxix)		-22,658,812.72
Credit impairment loss (loss indicated with "-")	VII (xl)	-13,311,657.75	

Assets impairment loss (loss indicated with "-")	VII (xli)	-395,930,275.88	-1,670,444.76
Profit from disposal of assets (loss indicated by "-")	VII (xlii)	151,900.93	137,719.49
III. Operating profit (loss indicated with "-")		-749,687,988.09	-193,687,057.98
Plus: non-operating income	VII (xliii)	5,385,033.35	12,024,505.39
Less: non-operating expenses	VII (xliv)	63,248.31	1,673,885.45
IV Total profit (total loss indicated with "-")		-744,366,203.05	-183,336,438.04
Less: income tax expense	VII (xlv)	-28,347,777.81	1,009,525.05
V. Net profit (net loss indicated with "-")		-716,018,425.24	-184,345,963.09
(i) Classified as per business continuity			
1. Net profit from continuing operation (net loss indicated by "-")		-716,018,425.24	-184,345,963.09
2. Net profit from discontinuing operation (Net loss indicated by "-")			
(ii) Classified as per attribution of ownership			
1. Net profits attributable to shareholders of the parent company (net loss indicated with "-")		-714,096,225.86	-182,410,322.88
2. Profit and loss of minority shareholders (net loss indicated with "-")		-1,922,199.38	-1,935,640.21
VI. Net of tax of other comprehensive income		18,825,920.23	-73,084,306.39
After-tax net of other comprehensive incomes attributable to owners of parent company		18,857,687.86	-73,095,330.75
(i) Other comprehensive incomes which cannot be reclassified into the profit and loss in future		16,614,950.00	
1. Change due to re-measurement of defined benefit plans			
2. Other comprehensive incomes that cannot be reclassified into the profit and loss under the Equity Method			
3. Fair value change in other equity instruments investment		16,614,950.00	
4. Fair value change in the credit risk of the Company			
(ii) Other comprehensive income which will be reclassified into the profit and loss		2,242,737.86	-73,095,330.75
1. Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method			
2. Fair value change in other creditors'			

investment			
3. Change of fair value recognized in profit and loss of available-for-sale financial assets			-73,105,780.00
4. Amount of financial assets reclassified and included into other comprehensive income			
5. Held-to-maturity financial investment reclassified as available for sale investments profit and loss account			
6. Credit depreciation reserves for other creditors' investment			
7. Hedging reserve for cash flow (the effective portion of hedging profit and loss for cash flow)			
8. Translation differences in foreign currency financial statements		2,242,737.86	10,449.25
9. Others			
After-tax net of other comprehensive incomes attributable to minority shareholders		-31,767.63	11,024.36
VII. Total consolidated Income		-697,192,505.01	-257,430,269.48
Total consolidated income attributable to holding company		-695,238,538.00	-255,505,653.63
Total consolidated income attributable to minority shareholder		-1,953,967.01	-1,924,615.85
VIII. Earnings per share:			
(i) Basic earnings per share (EPS) (RMB /share)	XVIII (ii)	-0.16	-0.04
(ii) Diluted Earnings Per Share (yuan/share)	XVIII (ii)	-0.16	-0.04

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

Legal representative: Yu Yi                      Person in charge of accounting affairs: Chen Yonghong  
 Person in charge of accounting department: Yao Baoqin

### Profit Statement of Parent Company

January to June 2019

Unit: Yuan

Currency: RMB

Item	Notes	Semi-annual data of 2019	Semi-annual data of 2018
I. Operating income	XVII (iv)	3,522,542,404.82	3,059,074,653.66
Less: operating costs	XVII (iv)	3,616,603,687.23	3,127,930,160.88
Taxes and surcharges		20,254,806.92	6,778,262.25
Sales cost		530,112.71	701,173.62
Administration expense		54,759,441.76	64,734,077.57

R&D expense		62,694,909.99	95,518,438.60
Financial expense		-5,600,727.38	-8,537,625.68
Wherein: interest expense		458,375.00	429,517.21
Interest income		8,137,078.05	6,050,278.79
Plus: other incomes		11,999,890.86	10,079,059.28
Investment income (loss indicated with "-")	XVII (v)	62,688,614.39	1,508,129,009.28
Wherein: investment income from associates and joint ventures			
Derecognition of income for financial assets measured at amortized cost (with the loss indicated by "-").			
Net exposure hedging income (loss indicated with "-")			
Income from changes in fair value (loss indicated with "-")			
Credit impairment loss (loss indicated with "-")		1,935,636.65	
Assets impairment loss (loss indicated with "-")		-394,292,680.77	-1,962,974.71
Profit from disposal of assets (loss indicated by "-")			137,719.49
II. Operating profit (loss indicated with "-")		-544,368,365.28	1,288,332,979.76
Plus: non-operating income		3,303,025.73	1,209,273.03
Less: non-operating expenses		62,468.33	483,584.98
III. Total profits (loss indicated with "-")		-541,127,807.88	1,289,058,667.81
Less: income tax expense		-15,214,301.39	-29,493,666.64
IV. Net Profits (net loss indicated with "-")		-525,913,506.49	1,318,552,334.45
(i) Net profit from continuing operation (net loss indicated with "-".)		-525,913,506.49	1,318,552,334.45
(ii) Net profit from discontinuing operation (net loss indicated by "-".)			
V. Net of tax of other comprehensive income		16,698,967.97	-75,592,657.50
(i) Other comprehensive incomes which cannot be reclassified into the profit and loss in future		16,614,950.00	
1. Change due to re-measurement of defined benefit plans			
2. Other comprehensive incomes that cannot be reclassified into the profit and loss under the Equity Method			
3. Fair value change in other equity instruments investment		16,614,950.00	
4. Fair value change in the credit risk of the Company			
(ii) Other comprehensive income which will be reclassified into the profit and loss		84,017.97	-75,592,657.50

1. Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method			
2. Fair value change in other creditors' investment			
3. Change of fair value recognized in profit and loss of available-for-sale financial assets			-73,105,780.00
4. Amount of financial assets reclassified and included into other comprehensive income			
5. Held-to-maturity financial investment reclassified as available for sale investments profit and loss account			
6. Credit depreciation reserves for other creditors' investment			
7. Hedging reserve for cash flow (the effective portion of hedging profit and loss for cash flow)			
8. Translation differences in foreign currency financial statements		84,017.97	-2,486,877.50
9. Others			
VI. Total consolidated income		-509,214,538.52	1,242,959,676.95
VII. Earnings per share			
(i) Basic earnings per share (EPS) (RMB /share)			
(ii) Diluted Earnings Per Share (yuan/share)			

Legal representative: Yu Yi

Person in charge of accounting affairs: Chen Yonghong

Person in charge of accounting department: Yao Baoqin

**Consolidated Cash Flow Statement**

January to June 2019

Unit: Yuan

Currency: RMB

Item	Notes	Semi-annual data of 2019	Semi-annual data of 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		5,293,975,108.35	3,124,702,139.34
Net increases from customer's deposit and Deposit from other banks			
Net increase in borrowings from Central Bank			
Net increases from borrowing funds to other financial institutions			
Cash received from premium of original insurance contract			
Net cash received from reinsurance business			
Net increase from policyholder deposit and investment			
Cash received as interest, handling charges and commission			
Net increase in borrowed funds			
Net increase in capital from repurchase business			
Net cash from vicariously traded securities			
Refund of tax and fare received		130,708,694.05	167,481,361.96
Other cash received relating to operating activities	VII (xlvi)	109,699,697.48	111,415,261.51
Sub-total of cash inflows from operating activities		5,534,383,499.88	3,403,598,762.81
Cash paid for goods and services		4,052,237,861.60	3,712,152,343.69
Net increases from customer lending and advances			
Net increases from deposits in the Central Bank and deposits of the same trade or business			
Cash paid as compensation under the original insurance contract			
Net increase in financial assets held for trading			
Net increase in lending funds			
Cash paid as interest, handling charges and commission			
Cash paid for policy dividend			
Cash paid to and for staff and workers		1,084,532,332.36	1,024,352,393.66

Payments for various taxes		280,816,032.07	238,297,956.89
Other cash paid relating to operating activities	VII (xlvi)	77,091,091.61	59,544,112.05
Sub-total of cash outflows from operating activities		5,494,677,317.64	5,034,346,806.29
Net cash flow from business operation		39,706,182.24	-1,630,748,043.48
<b>II. Cash Flows from Investment Activities:</b>			
Cash received from disposal of investments		6,910,000,000.00	5,492,052,000.00
Cash received from returns on investments		78,870,891.24	45,326,257.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			892,675.00
Net cash received from disposing subsidiaries and other business units			
Other cashes received relating to investment activities			
Subtotal of cash inflows of investment activity		6,988,870,891.24	5,538,270,932.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets		76,070,341.52	396,106,339.93
Cash paid to acquire investments		6,900,800,000.00	5,466,000,000.00
Net increase in pledge loan			
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		6,976,870,341.52	5,862,106,339.93
Net cash flow from investment activities		12,000,549.72	-323,835,407.63
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Wherein: Cash received from increase in minority interest by subsidiary			
Cash received from borrowings			130,000,000.00
Cash received from issuing debentures			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities			130,000,000.00
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits and repayment of interests		221,555,601.11	221,067,740.00
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		221,555,601.11	221,067,740.00
Net cash flow from financing activities		-221,555,601.11	-91,067,740.00
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		-5,283,288.81	-47,858,941.86
<b>V. Net increase in cash and cash equivalents</b>		-175,132,157.96	-2,093,510,132.97
Plus: Balance of cash and cash equivalents at the beginning of period		1,943,763,661.27	4,628,562,169.78
<b>VI. Balance of cash and cash equivalents at end of period</b>		1,768,631,503.31	2,535,052,036.81

Legal representative: Yu Yi

Person in charge of accounting affairs: Chen Yonghong

Person in charge of accounting department: Yao Baoqin

**Cash Flow Statement of the Parent Company**

January to June 2019

Unit: Yuan

Currency: RMB

Item	Notes	Semi-annual data of 2019	Semi-annual data of 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or provisions of services		4,101,360,358.53	2,501,864,415.39
Refund of tax and fare received		2,449,425.74	72,148,379.81
Other cash received relating to operating activities		170,176,390.95	36,804,048.86
Sub-total of cash inflows from operating activities		4,273,986,175.22	2,610,816,844.06
Cash paid for goods and services		3,205,403,294.41	2,946,929,566.92
Cash paid to and for staff and workers		794,866,193.28	745,092,161.10
Payments for various taxes		138,928,434.16	17,593,280.02
Other cash paid relating to operating activities		42,179,207.10	38,319,650.12
Sub-total of cash outflows from operating activities		4,181,377,128.95	3,747,934,658.16
Net cash flow from business operation		92,609,046.27	-1,137,117,814.10
<b>II. Cash Flows from Investment Activities:</b>			
Cash received from disposal of investments		5,533,450,500.00	2,863,294,000.00
Cash received from returns on investments		65,971,059.05	23,976,340.19

Net cash received from disposal of fixed assets, intangible assets and other long-term assets			892,675.00
Net cash received from disposing subsidiaries and other business units			
Other cashes received relating to investment activities			
Subtotal of cash inflows of investment activity		5,599,421,559.05	2,888,163,015.19
Cash paid to acquire fixed assets, intangible assets and other long-term assets		50,280,216.26	198,565,289.54
Cash paid to acquire investments		5,700,000,000.00	1,930,000,000.00
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		5,750,280,216.26	2,128,565,289.54
Net cash flow from investment activities		-150,858,657.21	759,597,725.65
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings			130,000,000.00
Cash received from issuing debentures			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities			130,000,000.00
Cash paid for debt repayment			
Cash paid for distribution of dividends, profits and repayment of interests		221,555,601.11	221,067,740.00
Other cashes paid relating to financing activities			
Sub-total of cash outflows from financing activities		221,555,601.11	221,067,740.00
Net cash flow from financing activities		-221,555,601.11	-91,067,740.00
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		-2,971,402.06	-4,678,932.65
<b>V. Net increase in cash and cash equivalents</b>		-282,776,614.11	-473,266,761.10
Plus: Balance of cash and cash equivalents at the beginning of period		1,217,322,938.46	1,012,305,301.10
<b>VI. Balance of cash and cash equivalents at end of period</b>		934,546,324.35	539,038,540.00

Legal representative: Yu Yi

Person in charge of accounting affairs: Chen Yonghong

Person in charge of accounting department: Yao Baoqin

**Consolidated statement of changes in owner's equity**

January to June 2019

Unit: Yuan

Currency: RMB

Item	Semi-annual data of 2019														
	Equity attributable to the owners of parent company												Minority stockholders' interest	Total owners' equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Generic risk reserve	Undistributed profit	Others			Subtotal
Preferred shares		Perpetual bond	Others												
I. Balance at end of last year	4,421,354,800.00				4,247,940,206.11		47,540,172.61	482,270,903.18	1,607,827,558.05		12,086,008,009.88		22,892,941,649.83	11,498,104.02	22,904,439,753.85
Plus: Accounting policy change															
Corrections of prior period errors															
Business combination under common control															
Others															
II. Balance at beginning	4,421,354,800.00				4,247,940,206.11		47,540,172.61	482,270,903.18	1,607,827,558.05		12,086,008,009.88		22,892,941,649.83	11,498,104.02	22,904,439,753.85

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of current year																
III. Increase/decrease change of the year (decrease is marked by "-")							18,857,687.86	18,564,862.37					-935,163,965.86	-897,741,415.63	-1,953,967.01	-899,695,382.64
(I) Total comprehensive income							18,857,687.86						-714,096,225.86	-695,238,538.00	-1,953,967.01	-697,192,505.01
(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																

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shares held included in the owners' equity															
4. Others															
(III) Profit-sharing											-221,067,740.00		-221,067,740.00		-221,067,740.00
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk reserves															
3. Distribution to owners (or shareholders)											-221,067,740.00		-221,067,740.00		-221,067,740.00
4. Others															
(iv) Internal transfer of owner's equity															
1. Capital															

reserves transferred to capital (or share capital)															
2. Surplus reserves transferred to capital (or share capital)															
3. Loss covered by surplus reserves															
4. Earnings on carry-forward retaining of changes due to defined benefit plans															
5. Earnings on carry-forward retaining of other															

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comprehensive income															
6. Others															
(V) Special reserve							18,564,862.37					18,564,862.37		18,564,862.37	
1. Withdrawal in current period							69,803,114.00					69,803,114.00		69,803,114.00	
2. Use in current period							51,238,251.63					51,238,251.63		51,238,251.63	
(VI) Others															
IV. Balance at end of current period	4,421,354,800.00				4,247,940,206.11	66,397,860.47	500,835,765.55	1,607,827,558.05		11,150,844,044.02		21,995,200,234.20	9,544,137.01	22,004,744,371.21	

Item	Semi-annual data of 2018														Minority stockholders' interest	Total owners' equity
	Equity attributable to the owners of parent company															
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Generic risk reserve	Undistributed profit	Others	Subtotal			
Preferrred shares		Perpetual bond	Others													

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I. Balance at end of last year	4,421,354,800.00				4,247,940,206.11		109,380,302.90	503,278,732.84	1,449,944,931.43		12,385,180,367.63		23,117,079,340.91	11,288,959.72	23,128,368,300.63
Plus: Accounting policy change															
Corrections of prior period errors															
Business combination under common control															
Others															
II. Balance at beginning of current year	4,421,354,800.00				4,247,940,206.11		109,380,302.90	503,278,732.84	1,449,944,931.43		12,385,180,367.63		23,117,079,340.91	11,288,959.72	23,128,368,300.63
III. Increase/decrease change of the year (decrease is marked by "-")							-73,095,330.75	6,847,454.29			-403,478,062.88		-469,725,939.34	-1,924,615.85	-471,650,555.19
(I) Total comprehensive income							-73,095,330.75				-182,410,322.88		-255,505,653.63	-1,924,615.85	-257,430,269.48



reserves															
2. Withdrawal of general risk reserves															
3. Distribution to owners (or shareholders)											-221,067,740.00		-221,067,740.00		-221,067,740.00
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															

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by surplus reserves																
4. Earnings on carry-forward retaining of changes due to defined benefit plans																
5. Earnings on carry-forward retaining of other comprehensive income																
6. Others																
(V) Special reserve								6,847,454.29						6,847,454.29		6,847,454.29
1. Withdrawal in current period								56,172,734.45						56,172,734.45		56,172,734.45
2. Use in current								49,325,280.16						49,325,280.16		49,325,280.16

