

Standard for Procurement, Production and Supply Chain Management

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Author Jianming Ban
Approval John Xiao, PhD
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1 Objective

To standardize the purchasing procedures and the production process, to ensure that the supply chain is operated in a consistent way and to maximize the profit, minimize the cost.

2 Scope and Content

All the procuring activities and manufacturing (including third party processing) across the OPT group shall be subject to all the terms and conditions of this standard.

3 Organizational Structure and Responsibility

3.1 Procurement Review Committee

3.1.1 Structure

Director: Chief of the Board or another staff approved by;

Members: CEO, VP, Area/ Segment president, CFO, MPL Supervisor

3.1.2 Responsibility

3.1.2.1 Procurement Review Committee needs to approve all procurements valued at of 100,000RMB or more for equipment/instruments/tools and other assets.

3.1.2.2 The procurements of great significance

3.2 MPL

3.2.1 MPL maintains the worldwide supply chain management, distributes the staff from Beijing headquarter.

3.2.2 MPL Responsibility

3.2.2.1 Charge for the assessment and execution of the purchasing plan, PO, payment process and reimbursement.

3.2.2.2 Coordinate production, evaluation, transportation and storage of the products across the whole OPT group

3.2.2.3 Manage the suppliers.

3.2.2.4 Conduct the contracts.

3.2.2.5 Analyze the material cost, evaluate the cash flow, and control the inventory.

3.2.2.6 Complete the overseas purchasing including the permit application, transaction, transportation, insurance and custom clearance, etc.

3.2.2.7 Implement the cost saving requirements with respect to the marketplace.

3.3 Responsibility of Financial Department

3.3.1 Review the purchasing plan.

3.3.2 Approve or deny the Purchase Order.

3.3.3 Check the contract and participate in negotiation if necessary.

3.4 Obligation of Requesting Department

3.4.1 Submit the requisition.

3.4.2 Clarify the specification of the article or item and the reason why to request.

3.4.3 Participate in the negotiation and quality inspection.

4 Criterion

4.1 Optimization

Achieve actionable insight into spending, increase contract compliance, prevent overcharging and reduce the cost

reasonably.

5 Classification and Application

- 5.1 It classifies as Office Supplies (including administrative service cost), Production Consumables (raw materials and hardware, equipment, etc.), and Service Requirements (Software Development, other consulting services).
- 5.2 Administration Department charges for requisition of the Office Supplies based on the Standard of Administration Management.
- 5.3 The application procedure of Production Consumables and Service Requirements related to 5.1 shows below:
- 5.4 Approval Method: Handwriting signature or E-mail approval with exceptional cases



- 5.5 Review process (used for Procurement Review Committee)
- 5.6 Purchasing Process
- 5.7 Submit the completed Purchase Requisition to MPL when approved.
 - 5.7.1 MPL needs to facilitate best practices and achieve economies of scale in the procurement of goods and services necessary for the effective and efficient company production and to ensure that such goods and services represent best value, quality service, and timely delivery and that all funding sources for such goods and services are expended within the technical and economical regulations and guidelines mandated.
 - 5.7.2 Purchasing Order or Contract (500 USD or above) generated by MPL is handed to vendors authorized by Board Chief or any other individual in charge.
 - 5.7.3 MPL needs to accomplish payment process, shipping track, receipt filing.
- 5.8 Emergency Purchase, purchase below 500USD can be executed by each department in very urgent.

6 Contract Management

6.1 Contract Signing

- 6.1.1 A contract under Seal and signed by Chief of Board is regarded as valid.
- 6.1.2 A contract with two original copies for MPL and vendor is imperative about the 200USD or above payment.
- 6.1.3 Purchasing Department must take into account of both cost performance and payment method and cooperate with our related departments if possible.
- 6.1.4 Following terms and conditions must be included on the Purchase Order or Contract,
 - 6.1.4.1 The certificate of business and legal person
 - 6.1.4.2 Currency and prize (before and plus tax)
 - 6.1.4.3 Itemized description of the goods and services
 - 6.1.4.4 Delivery date and address
 - 6.1.4.5 Shipping charges and insurance details
 - 6.1.4.6 Payment method
 - 6.1.4.7 Expiration date
 - 6.1.4.8 Responsibility and penalty
 - 6.1.4.9 Arbitration
 - 6.1.4.10 Confidentiality
 - 6.1.4.11 Majeure

6.1.5 Appraisal by counselor or lawyer for contract valued at of 100,000RMB or more

6.2 Contract Filing

6.2.1 All contracts must be filed according to the signing date to a staff person from MPL department for performing or tracking the performance of the contract and addressing any other issues that arise under the contract.

