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(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 00317

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSETS IMPAIRMENT

CSSC Offshore & Marine Engineering (Group) Company Limited (the “**Company**”) and its subsidiaries reviewed each asset on the balance sheet date in accordance with relevant requirements such as the “Accounting Standards for Business Enterprises” and the “Measures for the Administration of the Provisions for Asset Impairment and Write-off” (《資產減值準備計提與核銷管理辦法》) adopted by the Company, and conducted impairment tests on assets with indications of impairment. Provision for assets impairment would be made when the estimated net realizable value and estimated recoverable amount of an asset is lower than its carrying amount. The information is hereby announced as follows:

I. EXPLANATION ABOUT PROVISION FOR ASSETS IMPAIRMENT

As affected by exchange rate fluctuations and changes in the contract subject of an offshore engineering platform project, the net realizable value of some marine products is expected to be lower than the book value. According to the test results, a one-off provision for asset impairment over RMB5 million, in aggregate RMB56,500,700, was made in the fourth quarter of 2020. Among which, as affected by exchange rate fluctuations, a provision for impairment of inventories of RMB16,936,900 was made for the an offshore support vessel project based on the test result; as affected by the changes in contract parties, coupled with the exchange rate fluctuations, a provision for impairment of inventories of RMB39,563,800 was made for an offshore platform project based on the test results.

II. IMPACT OF PROVISION FOR IMPAIRMENT ON FINANCIAL POSITION OF THE COMPANY

The provision for assets impairment will reduce the total profit of the Company in the consolidated financial statements for 2020 by RMB56,500,700.

III. OPINION OF THE BOARD OF DIRECTORS ON PROVISION FOR ASSETS IMPAIRMENT

In accordance with relevant regulations of the “Accounting Standards for Business Enterprises” and the relevant requirements of accounting policies adopted by the Company, the assets of the Company and enterprises within the scope of merger with indications of impairment were tested for impairment. A provision for asset impairment of product price over RMB5 million, in aggregate RMB56,500,700, was made in the fourth quarter of 2020.

IV. OPINION OF THE INDEPENDENT DIRECTORS ON PROVISION FOR ASSETS IMPAIRMENT

The independent directors of the Company are of the view that the provision for assets impairment has sufficient basis, and is consistent with relevant provisions such as the “Accounting Standards for Business Enterprises” and the actual situation of the Company. The decision-making procedure in relation to the provision for assets impairment is in compliance with relevant laws and regulations and the Articles of Association, and does not jeopardize the interests of the Company and its shareholders, in particular minority shareholders, as a whole.

V. OPINION OF THE AUDIT COMMITTEE ON PROVISION FOR ASSETS IMPAIRMENT

The audit committee of the Company is of the view that the Company’s provision for assets impairment complies with and is in consistent with the relevant provisions of the “Accounting Standards for Business Enterprises” and relevant requirements of accounting policies adopted by the Company. Subject to the principle of prudence, the Company made provision for assets impairment based on the actual conditions of the assets which provided true, reliable and accurate accounting information and reflected the assets situation and assets value of the Company objectively, truly and fairly.

VI. OPINION OF THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSETS IMPAIRMENT

The provision for assets impairment has been considered and approved by all the supervisors at the 4th meeting of the tenth session of the Supervisory Committee. The Supervisory Committee of the Company is of the view that the provision for assets impairment is in compliance with the relevant provisions of the “Accounting Standards for Business Enterprises” and relevant requirements of accounting policies adopted by the Company. The basis and reasons for the provision are adequate. The Company’s financial situation and operating results can be fairly reflected after the provision for assets impairment.

By order of the Board
**CSSC Offshore & Marine
Engineering (Group) Company Limited**
Li Zhidong
Company Secretary

Guangzhou, 30 March 2021

As at the date of this announcement, the Board comprises ten Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Liping and Mr. Xiang Huiming, non-executive Directors Mr. Chen Zhongqian, Mr. Chen Ji and Mr. Gu Yuan and independent non-executive Directors Mr. Yu Shiyou, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.