2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.

period															
(VI) Others															
IV. Balance at end of current period	4,421,35 4,800.00				4,247,94 0,206.11		36,284, 972.15	510,126 ,187.13	1,449,94 4,931.43		11,981,70 2,304.75		22,647,35 3,401.57	9,364,3 43.87	22,656,71 7,745.44

Legal representative: Yu Yi  
Baoqin

Person in charge of accounting affairs: Chen Yonghong

Person in charge of accounting department: Yao

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

January to June 2019

Unit: Yuan

Currency: RMB

Item	Semi-annual data of 2019										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treas- ury stock	Other comprehen- sive income	Special reserve	Surplus reserves	Undistributed profit	Total owners' equity
		Preferr- ed shares	Perpet- ual bond	Othe- rs							
I. Balance at end of last year	4,421,354,80 0.00				4,245,387,99 7.87		19,971,616 .77	438,785,31 2.37	1,598,184,99 6.16	8,075,389,35 4.68	18,799,074,0 77.85
Plus: Accounting policy change											
Corrections of prior period errors											
Others											
II. Balance at	4,421,354,80				4,245,387,99		19,971,616	438,785,31	1,598,184,99	8,075,389,35	18,799,074,0

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beginning of current year	0.00				7.87		.77	2.37	6.16	4.68	77.85
III. Increase/decrease change of the year (decrease is marked by "-")							16,698,967.97	18,800,328.99		-746,981,246.49	-711,481,949.53
(I) Total comprehensive income							16,698,967.97			-525,913,506.49	-509,214,538.52
(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										-221,067,740.00	-221,067,740.00
1. Withdrawal of surplus reserves											

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2. Distribution to owners (or shareholders)											-221,067,740.00	-221,067,740.00
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. Earnings on carry-forward retaining of other comprehensiv												

## 2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.

e income											
6. Others											
(V) Special reserve							18,800,328.99				18,800,328.99
1. Withdrawal in current period							55,528,342.04				55,528,342.04
2. Use in current period							36,728,013.05				36,728,013.05
(VI) Others											
IV. Balance at end of current period	4,421,354,800.00				4,245,387,997.87	36,670,584.74	457,585,641.36	1,598,184,996.16	7,328,408,108.19		18,087,592,128.32

Item	Semi-annual data of 2018										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profit	Total owners' equity
		Preferred shares	Perpetual bond	Others							
I. Balance at end of last year	4,421,354,800.00				4,245,387,997.87		98,742,007.14	462,845,719.46	1,440,302,369.54	6,875,513,455.07	17,544,146,349.08
Plus: Accounting policy change											
Corrections of prior period errors											
Others											
II. Balance at	4,421,354,800.00				4,245,387,997.87		98,742,007.14	462,845,719.46	1,440,302,369.54	6,875,513,455.07	17,544,146,349.08

2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.

beginning of current year	0.00				7.87		.14	9.46	9.54	5.07	49.08
III. Increase/decrease change of the year (decrease is marked by "-")							-75,592,657.50	5,884,699.28		1,097,484,594.45	1,027,776,636.23
(I) Total comprehensive income							-75,592,657.50			1,318,552,334.45	1,242,959,676.95
(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										-221,067,740.00	-221,067,740.00
1. Withdrawal of surplus reserves											

2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.

2. Distribution to owners (or shareholders)											-221,067,740.00	-221,067,740.00
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. Earnings on carry-forward retaining of other comprehensiv												

2019 Semi-annual Report of Offshore Oil Engineering Co., Ltd.

e income											
6. Others											
(V) Special reserve							5,884,699.28				5,884,699.28
1. Withdrawal in current period							46,239,799.64				46,239,799.64
2. Use in current period							40,355,100.36				40,355,100.36
(VI) Others											
IV. Balance at end of current period	4,421,354,800.00				4,245,387,997.87	23,149,349.64	468,730,418.74	1,440,302,369.54	7,972,998,049.52		18,571,922,985.31

Legal representative: Yu Yi Baoqin

Person in charge of accounting affairs: Chen Yonghong

Person in charge of accounting department: Yao

### 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 950.4 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 shares for each 10 shares to the shareholders with the undistributed profit (216.08 million shares in total) and issue 4 additional share 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 Bosera Asset Management Co., Ltd, China Asset Management Co., Ltd. and Yinhua Fund Management Co., Ltd. with 132,640,600 shares (3% of the total shares) of COOEC. Upon completion of the subscription procedure, CNOOC holds 2,138,328,954 shares decreased from 2,270,969,554 shares, with a shareholding ratio decreased from 51.36% to 48.36%.

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

The financial statement was approved and reported by board of directors of the Company on August 16, 2019.

## 2. Consolidated financial statement scope

Applicable    Inapplicable

As of June 30, 2019, subsidiaries within the consolidated financial statement scope of the Company are listed as follows:

Subsidiary name
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED
Offshore Oil Engineering (Qing Dao) Co., Ltd.
COOEC SUBSEA TECHNOLOGY CO., LTD.
PT. COOEC Indonesia

Subsidiary name
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 COTEC)

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 continuing 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. Continuing operation

Applicable Inapplicable

Since the end of the report period, the Group has had continuing 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 Technology Co., Ltd. all adopt RMB as recording currency.

The Company's overseas subsidiaries, Offshore International Engineering Co., Ltd., 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 investee 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 profit 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 investees 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 income 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 profit 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 income calculated with the equity method, and other owner's equity change except net profit and loss, other comprehensive income and profit sharing, other related comprehensive income and profits from equity change are transferred to the current investment income at the acquisition date, except for other comprehensive income generated from re-measurement of net liabilities or net assets of defined benefit plans by investee.

#### (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 profit 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 investee 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 investee. 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 income, and profit-sharing are transferred to the current investment income when losing the control power, except for other comprehensive income generated from re-measurement of net liabilities or net assets of defined benefit plans by investee.

If the Company loses control because of the Company shareholding reduces due to investee'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 undertook by the Company and the liabilities jointly undertook 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 oversea 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****The accounting policy applicable since January 1, 2019:**

According to the business mode adopted for financial assets management by the Group and the contract cash flow characteristics of financial assets, the financial assets are classified as follows at the time of initial recognition: financial assets measured at amortized cost, financial asset (debt instruments) measured at fair value with their changes included in other comprehensive income, and financial asset measured at fair value with their changes included in the current profit and loss.

Those with business mode targeted at collecting contract cash flow which is only paid for the interest based on the principal and unpaid principal is classified into the financial assets measured at amortized cost; those with business mode targeted at both collecting contract cash flow (which is only paid for the interest based on the principal and unpaid principal) and selling the financial assets is classified into financial asset (debt instruments) measured at fair value with their changes included in other comprehensive income; other financial assets other than the above cases are classified into financial asset measured at fair value with their changes included in the current profit and loss.

For non-transaction equity instruments investment, the Company will determine whether to designate it as "financial asset (equity instruments) measured at fair value with their changes included in other comprehensive income" during initial recognition. During initial recognition, in order to eliminate or remarkably reduce the accounting mismatching, the financial assets can be designated as financial asset measured at fair value with their changes included in the current profit and loss. According to the above conditions, such financial assets designated by the Company mainly include:

During initial recognition, financial liabilities are classified as: "financial liabilities measured at fair value with their changes included in the current profit and loss" and "financial liabilities measured at amortized cost".

Financial liabilities satisfying one of the following requirements can be designated as financial liabilities measured by fair value with their changes included in current profit and loss during initial measurement:

- 1) Such designation can eliminate or remarkably reduce the accounting mismatching.
- 2) According to the enterprise risk management or investment strategies clearly stated in formal written document, the management and performance evaluation of financial liabilities portfolio or financial assets and liabilities portfolio shall be done based on the fair value, and then reported to key management personnel within the enterprise on such a basis.
- 3) Such financial liabilities include embedded derivative requiring separate splitting.

According the above conditions, such financial liabilities designated by the Company mainly cover: (the designation details to be stated)

### **The accounting policy applicable before January 1, 2019:**

Financial assets and debts are divided into the following categories when they are initially recognized: the financial assets or the financial liabilities measured at fair value with their changes included in the current profit and loss, including transaction financial assets or financial liabilities (and financial assets or financial liabilities measured at fair value with their changes included in the current profit and loss as directly designated), 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**

#### **The accounting policy applicable since January 1, 2019**

##### 1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, creditors' investment, etc., and are initially measured based on the fair value, with relevant transaction expenses included in initially recognized amount; accounts receivable excluding significant financing composition and the accounts receivable without consideration of the financing composition no more than one year at the Company's decision shall be initially measured at the contract transaction price.

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

During pay-back or disposal, the difference between the obtained amount and the book value of the financial assets shall be included in the current profit and loss.

##### 2) Financial assets (debt instruments) measured at fair value with their changes included in other comprehensive income

Financial assets (debt instruments) measured at fair value with their changes included in other comprehensive income include accounts receivable financing, other creditors' investment, etc., and are initially measured based on the fair value, with relevant transaction expenses included in initially recognized amount. Such financial assets are subsequently measured based on the fair value, with the changes in fair value included in other comprehensive income except the interest, impairment loss or gains and profit or loss on exchange calculated with effective interest method.

In the process of derecognition, the cumulative gains or losses previously included into other comprehensive income are transferred out and included in the current profit and loss.

##### 3) Financial assets (equity instruments) measured at fair value with their changes included in other comprehensive income

Financial assets (equity instruments) measured at fair value with their changes included in other comprehensive income include other equity instruments investment, etc., and are initially measured at the fair value, with relevant transaction expenses included in initially recognized amount. Such financial assets are subsequently measured based on the fair value, with the changes in fair value included in other comprehensive income. The dividend obtained is included in the current profit and loss.

Upon derecognition, the cumulative gains or losses previously included into other comprehensive income are transferred out and included in the retained profit and loss.

Financial asset measured at fair value with their changes included in the current profit and loss

Financial asset measured at fair value with their changes included in the current profit and loss include transaction financial assets, derivative financial assets, other non-current financial assets, etc., and are initially measured at the fair value, with relevant transaction expenses included in the current profit and loss. Such financial assets are subsequently measured based on the fair value, with the changes in fair value included in the current profit and loss.

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

Financial liabilities which are measured at the fair value with the changes included in the current profit and loss

Financial liabilities measured at fair value with the changes included in the current profit and loss include transaction financial liabilities, derivative financial liabilities, etc., and are initially measured at the fair value, with relevant transaction expenses included in the current profit and loss. Such financial liabilities are subsequently measured based on the fair value, with the changes in fair value included in the current profit and loss.

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

6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term loan, notes payable, account payable, other payables, long-term loan, bonds payable, and long-term payables, and are initially measured at the fair value, with relevant transaction expenses included in the initially recognized amount.

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

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

**The accounting policy applicable before January 1, 2019**

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 in the holding period (prompt: the coupon rate shall prevail upon small difference between effective interest rate and the coupon rate) 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 income 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, derecognition of the financial assets shall be done; if almost all risks and remuneration in the ownership of the financial assets have been kept, the financial assets shall not be derecognized.

In judgment whether the transfer of the financial assets meets the above-mentioned derecognition 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 derecognition 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 derecognition conditions, the entire book value of the transferred financial asset shall be respectively amortized at the relative fair values of the part derecognized and the part not derecognized, and the difference between the following two items shall be included in current profit and loss:

- 1) The book value of the part derecognized;
- 2) The sum of consideration of the part derecognized, and the part derecognized, 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 derecognition conditions, such financial assets will continue being recognized, and the received consideration will be recognized as a financial liability.

**4) Conditions for derecognition of financial liabilities**

If the current obligations of the financial liabilities have been relieved in whole or part, then such financial liabilities or part thereof is derecognized. 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 the existing financial liabilities is derecognized. 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 existing financial liabilities or a part thereof is derecognized. Meanwhile, the financial liabilities after the modification of the terms and conditions are recognized as a new financial liability.

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

If the Company repurchases part of the financial liabilities, the entire book value of such financial liabilities will be allocated at the relative fair value between the liabilities for which recognition continues and the liabilities for which derecognition is done on the date of repurchase. The difference between the book value which is distributed to the part derecognized 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****The accounting policy applicable since January 1, 2019**

Upon considering all reasonable and well-founded information (including forward-looking information), the Group estimates the expected credit impairment loss is withdrawn for “financial assets measured at amortized cost” and “financial asset (debt instruments) measured at fair value with their changes included in other comprehensive income” in single or combined manner. The measurement of expected credit impairment loss depends on the occurrence or obvious increase of credit risk after initial recognition of financial assets.

If the credit risk of this financial instrument has increased obviously since initial recognition, the Group will measure the provision for loss according to the expected credit loss amount of such financial instrument in the whole duration; if the credit risk of this financial instrument hasn't increased obviously since initial recognition, the Group will measure the provision for loss according to the expected credit loss amount of such financial instrument in the next 12 months. The increase or returned amount due to such provision for loss is included in the current profit and loss as the impairment loss or gains.

Generally, in case of overdue for more than 30 days, the Group will consider that the credit risk of such financial instrument has increased obviously, unless conclusive evidence is available to prove that the credit risk of such financial instrument hasn't obviously increased since the initial recognition.

If the financial instrument shows a low credit risk on the balance sheet date, the Group will consider that the credit risk of such financial instrument hasn't increased obviously.

**The accounting policy applicable before January 1, 2019**

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****The determination method and accounting treatment method for expected credit loss of accounts receivable**

Applicable    Inapplicable

For accounts receivable, whether including major financing composition or not, the Group will always measure the provision for loss according to the amount equal to the expected credit loss in the whole duration. The increase or returned amount due to such provision for loss is included in the current profit and loss as the impairment loss or gains.

The Group will combine the account receivable according to the features of similar credit risks and estimate the withdrawal proportion of the bad debt reserves of the account receivable based on all reasonable and well-founded information (including forward-looking information) as follows:

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

If objective evidence is available to prove that credit impairment occurs to a certain account receivable, the Company will withdraw bad debt reserves for such account receivable and recognize the expected credit loss.

The Group classifies the accounts without obvious recovery risk such as accounts receivable from related parties into property combination, with no bad debt reserves withdrawn.

## 12. Other receivables

### The determination method and accounting treatment method for expected credit loss of other accounts receivable

Applicable    Inapplicable

As for other accounts receivable (including notes receivable, other receivables, long-term receivables, etc.) other than those accounts receivable, the impairment loss shall be measured according to “6 Test method and accounting method of financial asset (excluding receivables) impairment” in “VVV. (x) Financial Instruments” and “1. Accounts receivable” in “III. (xi) Bad Debt Reserves of Accounts Receivable” in the Note, with no bad debt reserves withdrawn for imprest fund and deposit combination.

### The accounting policy applicable before January 1, 2019

The Group takes the following situations as the standards for bad debts loss of receivables: production halts resulting from debtors' revocation, bankruptcy, insolvency, serious shortage of cash flow as well as serious natural disasters and inability to pay off within foreseeable period; debtors failing to meet their debt obligations exceeding 3 years; other conclusive evidence showing that the debts are really uncollectible or the possibility of debts recovery is very low.

Adopt allowance method to check the possible bad debts loss, execute impairment test at the end of period separately or by combination, and provision for bad debts shall be made and credited into current profit and loss. The receivables which are proved to be really uncollectible by conclusive evidence shall be credited into bad debt loss after being approved by the Group through specified procedures, so as to write off the extracted bad debt reserves.

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

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

Basis for combination determination	
Accounting age combination	Combined by regarding the aging of the receivables as the credit risk characteristic
Related parties combination	Combined by the relationship of transaction object
Imprest fund and deposit combination	Combined by payment property
Withdrawal methods of withdrawing the bad debt reserves according to combination	

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

Provision proportion for bad debts of receivables using the method of accounting age analysis is shown as follows

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

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

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.

## 13. 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.

#### **14. 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 Company 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 Company or supervision department have been approved.

#### **15. 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 investee, such investee 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 investee, the investee 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 investee 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 investee 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 conclusive 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 investee, 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 investee that is to be enjoyed or shared, and adjusts book value of long-term equity investment. The Company calculates the deserved part based on the profits and cash announced by the investee, 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 income 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 investee, based on the fair value of identifiable assets of the investee when obtaining the investment, recognize the adjusted net profit of the investee in accordance with the Company's accounting policies and accounting periods. During period of holding investment, where consolidated financial statement is prepared by the investee, calculate based on the net profit in the statement, other comprehensive income, and the amount attributable to the investee 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 investee 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 investee, 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 investee is reorganized to the extent that the book value of the long-term equity investment and other long-term interest in substance in the investee 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 investee, and implement accounting treatment on the part originally included in the other comprehensive income 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 income, and profit-sharing by the investee are transferred to the current profit and loss based the ratio, excluding other comprehensive income generated from change of planned net debt or assets due to the investee re-measurement of the set profits.

