

## **Announcement on Bank Guarantee Provided for Qingdao Subsidiary by China Offshore Oil Engineering Co., Ltd.**

### **Special notes**

**The Board of Directors and all the directors of the Company pledge that the announcement contains no false records, misleading statements or major omissions, and assume individual and joint legal responsibilities for the authenticity, accuracy and integrity of the announcement.**

Important notes:

- The warrantee is COOEC (Qingdao) Co., Ltd., the holding subsidiary of the Company
- Amount guaranteed is USD 131 million
- The guarantee is counter-guarantee or not: the guarantee is counter-guarantee
- The cumulative amount of external overdue guarantees: no overdue guarantee

### **I . Guarantee Overview**

#### **( I ) Basic information**

COOEC (Qingdao) Co., Ltd. (hereinafter referred to as "Qingdao Subsidiary"), a subsidiary of the Company, entered into a contract of Russia YAMAL LNG Module Construction Project with YAMGAZ Company on July 2014. Under the terms of the contract, Qingdao Subsidiary shall provide YAMGAZ with a 10% performance bond and 5% advance payment bond of the contract amount. On this basis, the Company provided the guarantee of RMB 1.54 billion yuan for Qingdao Subsidiary. Relevant performance bond and advance payment bond were provided on July 13, 2015, and the performance bond will expire on July 20, 2017. (Refer to *Announcement of Bank Guarantee Provided for Qingdao Subsidiary* <Temporary 2015-014> disclosed by the Company on July 10, 2015)

With the production and delivery of the train 1, train 2 and train 3 modules for YAMAL Project, the three modules will enter the warranty period in succession. To meet the needs of project operation, **China Development Bank agreed to provide 3 performance bonds for Qingdao Subsidiary under the condition of providing guarantee by the parent company. Validity periods respectively cover the guarantee period of all modules, and the total amount guaranteed is USD 136 million.** The original guarantee of RMB 1,540 million yuan is reduced by RMB 940 million yuan by applying for China Development Bank according to the decreasing condition of guarantee period after the original performance bond is expired and closed. And the remaining amount guaranteed of RMB 600 million yuan continues to provide guarantee for advance payment bond of USD 82 million until it expires on January 20, 2018.

Warrantee: COOEC (Qingdao) Co., Ltd.

Creditor: China Development Bank Co., Ltd.

Amount guaranteed: USD 131 million

#### **(II) Internal decision-making procedures of the Company**

This guarantee was approved upon deliberation in 26th Meeting of the 5th Board of Directors held on March 17, 2017. According to relevant provisions of Shanghai Stock Exchange and relevant systems of the Company, this guarantee will not be submitted to general meeting of shareholders of the Company for deliberation and approval.

### **II. Basic Information of Warrantee**

Name of warrantee: COOEC (Qingdao) Co., Ltd.

Registration place: Qingdao City, Shandong Province

Legal representative: Chen Baojie

Business scope:

General business items: construction and installation of offshore oil and gas development engineering and auxiliary engineering, oil industry engineering construction; oil and gas engineering design, fitting-out, oil and gas treatment engineering construction and renovation; steel structure engineering construction and installation for industry and civil use; reel pipe construction; anode casting; NDT inspection business; offshore structures installation; ocean engineering, construction engineering, foundation engineering detection, monitoring, safety assessment, design and repair; overwater structure, pipeline maintenance; underwater inspection and diving engineering service; export businesses of self-produced products and technologies; import businesses of raw and auxiliary materials, instrumentation, mechanical equipment, spare parts and technologies required by the production; managing feed processing business; contracting overseas offshore oil engineering and domestic international bidding engineering; contracting survey, consultation, design, and project supervision of the above overseas projects; export of equipment and materials required by the above overseas projects; shipbuilding (excluding fishery vessels and special vessels approved by the state); leasing and related services of various mechanical equipment required by office buildings, workshop buildings, ships, offshore structures land construction; selling steels, pipe fittings, cables, valves, instruments and meters, and hardware and electrical equipment.

Latest credit rating: no bad credit record

Financial position:

#### Major Financial Data in 2016 (Audited)

Unit: 10,000 yuan Currency: RMB

Major Accounting Data	As of December 31, 2016
Total assets	842,900.43
Total liabilities	240,438.89
Total current liabilities	230,299.85
Total bank loans	
Net assets	602,461.54
Major Accounting Data	Full year in 2016
Operating income	585,750.20
Net profits	103,015.51

#### Major Financial Data in the First Half of 2016 (Unaudited)

Unit: 10,000 yuan Currency: RMB

Major Accounting Data	As of Thursday, June 30, 2016
Total assets	717,887.00
Total liabilities	190,528.87
Total current liabilities	182,391.46

Total bank loans	
Net assets	527,358.14
<b>Major Accounting Data</b>	<b>The First half of 2016</b>
Operating income	197,804.52
Net profits	26,795.74

Relationship with the Company: it is the holding subsidiary of the Company; the Company directly holds its 99% shares, and indirectly holds its 1% shares through the wholly-owned subsidiary - COOEC Subsea Technology Co., Ltd.