6.2.2 All contract files cannot be duplicated without authority. The contract administrator should be responsible for maintaining the contract for prevent being lost, divulged, and for closing the file when the contract is completed and keeping the file in a manner consistent with the applicable records.

7 Production Management

7.1 All the products made by OPT must be subject to rules hereof.

7.2 Production processes within planning pertinent to customer demand are executed as follows,

7.2.1 A Production Order proposed by MPL defines which product is to be manufactured, with which process, at what time and how much work is required, then forwards to production leader for performing.

7.2.2 For third party processing, MPL keeps in tightly contact for the entire process.

7.3 Quality Control

7.3.1 Self-made Products

7.3.1.1 Incoming quality control(IQC), Purchased items are held in receiving inspection and not released into bonded stock until all inspections are complete and acceptable and required certification or test reports have been reviewed and accepted by related department. Raw materials can be checked by FETC. Common consumables such package bag and tag can be checked by MPL. Vendor documentation and test data must be reviewed for completeness and compliance with procurement documents.

7.3.1.2 Process quality control(PQC), Comprehensive inspection and test of first batch or product need to be finished before mass production.

7.3.1.3 Final quality control(FQC), The qualified products should be stored appropriately after the spot check by FETC.

7.3.2 Third-Party Manufacture

7.3.2.1 IQC, The qualified raw materials (inspected by FETC) and package bag (approved by MPL) can be delivered to third party for manufacturing directly.

7.3.2.2 PQC, MPL charges for instructing third party follow all the requirements listed in 7.3.1 and 7.3.2.

7.3.2.3 Final quality control(FQC), The qualified products should be delivered after the spot check by MPL or FETC.

8 Supplier Management

8.1 MPL is responsible for collecting supplier information, filling up *Basic Information of Supplier*, creating database of suppliers based on different categories.

8.2 Source of supplier database member,

8.2.1 Suppliers that used to have contract and good cooperation history with OPT group;

8.2.2 Suppliers that are recommended by other database members;

8.2.3 Well-known enterprises in Industry Association;

8.2.4 Suppliers that are recommended by professional consulting companies;

- 8.2.5 Suppliers from market survey by competent department;
- 8.2.6 Self-recommended suppliers

- 8.3 The suppliers should satisfy the following qualifications before applying to be added to supplier database,**
 - 8.3.1 Artificial person or natural person that can bear civil liabilities independently;
 - 8.3.2 Suppliers should follow the provisions of relevant state laws and administrative decrees; there should be no history recording of violations of laws and regulations;
 - 8.3.3 Supplier should be in good financial situation;
 - 8.3.4 Supplier should be capable of fulfilling terms of the contract and with good contract fulfillment history recording;
 - 8.3.5 Supplier should have clean recording during cooperation with OPT company

- 8.4 Suppliers are subject to hierarchical management and categorized to four levels: A, B, C and D.**
 - 8.4.1 Level A: Important and highly valuable supplier, which requires special attention to build, develop and maintain relationship as a strategic resource, which enjoys the fully support in cooperation and technical exchange, which also has the highest priority in supply ratio allocation;
 - 8.4.2 Level B: Suppliers with cooperative relationship, which requires proper attention to build and develop relationship as a supplement to strategic resources;
 - 8.4.3 Level C: Suppliers as transitional and backup alternatives, which needs investigation;
 - 8.4.4 Level D: Suppliers which requires major improvement, and the supplier should be deleted from database if it is graded as Level D consecutively twice or cumulatively three times.
- 8.5 Categorization of suppliers is mainly based on the grading rank in five aspects: service cooperation, willingness to reduce cost, quality, delivery in time, reaction time. The grading period is one year and suppliers are graded based on '*Supplier Grading Sheet*' by MPL.
 - 8.5.1 Level A: comprehensive score > 90
 - 8.5.2 Level B: comprehensive score 80~90
 - 8.5.3 Level C: comprehensive score 70~79
 - 8.5.4 Level D: comprehensive score ≤ 69