In case of losing joint control over or significant impact on the investee 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 other 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 when the equity accounting method is terminated. All equities recognized due to other owner's equity change of the investee 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 investee 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 investee 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 income 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 income and owner's equity are completely transferred.

## 16. 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.

## 17. 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%
Transportation equipment	Straight-line depreciation	5-20	5%-10%	4.5%-19%

Electronic equipment	Straight-line depreciation	5-10	5%-10%	9%-19%
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### **(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.

### **18. Projects under construction**

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.

### **19. 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.

## **20. 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.

#### **21. 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.

## 22. 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.

## 23. 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 income, and will not be transferred back to the profit and loss in the following accounting period. Transfer all the parts included in other 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

## 24. 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.

## 25. 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.

## 26. 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.

## 27. 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.

## 28. 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.

## 29. 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 Group 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.

**30. 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.

**31. Other significant accounting policy and change of accounting estimate****(1). Change of significant accounting policies**

√Applicable    □Inapplicable

The content and reason for change of accounting policy	Approval procedures	Notes (name and amount of report items influenced by the significant impact)
<p>1. The Ministry of Finance revised the <i>Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments</i>, <i>Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets</i>, <i>Accounting Standards for Business Enterprises No. 24 - Hedge Accounting</i>, and <i>Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments</i> in 2017, and required companies listed within Chinese territory to implement these standards since January 1, 2019. The Company will implement since the date of issuing the regulation. It is stipulated in the revised Accounting Standard that, for the financial instruments not derecognized on the first execution day and the previous recognition and measurement is inconsistent with the requirements in the revised Accounting Standard, retroactive adjustment is required. Those with financial statement data in early stage inconsistent with the requirements in the revised Accounting Standard need no adjustment. The Group adjusts the cumulative affected number due to retroactive adjustment to the retained earnings and other comprehensive income at the beginning of the current year. The detailed influences are as follows:</p>	<p>It has been approved upon deliberation at the 7th Meeting of the 6th Board of Directors held on March 27, 2018.</p>	
<p>(1) Due to changes of statement item name, the financial assets (financial liabilities) that are measured at the fair value and of which changes are included in the current profit and loss are reclassified into "transaction financial assets (liabilities)".</p>		<p>The affected amount of the current period is RMB 0.00.</p>

(2) Available-for-sale equity instruments investment is reclassified into “financial asset measured at fair value with their changes included in the current profit and loss”.		The affected amount of the current period is RMB 0.00.
(3) Non-transaction available-for-sale equity instruments investment is designated as “financial asset measured at fair value with their changes included in other comprehensive income”.		Available-for-sale financial assets decreased by RMB 158,099,778.00; other equity instruments investment increased by RMB 158,099,778.00.
(4) Available-for-sale debt instruments investment is reclassified into “financial asset measured at fair value with their changes included in other comprehensive income”.		The affected amount of the current period is RMB 0.00.
(5) Available-for-sale debt instruments investment is reclassified into “financial assets measured at amortized cost”.		The affected amount of the current period is RMB 0.00.
(6) Held-to-maturity financial investment reclassified into “financial assets measured at amortized cost”.		The affected amount of the current period is RMB 0.00.
(8) Expected credit impairment loss is withdrawn for “financial assets measured at amortized cost” and “financial asset (debt instruments) measured at fair value with their changes included in other comprehensive income”.		The affected amount of the current period is RMB 0.00.
2. It is required to implement the <i>Notice on Revising and Issuing of the Format of Financial Statements of General Enterprises in 2019</i> (CK [2019] No. 6) issued by the Ministry of Finance on April 30, 2019 to revise the format of financial statements of general enterprises. Major influences of executing the above provisions on the Company:	It has been approved upon deliberation at the 18th Meeting of the 6th Board of Directors held on August 16, 2019.	
(1) In the balance sheet, “notes and accounts receivable” is split into “notes receivable” and “accounts receivable”; “notes and accounts payable” is split into “notes payable” and “accounts payable”; the comparative data is adjusted accordingly.		“Notes and accounts receivable” is split into “notes receivable” and “accounts receivable”. The amount of “notes receivable” is RMB 0.00 both at the end of the period and at the beginning of the year; “accounts receivable” is RMB 2,244,827,532.29 at the end of the period and RMB 4,186,332,475.43 at the beginning of the year; “notes and accounts payable” is split into “notes payable” and “accounts payable”. The amount of “notes payable” is RMB 0.00 both at the end of the period and at the beginning of the year; “accounts payable” is

		RMB 4,239,717,719.82 at the end of the period and RMB 3,940,765,468.72 at the beginning of the year;
(2) The item “wherein: derecognition of income for financial assets measured at amortized cost” is newly added under “investment income” in the profit statement. The comparative data is not adjusted.		The amount of “derecognition of income for financial assets measured at amortized cost” in the current period is RMB 0.00.
(3) In the profit statement, the “credit impairment loss” and “assets impairment loss” are adjusted as the added items of calculating operating profit, with the loss indicated by “-”. The comparative data is adjusted accordingly.		The amount of “credit impairment loss” (with the loss indicated by “-”) in the current period is RMB -13,311,657.75; the amount of “assets impairment loss” (with the loss indicated by “-”) in the current period is RMB -395,930,275.88, and that in the last period is RMB -1,670,444.76.

Other description:

None.

## (2). Change of significant accounting estimate

Applicable  Inapplicable

## (3). Conditions of implementing the adjustment of new accounting standards of financial instruments, new revenue accounting standards and new leasing standards, and implementing relevant items in the financial statement at the beginning of the year for the first time

Applicable  Inapplicable

### Consolidated Balance Sheet

Unit: Yuan

Currency: RMB

Item	December 31, 2018	January 01, 2019	Amount adjusted
<b>Current assets:</b>			
Monetary capital	1,943,895,590.53	1,943,895,590.53	
Settlement reserves			
Lending funds			
Transaction financial assets	Inapplicable		
Financial asset measured at fair value with their changes included in the current profit and loss		Inapplicable	
Derivative financial assets			
Notes receivable			
Accounts receivable	4,186,332,475.43	4,186,332,475.43	
Accounts receivable financing	Inapplicable		
Advance payment	119,263,733.62	119,263,733.62	
Premium receivable			

Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	98,783,571.36	98,783,571.36	
Wherein: interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	2,898,116,191.04	2,898,116,191.04	
Assets held for sale			
Non-current assets due within one year			
Other current assets	4,661,230,094.25	4,661,230,094.25	
Total current assets	13,907,621,656.23	13,907,621,656.23	
<b>Non-current assets:</b>			
Issued loans and advances			
Creditors' investment	Inapplicable		
Available-for-sale financial assets	158,099,778.00	Inapplicable	-158,099,778.00
Other creditors' investment	Inapplicable		
Held-to-maturity investment		Inapplicable	
Long-term receivables			
Long-term equity investment	2,226,837,618.49	2,226,837,618.49	
Other equity instruments investment	Inapplicable	158,099,778.00	158,099,778.00
Other non-current financial assets	Inapplicable		
Investment real estate			
Fixed assets	9,565,140,378.45	9,565,140,378.45	
Projects under construction	2,381,041,517.05	2,381,041,517.05	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	1,156,963,479.71	1,156,963,479.71	
Development expenditure			
Business reputation	13,075,057.26	13,075,057.26	
Long-term unamortized expenses	87,232,309.27	87,232,309.27	
Deferred income tax assets	653,188,775.33	653,188,775.33	
Other non-current assets			
Total non-current assets	16,241,578,913.56	16,241,578,913.56	
Total assets	30,149,200,569.79	30,149,200,569.79	
<b>Current liabilities:</b>			
Short-term loan			
Loans from the Central Bank			
Borrowing funds			

Transaction financial liabilities	Inapplicable		
Financial liabilities measured at the fair value with the changes included in the current profit and loss		Inapplicable	
Derivative financial Liabilities			
Notes payable			
Accounts payable	3,940,765,468.72	3,940,765,468.72	
Advance receipts	1,966,300,647.30	1,966,300,647.30	
Financial assets sold for repurchase			
Accepting money deposits and due from banks			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee salary payable	277,872,237.15	277,872,237.15	
Taxes payable	449,995,333.01	449,995,333.01	
Other payables	74,401,069.57	74,401,069.57	
Wherein: interest payable			
Dividends payable			
Handling charges and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	7,300,330.85	7,300,330.85	
Total current liabilities	6,716,635,086.60	6,716,635,086.60	
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term loans	220,000,000.00	220,000,000.00	
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	27,316,350.24	27,316,350.24	
Employee salary payable for long-term			
Estimated liabilities	105,746,387.29	105,746,387.29	
Deferred income	156,163,722.90	156,163,722.90	
Deferred income tax liabilities	18,899,268.91	18,899,268.91	
Other non-current liabilities			
Total non-current liabilities	528,125,729.34	528,125,729.34	

Total liabilities	7,244,760,815.94	7,244,760,815.94	
<b>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	4,247,940,206.11	4,247,940,206.11	
Less: treasury stock			
Other comprehensive income	47,540,172.61	47,540,172.61	
Special reserve	482,270,903.18	482,270,903.18	
Surplus reserves	1,607,827,558.05	1,607,827,558.05	
Generic risk reserve			
Undistributed profit	12,086,008,009.88	12,086,008,009.88	
Total owners' equity (or shareholders' equity) attributable to the parent company	22,892,941,649.83	22,892,941,649.83	
Minority stockholders' interest	11,498,104.02	11,498,104.02	
Total owner's equity (or shareholders' equity)	22,904,439,753.85	22,904,439,753.85	
Total liabilities and owner's equity (or shareholders' equity)	30,149,200,569.79	30,149,200,569.79	

Description to the adjustment of each item:

√Applicable    □Inapplicable

The Group will apply the new accounting standards of financial instruments since January 1, 2019, and designate some equity instruments investment originally included into available-for-sale financial instrument as the financial instruments with the changes of fair value included into other comprehensive income according to the provisions therein. Accordingly, such equity instruments investment is adjusted and included into other equity instrument investment.

#### Balance Sheet of the Parent Company

Unit: Yuan

Currency: RMB

Item	December 31, 2018	January 01, 2019	Amount adjusted
<b>Current assets:</b>			
Monetary capital	1,217,322,938.46	1,217,322,938.46	
Transaction financial assets	Inapplicable		
Financial asset measured at fair value with their changes included in the current profit and loss		Inapplicable	
Derivative financial assets			
Notes receivable			
Accounts receivable	3,858,091,286.22	3,858,091,286.22	
Accounts receivable financing	Inapplicable		
Advance payment	46,477,628.38	46,477,628.38	

Other receivables	674,256,426.03	674,256,426.03	
Wherein: interest receivable			
Dividends receivable			
Inventory	2,686,448,143.15	2,686,448,143.15	
Assets held for sale			
Non-current assets due within one year			
Other current assets	3,734,113,157.24	3,734,113,157.24	
Total current assets	12,216,709,579.48	12,216,709,579.48	
<b>Non-current assets:</b>			
Creditors' investment	Inapplicable		
Available-for-sale financial assets	158,099,778.00	Inapplicable	-158,099,778.00
Other creditors' investment	Inapplicable		
Held-to-maturity investment		Inapplicable	
Long-term receivables			
Long-term equity investment	9,205,974,170.87	9,205,974,170.87	
Other equity instruments investment	Inapplicable	158,099,778.00	158,099,778.00
Other non-current financial assets	Inapplicable		
Investment real estate			
Fixed assets	3,417,054,227.08	3,417,054,227.08	
Projects under construction	2,113,313,515.76	2,113,313,515.76	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	403,030,394.29	403,030,394.29	
Development expenditure			
Business reputation			
Long-term unamortized expenses	71,854,468.44	71,854,468.44	
Deferred income tax assets	432,367,280.79	432,367,280.79	
Other non-current assets			
Total non-current assets	15,801,693,835.23	15,801,693,835.23	
Total assets	28,018,403,414.71	28,018,403,414.71	
<b>Current liabilities:</b>			
Short-term loan			
Transaction financial liabilities	Inapplicable		
Financial liabilities measured at the fair value with the changes included in the current profit and loss		Inapplicable	
Derivative financial Liabilities			
Notes payable			
Accounts payable	6,574,816,227.05	6,574,816,227.05	
Advance receipts	1,939,072,850.28	1,939,072,850.28	

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Employee salary payable	195,717,732.68	195,717,732.68	
Taxes payable	81,545,033.12	81,545,033.12	
Other payables	81,822,316.05	81,822,316.05	
Wherein: interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	4,033,653.30	4,033,653.30	
Total current liabilities	8,877,007,812.48	8,877,007,812.48	
<b>Non-current liabilities:</b>			
Long-term loans	220,000,000.00	220,000,000.00	
Bond payables			
Wherein: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	27,316,350.24	27,316,350.24	
Employee salary payable for long-term			
Estimated liabilities			
Deferred income	85,611,044.64	85,611,044.64	
Deferred income tax liabilities	9,394,129.50	9,394,129.50	
Other non-current liabilities			
Total non-current liabilities	342,321,524.38	342,321,524.38	
Total liabilities	9,219,329,336.86	9,219,329,336.86	
<b>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 comprehensive income	19,971,616.77	19,971,616.77	
Special reserve	438,785,312.37	438,785,312.37	
Surplus reserves	1,598,184,996.16	1,598,184,996.16	
Undistributed profit	8,075,389,354.68	8,075,389,354.68	
Total owner's equity (or shareholders' equity)	18,799,074,077.85	18,799,074,077.85	
Total liabilities and owner's equity (or shareholders' equity)	28,018,403,414.71	28,018,403,414.71	

Description to the adjustment of each item:

√Applicable    □Inapplicable

The Group will apply the new accounting standards of financial instruments since January 1, 2019, and designate some equity instruments investment originally included into available-for-sale financial instrument as the financial instruments with the changes of fair value included into other comprehensive income according to the provisions therein. Accordingly, such equity instruments investment is adjusted and included into other equity instrument investment.

#### (4). Description for retroactive adjustment of early comparative data upon first implementation of the new accounting standards of financial instruments and new leasing standards

Applicable  Inapplicable

### VI. Taxes

#### 1. Key tax and tax rate

Key tax and tax rate

Applicable  Inapplicable

Tax type	Tax basis	Tax rate
VAT	The taxable income is included in output tax and shall be based on the balance of output tax for the period after deducting the input tax for the period.	16%、13%、11%、10%、9%、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
海洋石油工程股份有限公司	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 November 2018, the Company was jointly identified as a high-tech enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau, and Tianjin Municipal Office, SAT, and obtained the Certificate of Hi-tech Enterprise with No. of GR201812000296 and validity of 3 years (2018-2020).

(2) In November 2018, 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, and Qingdao Municipal Office, SAT, and obtained the Certificate of Hi-tech Enterprise with No. of GR201837100123 and validity of 3 years (2018-2020).

(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 Technology 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). Up to the issue date of this financial statement, Beijing Gaotai Deep-sea Technologies Co., Ltd. is applying for qualification review of new high-tech enterprise of 2019 and tax preference of corporate income tax in 2019-2021. According to [2017] No.24 Notice of State Administration of Taxation on Issues Concerning Implementing Income Tax Preferential Policy of New High-tech Enterprise, Beijing Gaotai Deep-sea Technologies Co., Ltd. temporarily calculates and pays corporate income tax based on 15% corporate income tax rate from January to June 2019.

### 3. Others

Applicable   Inapplicable

(1) The method of "tax exemption, offset and reimbursement" is adopted during the sales of originating offshore engineering structure products for the offshore oil and gas exploitation enterprises by the Company and its subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd., Offshore Oil Engineering (Zhuhai) Co., Ltd., according to *Notice of the Ministry of Finance and the State Administration of Taxation on VAT for Consumption Tax Policies for Exported Goods and Labor Services* (C.SH. [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.

4) According to the *Notice on Relevant Policies for Deepening VAT Reform* (CS [2019] No. 39), the original applicable rate for VAT payable of sales behavior and import goods will be reduced respectively from 16% and 10% to 13% and 9%. The Group has implemented the new tax rate policy from April 01, 2019.