### III. Main Contents of Guarantee Agreement

1. Guarantee mode: the Company provides the joint liability guarantee for the subsidiary obtaining the guarantee bond.
2. Guarantee type: provide guarantee for the subsidiary obtaining the guarantee bond.
3. Amount guaranteed: USD 131 million

Guarantee contents: as the main person in charge, the Company provides counter-guarantee for Qingdao Subsidiary *Contract of Issuing Bond*. In case Qingdao Subsidiary fails to fulfill responsibility stipulated by the Contract, the YAMAL Project Owner shall directly claim against China Development Bank, and the Company will implement or take necessary measures to fulfill relevant responsibilities of claiming compensation from Qingdao Subsidiary.

4. The maximum claim amount: Qingdao Subsidiary provides the performance bond of USD 131 million to YAMGAZ Company according to YAMAL LNG Module Construction Project Contract, (including guarantee amounts for the Train 1 module, the Train 2 module and the Train 3 module of about USD 27 million, USD 52 million and USD 52 million respectively). Currency of the bond is in RMB, and the initial amount of the bond is determined based on the middle RMB/USD, spot rate released by the China Foreign Exchange Trade System in the two work days before the date of providing the bond.

The bond is subject to "Dynamic adjustment of exchange rate" system, namely assess the exchange rate every 3 months. If the exchange rate change exceeds 2%, adjust the guarantee amount in RMB.

#### 5. Expected guarantee period

The expected guarantee period is 6 months from the date of providing the bond to the expiration of performance term of each debt under *Contract of Issuing Bond*. The validity period of the performance bond is as follows:

The validity period of the performance bond for the Train 1 module is from the date of obtaining the performance bond to: (1) the day of expiration of 36 months since the effective date of Train 1 hand over or (2) December 23, 2020, whichever earlier.

The validity period of the performance bond for the Train 2 module is from the date of obtaining the performance bond to: (1) the day of expiration of 24 months since the effective date of Train 2 hand over or (2) March 23, 2021, whichever earlier.

The validity period of the performance bond for the Train 3 module is from the date of obtaining the performance bond to: (1) the day of expiration of 18 months since the effective date of Train 3 hand over or (2) September 23, 2021, whichever earlier.

### IV. Opinions of Board of Directors

Board of Directors of the Company thinks that the above guarantee is for normal production and operation, the warrantee is the Company's holding subsidiary with good operation condition and

guarantee risk controllable.

## V. Opinions of Independent Directors

1. The Company providing guarantee for Holding Subsidiary - COOEC (Qingdao) Co., Ltd. is necessary for normal production and business operation of the Company.
2. The object of the guarantee is a holding subsidiary, so the Company can follow up its credit status at any time and strictly control and prevent guarantee risks.
3. The guarantee terms and decision-making procedures conform to the stipulations of documents such as China Securities Regulatory Commission's *Notice on the Standardization of Fund Exchange between Listed Company and Related Parties and Several Issues Relating to External Security of Listed Company* (ZJF [2003] NO. 56) and China Securities Regulatory Commission's *Notice on the Standardization of External Security Behavior of Listed Company* (ZJF[2005] No. 120), and stipulations of associated regulations such as *Listing Regulations of Shanghai Stock Exchange, Articles of Association*, etc.
4. The guarantee terms are fair and reasonable without any situations damaging the interests of the Company and minority shareholders.
5. All independent directors agreed the guarantee terms.

## VI. Accumulated Amounts of External Guarantee and Overdue Guarantee

Since this guarantee took effect, the Company successively provided seven guarantees for the subsidiary, with accumulated amount guaranteed of USD 1.113 billion (at exchange rate 1:6.937 between USD and RMB) accounting for 33.34% of audited net assets in 2016. The guarantee details are as follows:

Unit: USD 100,000,000 Currency: USD

No.	Main contents	Amount guaranteed
1	Provide parent company guarantee to Party A JKC for COOEC (Qingdao) Co., Ltd. in terms of ICHTHYS LNG Module Construction Project. Issue letter of commitment for COOEC (Qingdao) Co., Ltd. opening bank guarantee in Standard Chartered Bank (China) to the JKC.	3.054
2	Provide parent company guarantee for COOEC (Qingdao) Co., Ltd. in terms of Russia Yamal Project.	5.751
3	Provide parent company guarantee for COOEC (Qingdao) Co., Ltd. contracting and performing Nyhamna Project and BSP Project.	0.094
4	Provide guarantee and bank guarantee for COOEC (Qingdao) Co., Ltd. performing Yamal Project.	0.865
5	Provide parent company guarantee for Qingdao COOEC (Qingdao) Co., Ltd. contracting and performing Shell SDA Project.	0.027
6	Provide guarantee and bank guarantee for COOEC (Qingdao) Co., Ltd. performing Yamal Project.	1.310
<b>Accumulated amount guaranteed</b>		<b>11.10</b>

The Company has no other guarantee except for the above guarantee items. There is no overdue guarantee.

**VII. Attachment to Online Announcement**

Financial Statement of Qingdao Subsidiary in 2016.

**Documents for Future Reference**

1. Resolutions of the 26th Meeting of the 5th Board of Directors of China Offshore Oil Engineering Co., Ltd.
2. Copy of Business License for Qingdao Subsidiary.
3. Guarantee Agreement

Announcement is hereby given.

Board of Directors of China Offshore Oil Engineering Co., Ltd.

March 17, 2017