**VII. Notes to Items of Consolidated Financial Statement****1. Monetary capital**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Cash on hand	11,320.04	13,092.77
Bank deposits	1,768,620,183.27	1,943,750,568.50
Other monetary capital	888,633.40	131,929.26
Total	1,769,520,136.71	1,943,895,590.53
Wherein: total amount of the deposit abroad	538,077,297.66	267,135,532.63

Other description:

Details of limited monetary capital are shown as follows:

Item	Balance at end of period	Balance at the end of last year
Guarantee security	888,633.40	131,929.26
Total	888,633.40	131,929.26

**2. Accounts receivable****(1). Disclosure by accounting age**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Accounting age	Balance at end of period
< 1 year	2,182,792,261.33
Of which: subentry within 1 year	
Subtotal within 1 year	2,182,792,261.33
1 to 2 year(s)	74,925,671.75
2 to 3 year(s)	14,162.53
Above 3 years	18,355,390.95
Total	2,276,087,486.56

(1).

**(2). Disclosure by withdrawal methods for bad debt reserves**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

Category	Balance at end of period					Balance at beginning of period				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
Withdrawal of bad debt reserves by single item										
Wherein:										
Withdrawal of bad debt reserves by combination	2,276,087,486.56	100.00	31,259,954.27	1.37	2,244,827,532.29	4,204,154,540.10	100.00	17,822,064.67	0.42	4,186,332,475.43
Wherein:										
Total	2,276,087,486.56	/	31,259,954.27	/	2,244,827,532.29	4,204,154,540.10	/	17,822,064.67	/	4,186,332,475.43

Withdrawal of bad debt reserves by single item:

Applicable  Inapplicable

Withdrawal of bad debt reserves by combination:

Applicable  Inapplicable

Items withdrawn by combination: withdrawal of bad debt reserves by risk combination

Unit: Yuan Currency: RMB

Name	Balance at end of period		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
Accounting age combination	709,072,871.93	31,259,954.27	4.41
Related parties combination	1,567,014,614.63		
Total	2,276,087,486.56	31,259,954.27	

Recognition standard and description of withdrawing bad debt reserves by combination:

Applicable  Inapplicable

### (3). Situation of bad debt reserves

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Category	Balance at beginning of period	Amount changed in the current period				Balance at end of period
		Withdrawal	Transferred back or recovered	Written-off or canceled	Others	
Bad debt reserves of the account receivable	17,822,064.67	15,441,344.40	-2,004,778.81		1,324.01	31,259,954.27
Total	17,822,064.67	15,441,344.40	-2,004,778.81		1,324.01	31,259,954.27

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

Applicable  Inapplicable

### (4). Receivables canceled actually after verification in current period

Applicable  Inapplicable

### (5). 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	1,384,901,061.32	60.85	
Husky Oil China Ltd.	234,600,932.46	10.31	

Company name	Balance at end of period		
	Accounts receivable	Proportion to total number of receivables at end of year (%)	Bad debt reserves
CNOOC Gas & Power Group	139,298,820.98	6.12	
Zhejiang Petrochemical Co., Ltd.	128,273,293.29	5.64	
Hengyi Industries Sdn.Bhd	91,443,212.53	4.01	
Total	1,978,517,320.58	86.93	

### 3. Advance payment

#### (1) Advance payment 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	178,324,533.78	99.66	105,183,407.73	88.20
1 to 2 year(s)	2,246.72		13,469,806.87	11.29
2 to 3 year(s)			610,519.02	0.51
Above 3 years	610,519.02	0.34		
Total	178,937,299.52	100.00	119,263,733.62	100.00

#### (2). Advance payment of the top five of balance at end of period collected by advance payment object

Applicable Inapplicable

Advance payment object	Balance at end of period	Proportion to the total number of advance payment balance at end of year (%)
Soil Machine Dynamics Ltd	31,247,537.43	17.46
Xianggang Iron and Steel Sales Company Tianjin Ltd.	18,543,827.97	10.36
Tianjin Haishenghao Offshore Engineering Co., Ltd.	16,899,800.00	9.44
CNOOC Energy Technology & Services Limited	15,496,073.93	8.66
Ariel Corporation	14,203,686.72	7.94
Total	96,390,926.05	53.86

### 4. Other receivables

#### Items listed

Applicable Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable	2,762,703.55	4,931,006.22
Dividends receivable		
Other receivables	217,720,794.82	93,852,565.14

Total	220,483,498.37	98,783,571.36
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Other description:

Applicable  Inapplicable

### 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	2,762,703.55	3,753,311.04
Interest on deposit of CNOOC Finance Co., Ltd.		1,177,695.18
Total	2,762,703.55	4,931,006.22

### Other receivables

#### (1). Disclosure by accounting age

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Accounting age	Balance at end of period
< 1 year	196,600,496.67
Of which: subentry within 1 year	
Subtotal within 1 year	196,600,496.67
1 to 2 year(s)	8,754,524.87
2 to 3 year(s)	2,397,560.87
Above 3 years	13,906,288.15
Total	221,658,870.56

#### (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	166,243,732.00	70,502,000.00
Deposit, imprest-fund and margin	26,970,148.03	16,098,751.98
Advance money	19,186,249.41	10,115,874.48
Refunding export taxes	9,258,741.12	1,196,782.70
Total	221,658,870.56	97,913,409.16

#### (3) Withdrawal conditions for bad debt reserves

Applicable  Inapplicable

Unit: Yuan

Currency: RMB

Bad debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss in the whole duration (with no credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as of January 1, 2019	1,478,641.67		2,582,202.35	4,060,844.02
Balance as of January 1, 2019 in the current period				
-- Transferred into Stage II				
-- Transferred into Stage III				
-- Transferred back to Stage II				
-- Transferred back to Stage I				
Amount withdrawn in the current period				
Amount transferred back in the current period	124,907.84			124,907.84
Amount written-off in the current period				
Amount canceled in the current period				
Other changes			2,139.56	2,139.56
Balance as of June 30, 2019	1,353,733.83		2,584,341.91	3,938,075.74

Description to the obvious changes in book balance of other accounts receivable with loss provision changes in current period:

Applicable  Inapplicable

The basis for deciding obvious increase in the withdrawn amount of bad debt reserves in current period and the credit risk of evaluating financial instrument:

Applicable  Inapplicable

#### (4). Situation of bad debt reserves

Applicable  Inapplicable

Unit: Yuan

Currency: RMB

Category	Balance at beginning of period	Amount changed in the current period				Balance at end of period
		Withdrawal	Transferred back or recovered	Written-off or canceled	Others	
Account age	1,478,641.67		124,907.84			1,353,733.83

combination of other receivables:						
Withdrawal of other receivables by single item	2,582,202.35				2,139.56	2,584,341.91
Total	4,060,844.02		124,907.84		2,139.56	3,938,075.74

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

Applicable  Inapplicable

**(5). Other receivables canceled actually after verification in current period**

Applicable  Inapplicable

**(6). Other receivables with top five balance gathered by debt party at end of period**

Applicable  Inapplicable

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	166,243,732.00	< 1 year	75.00	
Qingdao Municipal Office, SAT	Income tax refund	15,501,334.66	< 1 year	6.99	
State Administration of Taxatio	Refunding export taxes	9,258,741.12	< 1 year	4.18	
Shenzhen Customs District People's Republic of China	Security	5,609,011.03	Note	2.53	
City Construction Bureau of Qingdao District, Huangdao City	Security	2,371,000.30	1-2 years	1.07	711,300.09
Total	/	198,983,819.11	/	89.77	711,300.09

Note: For Shenzhen Customs District People's Republic of China, the balance of security at end of period is RMB 5,609,011.03, including RMB 1,500,000.00 for accounting age of 1-2 years; RMB 973,510.76 for 2-3 year(s); RMB 3,135,500.27 for more than 3 years.

**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	3,446,413,656.88	95,765,774.80	3,350,647,882.08	2,399,779,390.34	133,062,265.72	2,266,717,124.62
Project material preparation	869,249,388.14	60,871,146.82	808,378,241.32	693,558,117.58	62,159,051.16	631,399,066.42
Total	4,315,663,045.02	156,636,921.62	4,159,026,123.40	3,093,337,507.92	195,221,316.88	2,898,116,191.04

Engineering material preparation is detailed as follows:

Item	Balance at end of period			Balance at the end of last year		
	Book balance	Inventory falling price reserves	Book value	Book balance	Inventory falling price reserves	Book value
Project material preparation	869,249,388.14	60,871,146.82	808,378,241.32	693,558,117.58	62,159,051.16	631,399,066.42
Wherein:						
Common steel products	95,627,482.45	50,978,428.64	44,649,053.81	77,063,002.83	52,266,332.98	24,796,669.85
Imported material	42,475,052.49	1,441,755.57	41,033,296.92	42,475,052.49	1,441,755.57	41,033,296.92
Electrical engineering materials	48,885,902.07	416,325.18	48,469,576.89	46,568,275.86	416,325.18	46,151,950.68

Item	Balance at end of period			Balance at the end of last year		
	Book balance	Inventory falling price reserves	Book value	Book balance	Inventory falling price reserves	Book value
Other materials	682,260,951.13	8,034,637.43	674,226,313.70	527,451,786.40	8,034,637.43	519,417,148.97
Total	4,315,663,045.02	156,636,921.62	4,159,026,123.40	3,093,337,507.92	195,221,316.88	2,898,116,191.04

**(2). Inventory falling price reserves and contract fulfillment cost impairment 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-processes						
Inventory commodity						
Revolving Materials						
Consumable biological assets						
Asset completed but not settled under construction contract						
Project construction	133,062,265.72	82,413,029.14		119,709,520.06		95,765,774.80
Project material preparation	62,159,051.16	1,637,595.11		2,925,499.45		60,871,146.82
Total	195,221,316.88	84,050,624.25		122,635,019.51		156,636,921.62

Engineering material preparation is detailed as follows:

Item	Balance at the end of last year	Increased amount in current period		Decreased amount in current period		Balance at end of period
		Withdrawal	Others	Retake or write-off	Others	
Project material preparation	62,159,051.16	1,637,595.11		2,925,499.45		60,871,146.82
Wherein: common steels	52,266,332.98	1,637,595.11		2,925,499.45		50,978,428.64
Imported material	1,441,755.57					1,441,755.57

Item	Balance at the end of last year	Increased amount in current period		Decreased amount in current period		Balance at end of period
		Withdrawal	Others	Retake or write-off	Others	
Electrical engineering materials	416,325.18					416,325.18
Other materials	8,034,637.43					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	11,689,123,084.40
Cumulative confirmed gross profit	368,713,397.67
Anticipated loss of the contract	95,765,774.80
Settled amount	8,611,422,825.19
Asset completed but not settled under construction contract	3,350,647,882.08

**6. Other current assets**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Bank financial products	4,300,000,000.00	4,310,000,000.00
Offset against VAT input tax	417,959,137.77	334,406,807.83
Advance payment of corporate income tax	380,824.87	16,823,286.42
Others	4,720,089.12	
Total	4,723,060,051.76	4,661,230,094.25

1.

**7. Long-term equity investment**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

The investee	Beginning of period Balance	Increase and decrease variation in current period								End of period Balance	Depreciation on reserve balance at end of period
		Addition al investment	Negative investment	Recognized profit and loss on investment under equity method	Other comprehensive income adjustment	Other equity variation	Cash dividends or benefit to be issued	Withdrawal of depreciation reserves	Others		
I. Cooperative enterprise											
COOEC-Floor Heavy Industries Co., Ltd.	2,226,837,618.49			-82,958,720.15					18,211,703.83	2,162,090,602.17	
Tianjin Zhonghe Ocean Energy Engineering Co., Ltd.		800,000.00								800,000.00	
Subtotal	2,226,837,618.49	800,000.00		-82,958,720.15					18,211,703.83	2,162,890,602.17	
II. Joint venture											
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.											

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Subtotal											
Total	2,226,837,618 .49	800,000. 00		-82,958,720 .15					18,211,703 .83	2,162,890,602 .17	

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.

**8. Other equity instruments investment****(1). Other equity instruments investment**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Gansu Lanke Petrochemical Equipment Co., Ltd.	106,975,400.00	87,428,400.00
CNOOC Finance Co., Ltd.	70,671,378.00	70,671,378.00
Total	177,646,778.00	158,099,778.00

**(2). Non-transaction equity instrument investment**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Dividends income recognized in current period	Cumulated gains	Cumulated losses	Amount of other comprehensive income transferred to the retained earnings	Reasons for that designed as being measured at fair value with the changes included in other comprehensive income	Reasons for other comprehensive income transferred to the retained earnings
Gansu Lanke Petrochemical Equipment Co., Ltd.		70,291,289.51			Non-transaction equity instrument investment	
CNOOC Finance Co., Ltd.	8,258,981.42				Non-transaction equity instrument investment	

**9. Fixed assets****Items listed**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed assets	11,142,674,881.54	9,564,120,250.79
Liquidation of fixed assets	4,201,250.62	1,020,127.66
Total	11,146,876,132.16	9,565,140,378.45

**Fixed assets****(1). Condition of fixed assets**

√Applicable    □Inapplicable

Unit: Yuan Currency: RMB

Item	Housings and buildings	Machinery equipment	Transportation means	Electronic equipment	Total
I. Original book value:					
1. Balance at beginning of period	3,605,635,441.01	3,214,563,547.77	11,449,072,730.98	168,689,449.84	18,437,961,169.60
2. Increase amount in current period	8,384.45	27,505,242.01	2,087,941,907.39	4,062,201.88	2,119,517,735.73
(1) Purchase		24,110,364.39	53,000.00	3,994,985.15	28,158,349.54
(2) Transferred from projects under construction		3,360,211.78	2,084,941,761.78		2,088,301,973.56
(3) Increased from merger					
(4) Converted from foreign currency statement	8,384.45	34,665.84	2,947,145.61	67,216.73	3,057,412.63
3. Decrease amount in current period	110,498,252.50	5,107,284.85	35,749,444.44	532,426.50	151,887,408.29
(1) Disposal or scrapping		5,107,284.85	35,749,444.44	532,426.50	41,389,155.79
(2) Other (note)	110,498,252.50				110,498,252.50
4. Ending balance	3,495,145,572.96	3,236,961,504.93	13,501,265,193.93	172,219,225.22	20,405,591,497.04
II. Cumulative depreciation					
1. Balance at beginning of period	1,410,914,410.59	2,338,989,856.71	4,819,416,094.84	139,025,201.57	8,708,345,563.71
2. Increase amount in current period	74,527,771.21	94,015,868.59	289,691,084.90	3,553,584.07	461,788,308.77
(1) Withdrawal	74,527,771.21	94,011,761.54	286,743,939.29	3,527,949.46	458,811,421.50
(2) Converted		4,107.05	2,947,145.61	25,634.61	2,976,887.27

from foreign currency statement					
3. Decrease amount in current period	35,532,831.31	4,539,096.92	32,161,500.00	479,183.85	72,712,612.08
(1) Disposal or scrapping		4,539,096.92	32,161,500.00	479,183.85	37,179,780.77
(2) Other (note)	35,532,831.31				35,532,831.31
4. Ending balance	1,449,909,350.49	2,428,466,628.38	5,076,945,679.74	142,099,601.79	9,097,421,260.40
III. Depreciation reserves					
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
IV. Book value					
1. Book value at end of the period	1,890,561,218.23	797,674,525.69	8,424,319,514.19	30,119,623.43	11,142,674,881.54
2. Book value at beginning of period	2,040,046,026.18	864,753,340.20	6,629,656,636.14	29,664,248.27	9,564,120,250.79

**(2). Fixed assets leased out through operating lease**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

Item	Book value at end of period
Transportation equipment	476,036,957.33
Total	476,036,957.33

**(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	338,052,633.15	In progress

**Liquidation of fixed assets**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Transportation equipment	4,201,250.62	
Machinery equipment		1,020,127.66
Total	4,201,250.62	1,020,127.66

**10. Projects under construction****Items listed**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Projects under construction	523,952,705.86	2,381,041,517.05
Engineering materials		
Total	523,952,705.86	2,381,041,517.05

**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
Capability promotion project of Offshore Oil 201				2,001,331,835.26		2,001,331,835.26
Port-surrounding base construction project	150,438,981.83		150,438,981.83	106,615,898.46		106,615,898.46
Trenching plough purchase project	102,570,210.26		102,570,210.26	102,502,419.78		102,502,419.78

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National oil and gas pipe for emergency rescue of the South China Sea Base project	60,062,476.74		60,062,476.74	67,737,007.96		67,737,007.96
Extension project of skidway 5#	134,395,663.70		134,395,663.70	49,197,069.96		49,197,069.96
Two 3,000 m working ROVs-LARS part	22,299,080.68		22,299,080.68	21,935,156.93		21,935,156.93
Investment in transformation of pipeline connection with existing pipelines of Bluewhale	10,431,496.88		10,431,496.88	10,414,047.07		10,414,047.07
Equipment installation	8,212,268.02		8,212,268.02	5,344,548.80		5,344,548.80
Installation of crane A for Offshore Oil 291	1,747,874.25		1,747,874.25	1,735,271.09		1,735,271.09
Resource price information system development project (phase II)	1,056,603.76		1,056,603.76	1,056,603.76		1,056,603.76
Others	32,738,049.74		32,738,049.74	13,171,657.98		13,171,657.98
Total	523,952,705.86		523,952,705.86	2,381,041,517.05		2,381,041,517.05

**(2). Changes in major construction projects of current period**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Project name	Budget amount	Beginning of period Balance	Increased amount in current period	Transferred fixed assets amount of 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
Capability promotion project of Offshore Oil 201 (note)	181,762,700.00	2,001,331,835.26	82,628,029.97	2,083,959,865.23			76.54	100.00				Self-raised
Port-surrounding base construction project	3,999,496,000.00	106,615,898.46	43,823,083.37			150,438,981.83	13.32	20.00				Self-raised
Trenching plough purchase project	132,546,800.00	102,502,419.78	67,790.48			102,570,210.26	77.38	80.00				Self-raised
National oil and gas pipe for emergency rescue of the South China Sea Base project	220,000,000.00	67,737,007.96			7,674,531.22	60,062,476.74	27.30	32.50				Fund allocated by the government

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Extension project of skidway 5#	223,769,003.83	49,197,069.96	85,198,593.74			134,395,663.70	60.06	60.00					Self-raised
COOEC-Two 3,000 m working ROVs-LARS part	23,000,000.00	21,935,156.93	363,923.75			22,299,080.68	96.95	98.00					Self-raised
Investment in transformation of pipeline connection with existing pipelines of Bluewhale	27,807,700.00	10,414,047.07	17,449.81			10,431,496.88	37.51	40.00					Self-raised
Installation of crane A for Offshore Oil 291	95,925,300.00	1,735,271.09	12,603.16			1,747,874.25	1.82	2.00					Self-raised
Resource price information system development project (phase II)	1,225,000.00	1,056,603.76				1,056,603.76	86.25	90.00					Self-raised
Equipment installation		5,344,548.80	7,549,482.91	4,681,763.69		8,212,268.02							Self-raised
Others		13,171,657.98	21,412,081.22	1,845,689.46		32,738,049.74							Self-raised
Total	4,905,532,503.83	2,381,041,517.05	241,073,038.41	2,090,487,318.38	7,674,531.22	523,952,705.86	/	/				/	/

**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
I. Original book value					
1. Balance at beginning of period	1,320,659,101.97			162,587,817.02	1,483,246,918.99
2. Increase amount in current period				3,199,273.10	3,199,273.10
(1) Purchase				938,896.54	938,896.54
(2) Internal R&D					
(3) Increased from merger					
(4) Transferred from projects under construction				2,185,344.82	2,185,344.82
(5) Converted from foreign currency statement				75,031.74	75,031.74
3. Decrease amount in current period					
(1) Disposal					
4. Ending balance	1,320,659,101.97			165,787,090.12	1,486,446,192.09
II. Cumulative amortization					
1. Balance at beginning of period	182,602,836.19			143,680,603.09	326,283,439.28
2. Increase amount in current period	13,498,513.03			5,723,492.79	19,222,005.82
(1) Withdrawal	13,498,513.03			5,649,388.54	19,147,901.57
(2) Converted from foreign currency statement				74,104.25	74,104.25
3. Decrease amount in current period					
(1) Disposal					
4. Ending balance	196,101,349.22			149,404,095.88	345,505,445.10
III. Depreciation reserves					
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					
IV. Book value					
1. Book value at end of the period	1,124,557,752.75			16,382,994.24	1,140,940,746.99
2. Book value at beginning of period	1,138,056,265.78			18,907,213.93	1,156,963,479.71

Intangible asset formed balance by internal R&D takes up 0% of the phase-end book value of intangible assets.

## 12. Goodwill

### (1). Goodwill original book value

Applicable Inapplicable

Unit: Yuan

Currency: RMB

Investee 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

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 those under the same control in 2009, and at end of period, the Group performed impairment test on the goodwill to discover that no impairment occurred to the goodwill.

## 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	67,218,008.13	838,005.91	2,282,484.30		65,773,529.74
Improved expenditure of leased-in assets	18,101,448.30		3,287,023.48		14,814,424.82
Charges for software	1,912,852.84		1,181,560.95		731,291.89
Total	87,232,309.27	838,005.91	6,751,068.73		81,319,246.45

**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	220,072,613.84	33,010,892.08	334,142,911.17	50,121,436.68
Internal unrealized profit	612,928,109.99	153,241,020.94	631,139,813.82	157,793,946.91
Deductible loss	1,501,450,273.69	258,447,932.81	2,528,610,806.51	380,954,267.31
Not-invoiced costs on account	1,268,976,209.28	190,346,431.39	132,734,561.55	19,910,184.23
Deferred income	202,204,274.66	30,138,587.22	187,700,255.23	28,155,038.29
Dismission welfare	2,612,958.77	391,943.81	2,612,958.77	391,943.82
Estimated liabilities	168,116,160.80	25,217,424.12	105,746,387.29	15,861,958.09
Total	3,976,360,601.03	690,794,232.37	3,922,687,694.34	653,188,775.33

**(2). Non-offset deferred income tax liability**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Item	Balance at end of period		Balance at beginning of period	
	Taxable temporary difference	Deferred income tax Liabilities	Taxable temporary difference	Deferred income tax Liabilities
Asset evaluation increment of business combination under different common control				
Fair value change in other creditors' investment				
Fair value change in other equity instruments investment				
Change of fair value recognized in available-for-sale financial assets	70,291,289.51	10,543,693.43	50,744,289.51	7,611,643.43
Depreciation of fixed assets	66,627,626.69	9,994,144.00	75,250,836.54	11,287,625.48
Total	136,918,916.20	20,537,837.43	125,995,126.05	18,899,268.91

**15. Accounts payable**

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	4,239,717,719.82	3,940,765,468.72
Total	4,239,717,719.82	3,940,765,468.72

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.	45,374,217.60	Unfinished settlement
S.B.SUBMARINE SYSTEMS CO.,LTD	31,967,355.00	Unfinished settlement
Tianjin TEDA Bluewhale Offshore Engineering Technology Co., Ltd.	19,277,892.71	Unfinished settlement
OFFTECH INTERNATIONAL LIMITED	13,764,195.41	Unfinished settlement
CSSC Huangpu Wenchong Shipbuilding Company Limited	12,262,421.78	Unfinished settlement
Total	122,646,082.50	/

## 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	1,476,503,395.83	1,965,520,366.62
Others	11,203,988.93	780,280.68
Total	1,487,707,384.76	1,966,300,647.30

### (2) Major advance receipts with accounting age over 1 year

Applicable Inapplicable

### (3) 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	690,146,220.15
Cumulative confirmed gross profit	125,456,305.54
Anticipated loss of the contract	
Settled amount	2,292,105,921.52
Not-settled completed project in construction contract at end of period	1,476,503,395.83

## 17. Payroll payable

### (1) List of payroll payable

Applicable Inapplicable

Item	Unit: Yuan			Currency: RMB
	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
I. Short-term compensation	275,259,278.38	810,736,126.93	925,910,575.85	160,084,829.46
II. Defined contribution plans for welfare after dismissal		149,812,403.92	149,812,403.92	
III. Dismissal welfare	2,612,958.77			2,612,958.77
IV. Other welfares to expire within one year				
Total	277,872,237.15	960,548,530.85	1,075,722,979.77	162,697,788.23

**(2). List of short-term salary**

√Applicable    □Inapplicable

Unit: Yuan Currency: RMB

Item	Unit: Yuan			Currency: RMB
	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
I. Salary, bonus, allowance, and subsidy	221,838,755.32	589,431,181.17	705,570,331.91	105,699,604.58
II. Employee welfare	880.00	25,154,198.41	25,154,198.41	880.00
III. Social insurance fee		72,887,236.25	72,887,236.25	
Inc.: Medical insurance premiums		64,994,710.24	64,994,710.24	
Industrial injury insurance		3,347,037.20	3,347,037.20	
Birth insurance premium		4,545,488.81	4,545,488.81	
IV. Legal reserves of housing acquisition		76,665,309.92	76,665,309.92	
V. Labor union expenditure and personnel education fund	49,654,845.03	20,143,765.32	18,286,103.59	51,512,506.76
VI. Short-term compensated absences				
VII. Short-term profits sharing plan				
VIII. Others	3,764,798.03	26,454,435.86	27,347,395.77	2,871,838.12
Total	275,259,278.38	810,736,126.93	925,910,575.85	160,084,829.46

**(3). List of defined contribution plans**

√Applicable    □Inapplicable

Unit: Yuan Currency: RMB

Item	Unit: Yuan			Currency: RMB
	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period
1. Primary endowment insurance		115,516,450.35	115,516,450.35	

2. Unemployment insurance expense		3,361,225.57	3,361,225.57	
3. Enterprise annuity		30,934,728.00	30,934,728.00	
Total		149,812,403.92	149,812,403.92	

**18. Taxes payable**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
VAT	274,369,495.22	215,509,919.93
Consumption tax		
Business tax		
Corporate income tax	82,026,513.05	113,588,632.83
Individual income tax	1,419,835.19	44,726,709.19
Urban maintenance and construction tax	2,535,909.86	23,391,934.56
Land value increment tax	24,072,777.74	24,072,777.74
Real estate tax	2,899,755.55	3,039,961.28
Stamp tax	2,021,902.42	1,353,677.44
Educational surtax	1,809,926.96	16,707,087.40
Land use tax	1,395,609.60	3,198,272.00
Anti-flood fees	340,029.68	1,324,706.34
Others	1,740,675.02	3,081,654.30
Total	394,632,430.29	449,995,333.01

**19. Other payables****Items listed**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest payable		29,486.11
Dividends payable		
Other payables	81,585,547.85	74,371,583.46
Total	81,585,547.85	74,401,069.57

**Interest payable**

√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

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

Interest of major overdue payment:

Applicable  Inapplicable

Other description:

Applicable  Inapplicable

### Dividends payable

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
Suspense credits	67,610,661.31	61,356,806.83
Appropriate funds for scientific research	13,974,886.54	13,014,776.63
Total	81,585,547.85	74,371,583.46

### 20. 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	7,295,528.48	7,300,330.85
Total	7,295,528.48	7,300,330.85

Increase/Decrease of short-term bond payable:

Applicable  Inapplicable

Other description:

Applicable  Inapplicable

#### Items of government subsidy

Items of government subsidy	Balance at the end of last 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	5,582,205.81	1,906,382.35	1,911,184.72		5,577,403.44	Related to income

significant national projects						
Return of site supporting facilities fee	1,365,125.04	682,562.52	682,562.52		1,365,125.04	Related to assets
Deed tax return of office building in bonded area	353,000.00	176,500.00	176,500.00		353,000.00	Related to assets
Total	7,300,330.85	2,765,444.87	2,770,247.24		7,295,528.48	

Note: Other current liabilities of the Group is deferred income expected to be carried forward within one year; RMB 2,699,389.17 yuan 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	220,000,000.00
Total	220,000,000.00	220,000,000.00

Other notes, including interest rate interval:

Applicable Inapplicable

Note to credit loan: In March 2017 and February 2018, the Company signed three-party entrusted loan contract with CNOOC and CNOOC Finance Co., Ltd. CNOOC entrusted CNOOC Finance Co., Ltd. to borrow a loan of RMB 90 million and RMB 130 million from the Company respectively with the loan period of five years. All loan funds will be used in constructing national oil and gas pipe for emergency rescue of the South China Sea Base project.

## 22. Long-term payables

### Items listed

Applicable Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Long-term payables		
Special payables	27,112,403.57	27,316,350.24
Total	27,112,403.57	27,316,350.24

### Long-term payables

Applicable Inapplicable

**Special payables**

√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	27,316,350.24		203,946.67	27,112,403.57	State appropriation
Total	27,316,350.24		203,946.67	27,112,403.57	/

**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			
Anticipated loss of the contract		311,879,651.63	Note 1
Pending matters	105,746,387.29	105,746,387.29	Note 2
Total	105,746,387.29	417,626,038.92	/

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

Note 1: According to the requirements in *Accounting Standards for Business Enterprises No. 15-Construction Contract*, it is required to carry out impairment test on projects with construction contract. If the expected total cost of the construction contract exceeds the total contract income, which leads to expected loss, withdrawing of impairment loss is required. At the end of period, the expected contract loss is RMB 311,879,651.63, which refers to the expected impairment loss recognized for the projects with the expected total contract cost exceeding the total contract income according to the completion progress.

Note 2: The subsidiary - Offshore Oil Engineering (Qing Dao) Co., Ltd. received question investigation report from painter supplier and insulation subcontractor of ICHTHYS project respectively on February 24, 2017 and June 1, 2017, stating that quality problem was discovered in the paint used in and insulation system of the module constructed by Offshore Oil Engineering (Qing Dao) Co., Ltd., but no consensus was reached upon the reasons of defect by the parties till the balance sheet date. Based on the fact that quality guarantee is a demand guarantee and according to the contract term that Offshore Oil Engineering (Qing Dao) Co., Ltd. should bear certain guarantee liability for no defect of project in terms of material, design, construction and process, the guarantee amount of USD 16,183,600 will be the estimated compensation. This matter has no substantial progress as of the approval date of the financial report.

**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	156,163,722.90	29,549,358.00	16,019,988.15	169,693,092.75	Fund allocated by the government
Total	156,163,722.90	29,549,358.00	16,019,988.15	169,693,092.75	/

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	100,698,306.55	29,549,358.00		9,027,767.63	6,133,158.00	115,086,738.92	Related to income
Return of site supporting facilities fee	50,964,666.35				682,562.52	50,282,103.83	Related to assets
Deed tax return of office building in bonded area	4,500,750.00				176,500.00	4,324,250.00	Related to assets
Total	156,163,722.90	29,549,358.00		9,027,767.63	6,992,220.52	169,693,092.75	

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 4,292,831.35 transferred to cooperating organization and 2,699,389.17 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
		Newly issued shares	Donated shares	Shares transferred from accumulation fund	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

1.

**27. Other comprehensive income**

√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 comprehensive income and then transferred into current profit and loss	Minus: amount included in other comprehensive income and then transferred into retained earnings in current period	Less: income tax expense	Attributable to parent company after tax	Attributable to minority stockholders after tax	
I. Other comprehensive incomes which cannot be reclassified into the profit and loss in future	43,132,646.08	19,547,000.00			2,932,050.00	16,614,950.00		59,747,596.08
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								
Fair value change in other equity instruments investment	43,132,646.08	19,547,000.00			2,932,050.00	16,614,950.00		59,747,596.08
Fair value change in the credit risk of								

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the Company								
II. Other comprehensive income which will be reclassified into the profit and loss	4,407,526.53	2,210,970.23				2,242,737.86	-31,767.63	6,650,264.39
Wherein: Other comprehensive incomes that can be reclassified into the profit and loss under the Equity Method								
Fair value change in other creditors' investment								
Amount of financial assets reclassified and included into other comprehensive income								
Credit depreciation reserves for other creditors' investment								
The effective portion of hedging profit and loss for cash flow								
Translation differences in foreign currency financial statements	4,407,526.53	2,210,970.23				2,242,737.86	-31,767.63	6,650,264.39
Other comprehensive income sum	47,540,172.61	21,757,970.23			2,932,050.00	18,857,687.86	-31,767.63	66,397,860.47

**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	482,270,903.18	69,803,114.00	51,238,251.63	500,835,765.55
Total	482,270,903.18	69,803,114.00	51,238,251.63	500,835,765.55

**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	1,518,681,689.64			1,518,681,689.64
Other surplus reserves	89,145,868.41			89,145,868.41
Reserve funds				
Enterprise development fund				
Others				
Total	1,607,827,558.05			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	12,086,008,009.88	12,385,180,367.63
Total undistributed profit at beginning of adjustment (increase +, decrease -)		
Undistributed profit at beginning of later period of adjustment	12,086,008,009.88	12,385,180,367.63
Plus: Net profit attributable to owners of the parent company	-714,096,225.86	-182,410,322.88
Minus: withdrawal legal surplus		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common-stock dividends payable	221,067,740.00	221,067,740.00
Common stock dividends that converted to capital stock		
Undistributed profit at end of period	11,150,844,044.02	11,981,702,304.75

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 profit affected by correction of significant accounting errors at the beginning of period is RMB 0.
4. The undistributed profit affected by changes in merger scope caused by the same control at the beginning of period is RMB 0.
5. The undistributed profit 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	4,551,510,540.40	4,671,981,001.29	3,553,588,582.40	3,486,804,153.48
Other businesses	7,905,647.47	2,968,248.59	22,130,594.81	20,155,151.12
Total	4,559,416,187.87	4,674,949,249.88	3,575,719,177.21	3,506,959,304.60

#### Top 5 clients' operating income:

Client name	Operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	2,835,786,486.48	62.20
Dangote Oil Refining	346,759,606.27	7.61
TUPI B.V.	340,169,493.96	7.46
Husky Oil China Ltd.	252,667,801.81	5.54
CNOOC Gas & Power Group	219,235,935.75	4.81
Total	3,994,619,324.27	87.61

#### Major business income classified by products:

Product name	Accrued in current period	Accrued in last period
(1) Revenue from offshore engineering EPCI contract project	3,381,015,613.95	2,773,799,421.76
(2) Revenue from offshore engineering Non-EPCI contract project	614,312,383.09	644,886,457.95
Wherein: revenue from offshore installation and subsea pipe-laying	231,586,526.15	391,249,225.99
Maintenance service income	215,146,683.10	74,773,075.40
Revenue from onshore construction	85,026,216.17	153,143,944.24
Engineering design income	82,552,957.67	25,720,212.32
(3) Income from non-ocean engineering projects	556,182,543.36	134,902,702.69

Product name	Accrued in current period	Accrued in last period
Total	4,551,510,540.40	3,553,588,582.40

**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	9,945,300.49	9,812,060.62
Educational surtax	4,558,104.41	4,354,254.22
Resource tax		
Real estate tax	11,005,954.67	9,879,045.91
Land use tax	2,881,819.11	6,854,331.46
Vehicle and vessel use tax	110,387.36	97,874.72
Stamp tax	5,811,341.69	2,854,222.14
Local educational additional fee	2,584,728.52	2,771,506.88
Anti-flood fees	-193,131.40	751,982.76
Others	5,310.79	24,794.54
Total	36,709,815.64	37,400,073.25

**33. Selling expenses**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	6,974,029.12	1,376,860.09
Publicity and exhibition expenses	47,374.81	1,108,394.81
Others	3,525,063.95	2,004,096.66
Total	10,546,467.88	4,489,351.56

**34. Management expenses**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	68,916,730.35	75,469,268.06
Depreciation cost and amortization of intangible assets	6,778,130.41	10,435,663.02
Rental charge	5,896,030.08	2,001,147.08
Traveling expense	1,906,749.10	2,116,400.71
Property management and afforestation expense	1,885,683.47	2,174,163.75

Office, water, electricity and communication expenses	1,772,628.52	1,866,215.48
Transportation expense	1,669,477.41	1,185,143.17
Auditing and consulting expense	324,477.46	2,023,836.29
Business entertainment expenses	10,304.74	50,999.17
Others	5,151,859.83	8,839,220.11
Total	94,312,071.37	106,162,056.84

**35. R&D costs**

√Applicable   □Inapplicable

Unit: Yuan   Currency: RMB

Item	Accrued in current period	Accrued in last period
Employee salary	32,607,665.08	30,694,167.23
Machinery consumables	8,718,310.14	5,420,310.59
Traveling expense	2,111,675.10	1,723,820.26
Rental charge	2,044,463.32	358,127.62
Expert consultation expenses	457,631.18	493,735.89
Office and utility expenses	228,672.84	29,898.20
Others	69,149,169.38	78,170,908.44
Total	115,317,587.04	116,890,968.23

**36. Financial expenses**

√Applicable   □Inapplicable

Unit: Yuan   Currency: RMB

Item	Accrued in current period	Accrued in last period
Interest expenses	458,375.00	357,263.89
Minus: interest income	-9,968,367.86	-38,860,870.98
Exchange profit and loss	-3,478,596.55	27,718,162.54
Others	5,986,328.19	7,269,792.66
Total	-7,002,261.22	-3,515,651.89

**37. Other incomes**

√Applicable   □Inapplicable

Unit: Yuan   Currency: RMB

Item	Accrued in current period	Accrued in last period
R&D subsidy	14,201,602.57	24,379,791.21
Reimbursement of individual income tax commissions	623,049.83	2,252,890.56
Others	873,491.34	
Total	15,698,143.74	26,632,681.77

**38. 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	-64,747,016.32	-53,194,706.74
Investment income during disposing long-term equity investment		
Investment income gained in the holding period of financial assets measured at their fair values and with the changes included in the current profit and loss		
Investment income gained in the disposition period of financial assets measured at their fair values and with the changes 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 gained by available-for-sale financial assets etc.		9,006,827.26
Investment income gained by disposing available-for-sale financial assets		
Investment income for transaction financial assets during holding period		
Dividends income from other equity instruments investment during holding period	8,258,981.42	
Interests income from creditors' investment during holding period		
Interests income from other creditors' investment during holding period		
Investment income gained by disposing transaction financial assets		
Investment income gained by disposing other equity instruments investment		
Investment income gained by disposing creditors' investment		
Investment income gained by disposing other creditors' investment		
Investment income from bank financial products	65,608,678.49	40,726,603.10
Total	9,120,643.59	-3,461,276.38

**39. 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
Transaction financial assets		
Wherein: income from changes in fair value generated by derivative financial instruments.		

Transaction financial liabilities		
Investment real estate calculated based on fair value		
Financial liabilities measured at the fair value with the changes included in the current profit and loss		-22,658,812.72
Total		-22,658,812.72

**40. Credit impairment loss**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Bad debt loss of the account receivable	-13,436,565.59	
Bad debt loss of other accounts receivable	124,907.84	
Impairment loss on creditors' investment		
Impairment loss on other creditors' investment		
Bad debt loss of long-term accounts receivable		
Total	-13,311,657.75	

**41. Assets impairment loss**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
I. Bad debt loss		-1,670,444.76
II. Loss of inventory devaluation	-395,930,275.88	
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	-395,930,275.88	-1,670,444.76

**42. Gain on assets disposal**√Applicable Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Income from disposal of fixed assets	151,900.93	137,719.49
Total	151,900.93	137,719.49

**43. 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		762,562.52	
Others	5,385,033.35	11,261,942.87	5,385,033.35
Total	5,385,033.35	12,024,505.39	5,385,033.35

Government subsidies included in current profit and loss

Applicable Inapplicable**44. 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		1,666,475.13	

Wherein: Disposal loss on fixed assets			
Disposal losses on intangible assets			
Loss on debt restructuring			
Loss on exchange of non-monetary assets			
External donations			
Others	63,248.31	7,410.32	63,248.31
Total	63,248.31	1,673,885.45	63,248.31

#### 45. Income tax expense

##### (1). Table of income tax expense

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period	Accrued in last period
Income tax expense for current period	10,591,493.47	23,077,543.27
Deferred income tax expense	-38,939,271.28	-22,068,018.22
Total	-28,347,777.81	1,009,525.05

##### (2). Accounting profit and income tax expense adjustment process

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period
Total profit	-744,366,203.05
Income tax expense calculated according to legal/applicable tax rate	-111,654,930.46
Influence of different tax rate application of subsidiary corporation	-1,839,906.88
Adjustment for influence of income tax in former period	-6,163,299.99
Influence for non-taxable income	19,137,163.64
Influence for cost, expense and losses that cannot be deductible	6,411,271.31
Influence of deductible losses from using unconfirmed deferred income taxes in former period	-105,091.29
Deductible temporary difference or Influence for deductible losses of unconfirmed deferred income taxes in this period	71,162,976.26
Others	-5,295,960.40
Income tax expenses	-28,347,777.81

#### 46. Items of cash flow statement

##### (1). Other cashes received relating to operating activities

√Applicable    □Inapplicable

Unit: Yuan Currency: RMB

Item	Accrued in current period	Accrued in last period
Insurance claim payment	35,672,405.23	136,197.30
R&D and fund allocated by the government	34,549,236.75	38,366,000.00
Interest income	11,146,063.04	39,258,971.12
Imprest, deposit and cash deposit	7,617,636.13	3,708,965.65
Others	20,714,356.33	29,945,127.44
Total	109,699,697.48	111,415,261.51

**(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	44,925,087.58	15,614,274.82
Service charge	5,986,328.19	7,268,026.69
Rental charge	5,896,030.08	2,001,147.08
R&D expense	4,011,026.47	4,065,752.50
Traveling expense	1,906,749.10	3,553,095.49
Property management and afforestation expense	1,885,683.47	2,177,746.77
Office expense	1,772,628.52	196,207.63
Transportation expense	1,669,477.41	1,207,907.28
Auditing and consulting expense	324,477.46	6,966,650.93
Healthy, safety and environmental protection fees	318,163.24	118,106.02
Property insurance	160,051.58	3,012,348.36
Publicity and advertising expense	47,374.81	1,411,649.34
Business entertainment expenses	10,304.74	50,999.17
Others	8,177,708.96	11,900,199.97
Total	77,091,091.61	59,544,112.05

**47. Supplementary data of cash flow statement****(1) Supplementary data of cash flow statement**

√Applicable □Inapplicable

Unit: Yuan Currency: RMB

Supplementary data	Amount in current period	Amount in last period
<b>1. Adjust the net profit into business cash flow:</b>		
Net Profit	-716,018,425.24	-184,345,963.09
Plus: Credit impairment loss	13,311,657.75	
Plus: Assets depreciation reserve	395,930,275.88	1,670,444.76
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of	458,811,421.50	500,001,232.82

productive biological assets		
Amortization of intangible assets	19,147,901.57	17,027,239.80
Amortization of long-term unamortized expenses	6,751,068.73	2,716,270.86
Loss on disposal of fixed assets, intangible assets and other long-term assets (list earnings with "-")	-151,900.93	-137,719.49
Loss on retirement of fixed assets (list earnings with "-")		1,666,475.13
Loss from fair value change (list earnings with "-")		22,658,812.72
Financial expense (list earnings with "-")	-3,020,221.55	28,075,426.43
Investment loss (list earnings with "-")	-9,120,643.59	3,461,276.38
Decrease of deferred tax assets (list increase with "-")	-37,605,457.04	-23,009,535.40
Increase of deferred income tax liabilities (list decrease with "-")	-1,293,481.48	941,517.18
Inventory decrease (list increase with "-")	-1,222,325,537.10	-1,494,629,678.75
Decrease of business receivables (list increase with "-")	1,744,648,026.24	800,139,521.03
Increase of business receivables (list decrease with "-")	-627,923,364.87	-1,313,830,818.15
Others	18,564,862.37	6,847,454.29
Net cash flow from business operation	39,706,182.24	-1,630,748,043.48
<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	1,768,631,503.31	2,535,052,036.81
Minus: cash balance at beginning of period	1,943,763,661.27	4,628,562,169.78
Plus: cash equivalent balance at end of period		
Less: cash equivalent balance at beginning of period		
Net increase of cash and cash equivalent	-175,132,157.96	-2,093,510,132.97

**(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	1,768,631,503.31	1,943,763,661.27
Wherein: Cash on hand	11,320.04	13,092.77
Bank deposits payable anytime	1,768,620,183.27	1,943,750,568.50
Other monetary capital payable anytime		
Fund payable in Central Bank		
Deposits in other banks		
Inter-bank borrowing		
II. Cash equivalents		
Wherein: bond investment maturing within three months		
III. Cash and cash equivalent balance at end of period	1,768,631,503.31	1,943,763,661.27
Wherein: Cash and cash equivalent in limited use for the parent company or subsidiaries of the Group		

**48. Assets with the ownership or use right limited**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Book value at end of period	Limit reason
Monetary capital	888,633.40	Guarantee security
Notes receivable		
Inventory		
Fixed assets		
Intangible assets		
Total	888,633.40	/

**49. Foreign currency monetary items****(1). Foreign currency monetary items**

√Applicable    □Inapplicable

Unit: Yuan

Item	Foreign currency balance at end of period	Exchange rate for conversion	RMB converted at end of period Balance
Monetary capital			
Wherein: USD	64,764,366.66	6.8747	445,235,591.45
HKD	1,436,030.71	0.8797	1,263,218.77
THB	7,457,705.92	0.2234	1,665,707.70
BND	1,480,726.18	4.9833	7,378,887.97
AED	207,446.52	1.8716	388,250.33
CAD	7,051,862.63	5.2490	37,015,226.94

IDR	150,487,689,620.00	0.0005	75,243,844.81
NGN	5,438,970.45	0.0226	122,773.88
SAR	1,849,215.00	1.8331	3,389,882.87
Qatari Rial	372,157.09	1.8880	702,632.15
BRL	1,219,313.29	1.7892	2,181,595.34
Accounts receivable			
Wherein: USD	33,157,503.68	6.8747	227,947,890.52
HKD	2,371,275.57	0.8797	2,085,916.27
THB	470,674.04	0.2234	105,126.88
CAD	19,450,082.02	5.2490	102,093,480.50
IDR	543,779,714.14	0.0005	260,129.69
EUR	3,349,440.13	7.8170	26,182,573.51
Other receivables			
USD	8,813,045.58	6.8747	60,587,044.43
HKD	555,420.72	0.8797	488,581.39
THB	595,200.00	0.2234	132,940.24
AED	2,561.16	1.8716	4,793.39
CAD	72,034.78	5.2490	378,110.56
IDR	2,987,111,614.28	0.0005	1,428,954.41
SAR	1,366,806.99	1.8331	2,505,558.08
Qatari Rial	104,710.55	1.8880	197,693.40
EUR	695,134.19	7.8170	5,433,863.94
BRL	536.25	1.7892	959.46
Accounts payable			
USD	118,980,175.90	6.8747	817,953,015.28
HKD	1,176,921.28	0.8797	1,035,290.57
BND	10,698,311.80	4.9833	53,312,790.24
AED	3,128.37	1.8716	5,854.96
CAD	19,671,202.10	5.2490	103,254,139.81
IDR	3,599,512,414.02	0.0005	1,721,910.59
SAR	5,278,308.13	1.8331	9,675,914.52
Qatari Rial	4,390.00	1.8880	8,288.31
EUR	76,785,087.31	7.8170	600,229,027.50
Pound	2,429,986.12	8.7113	21,168,338.12
JPY	27,869,489.03	0.0638	1,778,630.79
Other payables			
USD	7,276,657.95	6.8747	50,024,840.43
HKD	565,410.93	0.8797	497,369.38
THB	23,662.47	0.2234	5,285.10
CAD	3,072,688.77	5.2490	16,128,543.35
IDR	1,675,479.00	0.0005	801.50

EUR	15,501.87	7.8170	121,178.13
Pound	4,866,882.23	8.7113	42,396,871.15

**(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

Important overseas operation entities	Main overseas operation location	Recording currency	Selection criterion
			priced and settled with the currency.

## 50. Government subsidies

### 1. Basic information of government subsidies

Applicable    Inapplicable

Unit: Yuan      Currency: RMB

Type	Amount	Projects presented	Amount included in the current profit and loss
Government subsidy relevant to both business activities and assets	859,062.52	Other incomes	859,062.52
Government subsidy relevant to both business activities and income	14,839,081.22	Other incomes	14,839,081.22

### 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**

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

#### **6. Others**

Applicable  Inapplicable

**IX. Equities in other subjects****1. Equities in subsidiaries****(1). Composition of corporate group**

√Applicable    □Inapplicable

Subsidiary name	Main operation location	Registration place	Business nature	Shareholding proportion (%)		Acquisition Mode of determining remuneration
				Direct	Indirect	
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	Hong Kong	Hong Kong	Detection	90.00		Obtained by merger under different controls
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 (Thailand) Co., Ltd.	Thailand	Thailand	Project contracting		100.00	Establishment

**(2) Important non-wholly-owned subsidiaries**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Subsidiary name	Shareholding of minority shareholders Percentage (%)	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	-164,838.00		886,290.67
COTEC INC.	30.00	-1,757,361.38		8,657,846.34
Beijing Gaotai Deep-sea Technologies Co., Ltd.	30.00	210,182.59		7,314,983.27

**(3) Main financial information of important non-wholly-owned subsidiaries**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

Subsidiary name	Balance at end of period						Balance at beginning of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	9,914,642.93	1,543,162.65	11,457,805.58	2,594,898.86		2,594,898.86	11,296,894.85	1,606,501.86	12,903,396.71	2,409,647.11		2,409,647.11
COTEC INC.	52,811,708.18	1,635,468.83	54,447,177.01	25,587,689.20		25,587,689.20	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.	45,102,677.47	1,146,940.00	46,249,617.47	21,866,339.91		21,866,339.91	33,057,539.62	50,338.03	33,107,877.65	9,425,208.71		9,425,208.71

Subsidiary name	Accrued in current period				Accrued in last period			
	Operating income	Net Profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net Profit	Total comprehensive income	Cash flow from operating activities
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE	5,701,865.39	-1,648,380.04	-1,630,842.88	-1,997,188.47	8,578,129.87	135,830.79	249,041.54	-850,286.01

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COTEC INC.	21,083,908.22	-5,857,871.28	-5,969,609.06	-2,692,169.36	5,930,573.59	-6,497,410.98	-6,498,400.00	-8,873,590.18
Beijing Gaotai Deep-sea Technologies Co., Ltd.	18,519,118.21	700,608.62	700,608.62	-3,012,974.12	2,301,872.55	-3,396,785.62	-3,396,785.62	-4,949,157.97

**2. Transactions causing the owner's equity share change but still controlling the subsidiary**
 Applicable  Inapplicable
**3. Equities in joint or associates**
 Applicable  Inapplicable
**(1). Important joint 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:

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	991,141,829.20	1,415,081,266.27
Wherein: cash and cash equivalent	184,913,386.42	339,848,086.74
Non-current assets	4,846,834,833.72	4,806,284,751.90
Total assets	5,837,976,662.92	6,221,366,018.17

Current liabilities	397,061,419.85	617,786,617.94
Non-current liabilities	6,960,000.00	6,960,000.00
Total liabilities	404,021,419.85	624,746,617.94
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	5,433,955,243.07	5,596,619,400.23
Net assets share calculated based on shareholding proportion	2,771,317,173.97	2,854,275,894.12
Adjusting events	-609,226,571.80	-627,438,275.63
- Goodwill		
--Profit unrealized in internal transaction	-612,928,109.99	-631,139,813.82
- Others	3,701,538.19	3,701,538.19
Book value for equity investment of cooperative enterprises	2,162,090,602.17	2,226,837,618.49
Fair value for equity investment of cooperative enterprises with public offer		
Operating income	350,916,663.20	808,810,472.41
Financial expense	-1,102,180.84	979,081.29
Income tax expenses	-54,221,385.72	-46,711,149.06
Net Profit	-162,664,157.16	-140,133,447.18
Net profit for discontinuing operation		
Other comprehensive income		
Total comprehensive income	-162,664,157.16	-140,133,447.18
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	529,360.52
Non-current assets	262,058.56	1,174,206.88
Total assets	791,419.08	1,703,567.40

Current liabilities	26,062,651.77	26,062,651.77
Non-current liabilities		
Total liabilities	26,062,651.77	26,062,651.77
Minority stockholders' interest		
Stockholders' equity attributable to the parent company	-25,271,232.69	-24,359,084.37
Net assets share calculated based on shareholding proportion	-10,108,493.08	-9,743,633.75
Adjusting events		
- Goodwill		
--Profit unrealized in internal transaction		
- Others		
Book value for equity investment of associates		
Fair value for equity investment of associates with public offer		
Operating income		
Net Profit	-912,148.32	-912,154.25
Net profit for discontinuing operation		
Other comprehensive income		
Total comprehensive income	-912,148.32	-912,154.25
Dividend received from associates in current year		

**(4). Excess deficit incurred in joint venture or associates**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Name of the joint venture or associates	Cumulative unrecognized pre-period loss	Unrecognized loss at end of current period (or net profit shared in current period)	Cumulative unrecognized loss at end of current period
Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	9,743,633.75	364,859.33	10,108,493.08

**X. Risks in Connection to Financial Instruments**

√Applicable    □Inapplicable

The main financial instruments of the Group include loan, receivables, payables, transaction financial assets and transaction 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 June 30, 2019, 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 June 30, 2019, the receivables of top five clients of the Group took up 86.93% of the total of the Group.

The credit risk 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 June 30, 2019, 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	Balance at end of period	Balance at the end of last year
Monetary capital - USD	64,764,366.66	48,442,019.04
Accounts receivable - USD	33,157,503.68	38,492,273.22
Other receivables - USD	8,813,045.58	32,607,692.45
Accounts payable - USD	118,980,175.90	55,410,256.82
Other payables - USD	7,276,657.95	7,225,151.28
Advance receipts - USD	5,294,389.73	195,386.08
Advance payment - USD	47,879,847.83	10,919,567.73
Total	286,165,987.32	193,292,346.62

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	Balance at end of period			
	< 1 year	1-2 year (s)	2-5 years	Total
Accounts payable	4,239,717,719.82			4,239,717,719.82
Employee salary payable	162,697,788.23			162,697,788.23
Other payables	81,585,547.85			81,585,547.85
Long-term loans			220,000,000.00	220,000,000.00
Total	4,484,001,055.90		220,000,000.00	4,704,001,055.90

Item	Balance at the end of last year			
	< 1 year	1-2 year (s)	2-5 years	Total
Accounts payable	3,940,765,468.72			3,940,765,468.72
Employee salary payable	277,872,237.15			277,872,237.15
Other payables	74,401,069.57			74,401,069.57
Long-term loans			220,000,000.00	220,000,000.00
Total	4,293,038,775.44		220,000,000.00	4,513,038,775.44

### (iv) Sensitivity analysis

Sensitivity analysis technology is used by the 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%	10,553,603.87	10,553,603.87
All foreign currencies	Depreciation of RMB by 5%	-10,553,603.87	-10,553,603.87

**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			
	Measuring of the first layer fair value	Measuring of the second layer fair value	Measuring of the third layer fair value	Total
<b>I. Measuring of the continuous fair value</b>				
(i) Transaction financial assets				
1. Financial assets measured at fair value with the changes included in the current profit and loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Designation of financial assets measured at their fair values and with the changes included in the current profit and loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(ii) Other creditors' investment				
(iii) Other equity instruments investment	106,975,400.00		70,671,378.00	177,646,778.00
(iv) Investment real estate				
1. Right to use for lands for rent				
2. Buildings leased				
3. Use to right for lands held and prepared for transfer after value-adding				
(v) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				

<b>Total assets measured continuously by fair value</b>	106,975,400.00		70,671,378.00	177,646,778.00
(iv) Transaction financial liabilities				
1. Financial liabilities measured at the fair value with the changes included in the current profit and loss				
Wherein: issued trading bond				
Derivative financial Liabilities				
Others				
2. Designated as financial liabilities measured by fair value with their changes included in current profit and loss				
<b>Total liabilities measured continuously by fair value</b>				
<b>II. Metering of the non-continuous fair value</b>				
(I) Assets held for sale				
<b>Total assets measured non-continuously by fair value</b>				
<b>Total liabilities measured non-continuously by fair value</b>				

**2. Basis for determining of the continuous and non-continuous project market price metered by the first layer of fair value**

Applicable Inapplicable

The other equity instrument investment measured by fair value of the Group is the stock of listed company held, and the fair value of the assets shall be determined based on the closing price of the stock at end of period.

**3. Valuation technique adopted for continuous and noncontinuous level-3 fair value measurement items, and qualitative and quantitative information of important parameters**

Applicable Inapplicable

The fair value shall be determined with level-3 input value. If the recent information used for determining the fair value is insufficient, or the estimated amount of fair value is widely distributed and the cost represents the optimal estimation of the fair value within the scope, the cost can represent the proper estimate of the fair value within the distribution scope.

## 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

The final controlling party of the enterprise is China National Offshore Oil Corporation.

Other description:

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 Company is China National Offshore Oil Corporation.

### 2. Profile of subsidiaries of the enterprise

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 "IX. Equities in Other Subjects".

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

### 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, shareholders holding more than 5% of the Company's share

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 Blue Chemical 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.	534,395,295.90	325,335,150.10
COOEC-Fluor Heavy Industries Co., Ltd.	Engineering subcontracting	118,953,674.42	128,120,188.04
China Offshore Oil Service (Hong Kong) Co., Ltd.	Material procurement	28,618,219.22	11,296,486.21
China Oilfield Services Ltd.	Transportation, vessel, etc.	15,033,066.30	8,219,414.98
China National Offshore Oil Corporation	House leasing, software use and other services	10,539,375.42	10,258,486.85
CNOOC Bohai Corporation	Water, electricity and staff physical examination	8,431,767.83	8,661,205.32
CNOOC Industrial Co., Ltd.	Services such as real estate, engineering subcontracting, fuel, water & power, etc.	6,359,759.87	3,337,794.54

CNOOC Oil & Petrochemicals Co., Ltd.	Engineering subcontracting	2,262,618.11	862,287.72
CNOOC Nanhai East Corporation	Engineering subcontracting	731,845.14	2,178,046.27
CNOOC Gas & Power Group	Engineering subcontracting	592,011.07	5,204,308.68
CNOOC Energy Technology & Development Institute	Water, electricity and other services	518,582.34	440,922.31
CNOOC Nanhai West Corporation	House leasing service	467,400.01	428,037.69
China Blue Chemical Ltd.	Engineering subcontracting	30,362.38	
China National Offshore Oil Corporation	Wharf service	752,550.00	

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	2,835,786,486.48	2,218,627,121.98
CNOOC Gas & Power Group	Design, installation, construction and other professional services	219,235,935.75	61,634,841.49
CNOOC Research Institutes Co., Ltd.	Design, installation, construction and other professional services	5,632,030.19	7,704,758.65
COOEC-Fluor Heavy Industries Co., Ltd.	Personnel sent abroad, material sales and detection	5,630,040.48	13,767,879.58
CNOOC Energy Technology & Services Limited	Design, installation, construction and other professional services	19,847.00	134,663,176.04
China Oilfield Services Ltd.	Transportation, vessel, etc.		26,118,101.63

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

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 leasee:

Applicable  Inapplicable

Description of related lease

Applicable  Inapplicable

**(4). Associated guarantee**

The Company is the guarantor

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). 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.	6,775,802.72	5,248,455.22
Total	6,775,802.72	5,248,455.22

## 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		

Related parties	Balance at end of period	Balance at beginning of year
shareholder and final controlling party		
CNOOC Finance Co., Ltd.	781,738,653.96	1,392,106,869.39
Total	781,738,653.96	1,392,106,869.39

## 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.	8,258,981.42	9,006,827.26
Subtotal	8,258,981.42	9,006,827.26
Joint venture		
COOEC-Fluor Heavy Industries Co., Ltd.	-64,747,016.32	-53,194,706.74
Subtotal	-64,747,016.32	-53,194,706.74

## 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	458,375.00	357,263.89
Total	458,375.00	357,263.89

## 5) Associated trustee research

Subject client	Subject name	Subject funds	
		Balance at end of period	Balance at the end of last year
China National Offshore Oil Corporation	Construction technology research of Liwan 3-1 and its peripheral deepwater oil and gas fields, development of key construction machinery, application research of Liwan 3-1 and its peripheral gas field underwater pipeline back jointing technology and supporting equipment, submerged production system failure mode analysis, and emergency maintenance technology application	39,964,500.81	31,313,784.20
CNOOC Research Institutes Co., Ltd.	Technology research of floating platform construction and installation, design and research of FLNG/FLPG device oil and gas pretreatment and upper liquidation module, key technology research of outward	8,248,537.02	12,094,527.19

Subject client	Subject name	Subject funds	
		Balance at end of period	Balance at the end of last year
	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		
China National Offshore Oil Corporation	Light semi-submersible, deepwater riser monitoring, real-time analysis of pipe-laying system of Offshore Oil 201, new SAPR oil storage technology (phase II)	49,728.38	990,092.17

## 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	1,384,901,061.32		3,288,927,648.59	
Accounts receivable	CNOOC Gas & Power Group	139,298,820.98		189,904,529.70	
Accounts receivable	CNOOC Energy Technology & Services Limited	23,675,175.47		230,110,468.51	
Accounts receivable	CNOOC Research Institutes Co., Ltd.	12,040,552.00		13,334,080.00	
Accounts receivable	CNOOC Oil & Petrochemicals Co., Ltd.	7,099,004.86		7,099,004.86	
Accounts receivable	COOEC-Fluor Heavy Industries Co., Ltd.	3,263,303.80		5,347,480.24	
Accounts receivable	China Oilfield Services Ltd.			26,109,660.00	
Advance payment	CNOOC Energy Technology & Services Limited	15,496,073.93			
Other receivables	Kvearner - COOEC (Qingdao) Engineering Technology Co., Ltd.	1,711,324.79	1,711,324.79	1,711,324.79	1,711,324.79
Other receivables	COOEC-Fluor Heavy Industries Co., Ltd.	1,338,846.83		838,754.95	
Other receivables	China National Offshore Oil Corporation	377,229.43		88,881.95	
Other receivables	CNOOC Industrial Co., Ltd.	75,798.98			

Other receivables	China National Offshore Oil Corporation	40,890.98			
Interest receivable	CNOOC Finance Co., Ltd.			1,177,695.18	

**(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	398,333,539.01	471,072,020.96
Accounts payable	COOEC-Fluor Heavy Industries Co., Ltd.	62,998,527.79	130,611,504.53
Accounts payable	China Offshore Oil Service (Hong Kong) Co., Ltd.	12,733,701.55	11,675,013.16
Accounts payable	China Oilfield Services Ltd.	5,101,084.47	3,494,434.21
Accounts payable	CNOOC Gas & Power Group	4,714,737.49	7,722,386.42
Accounts payable	China National Offshore Oil Corporation	4,640,790.96	5,533,172.10
Accounts payable	CNOOC Bohai Corporation	2,947,477.10	9,093,692.60
Accounts payable	CNOOC Industrial Co., Ltd.	1,697,418.93	2,836,031.36
Accounts payable	CNOOC Oil & Petrochemicals Co., Ltd.	1,295,282.67	2,344,200.18
Accounts payable	China National Offshore Oil Corporation	892,381.14	123,290.10
Accounts payable	CNOOC Nanhai West Corporation	462,244.76	2,364,446.33
Accounts payable	CNOOC Nanhai East Corporation	128,875.13	
Accounts payable	China Blue Chemical Ltd.		2,200,000.00
Accounts payable	CNOOC Research Institutes Co., Ltd.		2,082,303.14
Advance receipts	China National Offshore Oil Corporation	1,467,643,189.47	1,945,064,916.84
Advance receipts	CNOOC Gas & Power Group		2,033,446.33
Other payables	China National Offshore Oil Corporation	482,460.33	
Other payables	COOEC-Fluor Heavy Industries Co., Ltd.	321,912.42	
Other payables	China National Chemical Construction Corporation		75,204.25

Other payables	CNOOC Energy Technology & Services Limited		42,729.57
Interest payable	China National Offshore Oil Corporation		29,486.11
Long-term loans	China National Offshore Oil Corporation	220,000,000.00	220,000,000.00

## 7. Commitment of related parties

Applicable  Inapplicable

## 8. Others

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) Important commitments on balance sheet date

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 0.9996 billion, including USD 0.5098 billion from Offshore Oil Engineering (Zhuhai) Co., Ltd. in the form of fixed assets and cash. As of June 30, 2019, 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 June 30, 2019, the Group has no contract that has been signed but not paid:**

### 2. Contingencies

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

Applicable  Inapplicable

#### The guarantees being performed by the Company as of June 30, 2019:

1) As approved upon deliberation by the 4th Meeting of the 5th Board of Directors held on July 23, 2014, the Company provided the parent company guarantee for the general contractor YAMZGA for Russia Yamal project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd. The guaranteed person is YAMZGA Company (general contractor of Yamal project). The guarantee amount is 35% of the total contract amount (about USD 575.1 million), thereof the maximum cumulative liability upper limit is 25% and the maximum defer penalty is 10% of the contract amount. And guarantee period is from the issue date to September 23, 2021. Commitments as above have been reviewed and approved by the second extraordinary shareholders meeting of 2014 held on September 16, 2014. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on July 25, 2014 and September 17, 2014 respectively)

2) As approved on the 26th Meeting of the 5th Board of Directors on March 17, 2017, the Company would reissue three performance guarantees for three columns of modules involved in Yamal project of Qingdao subsidiary, 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on March 21, 2017).

3) As approved upon deliberation by the 19th Meeting of the 5th Board of Directors held on July 6, 2016, the Company provides parent company guarantee for Shell Netherland Company based on Shell SDA project undertaken by Offshore Oil Engineering (Qing Dao) Co., Ltd. The contract of Shell SDA project is a unit price contract with estimated contract amount of USD 26,920,000 (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 2,692,000, and the guarantee period starts from guarantee issuing date to April 7, 2020. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on July 08, 2016)

4) Upon approval on the 9th Meeting of the 6th Board of Directors of the Company held on May 21, 2018, the Company issued parent company guarantee for Nexen LLSW EPC Project undertaken by its subsidiary COOEC CANADA COMPANY LTD., with the contract amount of CAD 150 million and guarantee amount of CAD 75 million. The guarantee period starts from the date of issuing till December 20, 2026. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on May 22, 2018)

5) Upon approval 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](http://www.sse.com.cn), website of Shanghai Stock Exchange on August 21, 2018)

6) Upon approval on the 14th Meeting of the 6th Board of Directors of the Company held on March 22, 2019, the Company issued parent company guarantee to CEC INTERNATIONAL, LTD for two platforms dismantling of SKL-Block C Project undertaken by its subsidiary COOEC (Thailand) Co., Ltd, with an estimated contract amount of USD 5.4363 million and this guarantee amount of about USD 8.1545 million. The guarantee period starts from the date of issuing till January 31, 2021. The guarantee does not have to be submitted to the shareholders meeting of the Company for approval. (See resolution announcement and guarantee announcement of Board of Directors published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on March 26, 2019)

7) Upon approval on the 17th Meeting of the 6th Board of Directors of the Company held on June 6, 2019, the Company issued parent company guarantee to JGC Corporation - Fluor for LNG Module Construction Project undertaken by its subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd., with the contract amount of RMB 4.898 billion and guarantee amount of RMB 2.449 billion. The guarantee period starts from the date of issuing till September 15, 2025. Commitments as above have been reviewed and approved by the 1st extraordinary shareholders meeting of 2019 held on June 25, 2019. (See resolution announcement and guarantee announcement and resolution announcement of shareholders meeting published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on June 7, 2019 and June 26 respectively)

#### **Guarantees released in the report period:**

1) As approved upon deliberation by the 13th Meeting of the 4th Board of Directors held on April 24, 2012, the Company provided parent company guarantee with JKC being the beneficiary for Offshore Oil Engineering (Qing Dao) Co., Ltd. as well as letter of commitment of the bank guarantee that Offshore Oil Engineering (Qing Dao) Co., Ltd. opened in the Standard Chartered Bank for JKC. The maximum compensation liability of the above two guarantees is 100% of the contract amount, viz. USD 305.4 million. Guarantee period of the parent company is from the issue date to May 2, 2019. Commitments as above have been reviewed and approved by the general meeting of shareholders of 2011 held on May 11, 2012 (See resolution announcement and guarantee announcement of Board of Directors and resolution announcement of shareholders meeting published on [www.sse.com.cn](http://www.sse.com.cn), website of Shanghai Stock Exchange on April 26, 2012 and May 12, 2012 respectively)

2) Upon approval on the 6th Meeting of the 6th Board of Directors of the Company held on January 22, 2018, the Company issued parent company guarantee for Nyhamna project undertaken by Offshore Oil

Engineering (Qing Dao) Co., Ltd., with the guarantee amount adjusted from USD 1.1 million to USD 12.1 million and guarantee period adjusted from “issuing date till October 30, 2017” to the date of the owner issuing receiving certificate, i.e. expected to be June 14, 2019. (See resolution announcement and guarantee announcement of Board of Directors published on www.sse.com.cn, website of Shanghai Stock Exchange on January 23, 2018)

**(2). The important contingencies not required to be disclosed shall be explained as well:**

Applicable Inapplicable

**Matters to be arbitrated**

On November 9, 2016, S. B. Submarine Systems Co., Ltd. initiate an arbitration to Hong Kong International Arbitration Centre for KJO Project sub-contract payment, requiring Saudi branch of the Company to pay changed engineering fund borne by it during implementing the project sub-contracting and requiring the Company to bear the liability to guarantee. For this issue, the Company and Saudi branch of the Company did not reach an agreement with S. B. Submarine Systems Co., Ltd., so the Company employed Pinsent Masons to defend the Company. 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.

**3. Others**

Applicable Inapplicable

**XV. Events after the Balance Sheet Date**

**1. Major non-adjusting events**

Applicable Inapplicable

**2. Profit-sharing**

Applicable Inapplicable

**3. Sales return**

Applicable Inapplicable

**4. Explanation to events after the balance sheet date**

Applicable Inapplicable

**XVI. Other Important Matters**

**1. Correction of early accounting error**

**(1). Retrospective restatement approach**

Applicable Inapplicable

**(2). Prospective application approach**

Applicable Inapplicable

**2. Debt restructuring**

Applicable Inapplicable

**3. Assets replacement**

**(1). Non-monetary assets exchange**

Applicable Inapplicable

**(2). Other assets replacement**

Applicable Inapplicable

**4. Annuity plan**

Applicable  Inapplicable

**5. Discontinuing operation**

Applicable  Inapplicable

**6. Division information****(1). Determination basis and accounting policy of report divisions**

Applicable  Inapplicable

**(2). Financial information of report divisions**

Applicable  Inapplicable

**(3). If there's no report segments or total assets or liabilities of report divisions cannot be disclosed, explain the reasons.**

Applicable  Inapplicable

**7. Other critical transactions or matters impacting investment decision**

Applicable  Inapplicable

**XVII. Notes to Main Items of Financial Statements of the Parent Company****1. Accounts receivable****(1). Disclosure by accounting age**

Applicable  Inapplicable

Unit: Yuan

Currency: RMB

Accounting age	Balance at end of period
< 1 year	1,882,264,059.20
Of which: subentry within 1 year	
Subtotal within 1 year	1,882,264,059.20
1 to 2 year(s)	60,001,216.32
2 to 3 year(s)	52,468,910.22
Above 3 years	157,391,861.52
Total	2,152,126,047.26

(1).

**(2). Disclosure by withdrawal methods for bad debt reserves**

√Applicable    □Inapplicable

Unit: Yuan    Currency: RMB

Category	Balance at end of period					Balance at beginning of period				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
Withdrawal of bad debt reserves by single item										
Wherein:										
Withdrawal of bad debt reserves by combination	2,152,126,047.26	100.00	4,019,425.64	0.19	2,148,106,621.62	3,864,036,440.67	100.00	5,945,154.45	0.15	3,858,091,286.22
Wherein:										
Total	2,152,126,047.26	/	4,019,425.64	/	2,148,106,621.62	3,864,036,440.67	/	5,945,154.45	/	3,858,091,286.22

Withdrawal of bad debt reserves by single item:

Applicable  Inapplicable

Withdrawal of bad debt reserves by combination:

Applicable  Inapplicable

Items withdrawn by combination: withdrawal of bad debt reserves by risk combination

Unit: Yuan

Currency: RMB

Name	Balance at end of period		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
Accounting age combination	151,335,282.38	4,019,425.64	2.66
Related parties combination	2,000,790,764.88		
Total	2,152,126,047.26	4,019,425.64	

### (3). Situation of bad debt reserves

Applicable  Inapplicable

Unit: Yuan

Currency: RMB

Category	Balance at beginning of period	Amount changed in the current period			Balance at end of period
		Withdrawal	Transferred back or recovered	Written-off or canceled	
Account age combination of accounts receivable	5,945,154.45		1,925,728.81		4,019,425.64
Total	5,945,154.45		1,925,728.81		4,019,425.64

Including withdrawn or recovered amount of important bad debt reserves in this 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	1,070,279,269.46	49.73	
COOEC (Qingdao) Co., Ltd.	290,640,057.25	13.50	
COOEC International Co., Limited	234,498,638.62	10.90	
COOEC SUBSEA TECHNOLOGY CO., LTD.	182,299,696.64	8.47	
CNOOC Gas & Power Group	139,298,820.98	6.48	
Total	1,917,016,482.95	89.08	

**2. Other receivables****Items listed**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Interest receivable		340,875.25
Dividends receivable		
Other receivables	741,344,763.93	673,915,550.78
Total	741,344,763.93	674,256,426.03

**Interest receivable****(1). Classification of interest receivable**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Balance at end of period	Balance at beginning of period
Fixed deposit		
Entrusted loans		
Bond Investment		
Interest on deposit of CNOOC Finance Co., Ltd.		340,875.25
Total		340,875.25

**Other receivables****(1). Disclosure by accounting age**

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Accounting age	Balance at end of period
< 1 year	199,647,894.56
Of which: subentry within 1 year	
Subtotal within 1 year	199,647,894.56
1 to 2 year(s)	23,478,872.23
2 to 3 year(s)	44,753,444.22
Above 3 years	476,499,101.40
Total	744,379,312.41

**(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	551,081,640.98	595,392,585.16
Insurance claim payment	166,243,732.00	60,625,000.00
Imprest, deposit and cash deposit	16,314,253.72	8,409,111.34

Refunding export taxes	9,258,741.12	
Advance money	1,480,944.59	12,531,171.04
Total	744,379,312.41	676,957,867.54

**(3) Withdrawal conditions for bad debt reserves**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Bad debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss in the whole duration (with no credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as of January 1, 2019	460,114.41		2,582,202.35	3,042,316.76
Balance as of January 1, 2019 in the current period				
-- Transferred into Stage II				
-- Transferred into Stage III				
-- Transferred back to Stage II				
-- Transferred back to Stage I				
Amount withdrawn in the current period				
Amount transferred back in the current period	9,907.84			9,907.84
Amount written-off in the current period				
Amount canceled in the current period				
Other changes			2,139.56	2,139.56
Balance as of June 30, 2019	450,206.57		2,584,341.91	3,034,548.48

**(4). Situation of bad debt reserves**

√Applicable    □Inapplicable

Unit: Yuan

Currency: RMB

Category	Balance at beginning of period	Amount changed in the current period				Balance at end of period
		Withdrawal	Transferred back or recovered	Written-off or canceled	Others	
Account age combination of other receivables:	460,114.41		9,907.84			450,206.57

Withdrawal of other receivables by single item	2,582,202.35				2,139.56	2,584,341.91
Total	3,042,316.76		9,907.84		2,139.56	3,034,548.48

Including recovered or withdrawn amount of important bad debt reserves 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	442,950,864.50	Including RMB 4,320,411.46 for accounting age within 1 year; RMB 8,153,342.90 for 1-2 year(s); RMB 11,136,150.31 for 2-3 years, RMB 419,340,959.83 for more than 3 years.	59.51	
Ping An Property & Casualty Insurance Company of China, Ltd.	Insurance claim payment	166,243,732.00	< 1 year	22.33	
COOEC International Engineering Co., Ltd	Advance money	73,974,330.66	Including RMB 24,287,294.45 for accounting age within 1 year; RMB 18,688,798.09 for 1-2 year(s); RMB 17,443,389.84 for 2-3 years, RMB 13,554,848.28 for more than 3 years.	9.94	
State Administration of Taxation	Refunding export taxes	9,258,741.12	< 1 year	1.24	
COOEC SUBSEA TECHNOLOGY CO., LTD.	Transaction expense	8,097,886.49	< 1 year	1.09	
Total		700,525,554.77		94.11	

**3. Long-term equity investment**

Applicable  Inapplicable

Unit: Yuan Currency: RMB

Item	Balance at end of period			Balance at beginning of period		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiaries	9,205,974,170.87		9,205,974,170.87	9,205,974,170.87		9,205,974,170.87
Investment for associated companies and cooperative venture						
Total	9,205,974,170.87		9,205,974,170.87	9,205,974,170.87		9,205,974,170.87

**(1) Investment for subsidiaries**

√Applicable □Inapplicable

Unit: Yuan Currency: RMB

The investee	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period	Withdrawal of depreciation reserves in current period	Depreciation reserve balance at end of period
Offshore Oil Engineering (Zhuhai) Co., Ltd.	3,950,000,000.00			3,950,000,000.00		
Offshore Oil Engineering (Qing Dao) Co., Ltd.	2,970,000,000.00			2,970,000,000.00		
COOEC SUBSEA TECHNOLOGY CO., LTD.	2,192,473,625.85			2,192,473,625.85		
COOEC International Engineering Co., Ltd	60,000,000.00			60,000,000.00		
A.E.S. DESTRUCTIVE AND NON-DESTRUCTIVE TESTING LIMITED	20,094,612.53			20,094,612.53		
Lanhai International Limited	6,698,104.00			6,698,104.00		
COOEC International Co.,	6,186,453.59			6,186,453.59		

Limited					
COOEC Nigeria Limited	521,374.90			521,374.90	
Total	9,205,974,170.87			9,205,974,170.87	

#### 4. Operating income and operating costs

##### (1). Operating income and operating costs

√Applicable    □Inapplicable

Unit: Yuan      Currency: RMB

Item	Accrued in current period		Accrued in last period	
	Income	Cost	Income	Cost
Major business	3,521,192,963.06	3,616,531,961.64	3,041,670,176.31	3,125,507,300.46
Other businesses	1,349,441.76	71,725.59	17,404,477.35	2,422,860.42
Total	3,522,542,404.82	3,616,603,687.23	3,059,074,653.66	3,127,930,160.88

Wherein: Top 5 clients' revenues

Client name	Operating income	Proportion to total operating income (%)
China National Offshore Oil Corporation	2,499,132,931.22	70.95
TUPI B.V.	340,169,493.96	9.66
CNOOC Gas & Power Group	219,235,935.75	6.22
QATAR PETROLEUM	137,379,241.51	3.90
Huaneng Sheyang New Energy Power Generation Co., Ltd.	30,451,165.55	0.86
Total	3,226,368,767.99	91.59

#### 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
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 measured at their fair values and with the changes included in the current profit and loss		
Investment income gained in the disposition period of financial assets measured at their fair values and with the changes 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 gained by available-for-sale financial assets etc.		
Investment income for available-for-sale financial assets during holding period		9,006,827.26
Investment income gained by disposing available-for-sale financial assets		
Investment income for transaction financial assets during holding period		
Dividends income from other equity instruments investment during holding period	8,258,981.42	
Interests income from creditors' investment during holding period		
Interests income from other creditors' investment during holding period		
Investment income gained by disposing transaction financial assets		
Investment income gained by disposing other equity instruments investment		
Investment income gained by disposing creditors' investment		
Investment income gained by disposing other creditors' investment		
Others	54,429,632.97	14,122,182.02
Total	62,688,614.39	1,508,129,009.28

### 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	151,900.93	
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	15,698,143.74	
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	65,608,678.49	
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 transaction financial assets and liabilities, and derivative financial assets and liabilities, as well as investment income from the disposal of transaction financial assets and liabilities, derivative financial assets and liabilities and other creditors' investment, except profit and loss from effective hedging operations related to the Company's normal business operations.		
Reversal of the provision for impairment in accounts receivable for which impairment tests are carried out separately		
Profit and loss from external entrusted loans		
Profit and loss from changes in the fair value of investment real estates to be subsequently measured using fair value measurement model		
Impact of one-off adjustment of current profit and loss made according to the requirements of tax, accounting and other applicable laws and regulations on current profit and loss		
Custody fee income from entrusted operations		
Other non-operating incomes and expenses than the items above	5,321,785.04	
Other profit and loss items in conformity with definition of non-recurring profit and loss	18,211,703.83	
Affected income tax	-18,724,546.89	
Affected minority Interest	-18,005.14	
Total	86,249,660.00	

## 2. Rate of return on equity and earnings per share

√Applicable    □Inapplicable

Profit in the report period	Weighted average rate of return on (common shareholders')	Earnings per share	
		Basic earnings per share	Diluted earnings per share

	equity (%)		
Net profit attributable to ordinary shareholders of the Company	-3.18	-0.16	-0.16
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	-3.56	-0.18	-0.18

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

Applicable  Inapplicable

## Section XI List of Documents for Further Reference

List of Documents for Further Reference	The text of Semi-annual Report signed by the Chairman;
	Accounting statements signed and stamped by the legal representative, the person in charge of accounting and the person in charge of accounting department;
	Text of all documents disclosed by the Company on www. sse. com. cn. and newspaper appointed by China Securities Regulatory Commission in the report period.

Chairman: Yu Yi

Date of Submission to and Approval by Board of Directors: August 16, 2019