

Asset Management Standard

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Fixed Assets Management Standard

1 Objective

Hereby the standard was drafted In order to regulate the management of fixed assets and confirm duty and responsibility of departments and staffs.

2 Scope

The Standard provides for the definition, classification, depreciation, management procedures, maintenance and disposal methods of fixed assets, and applies to all OPTs.

3 Risk

- Without or beyond proper approval, may lead to assets lose due to major errors or fraud;
- Making erroneous decision on purchasing or construction, may cause the asset loss or resources waste;
- Misuse and improper maintenance, may result in an inefficient use of asset;
- Inaccurate inventory, untimely or inappropriately processing, may cause the asset loss;
- Scraping do not meet the conditions and without effective approval, may cause the asset loss;
- Unreasonable disposal program and inaccurate income accounting, may cause the asset loss.

4 Implementation

4.1 Definition

Hereby the fixed assets mean that the assets will be used beyond two years and their unit value is beyond 3,000 Yuan or 500 US Dollar and keep original physical form during the using process. In the case of the above elementary conditions, the department which apply for purchasing should determine whether it is a fixed asset based on the equipment's property or function.

4.2 Classification

According to the company's operation and equipment's function, fixed assets should be classified as follows:

Workshop Equipment; Laboratory Equipment; Field Service Equipment;
Office Equipment; Transportation Equipment; Immovable;
Internet Equipment; Safety Equipment.

4.3 Depreciation

Item	Minimum depreciation period(Year)	Salvage rate
Immovable	20	5%
Large equipment	10	5%
General equipment relate to operation (Initial Value than \$10,000)	5 (8)	3%
Transportation equipment	4	3%
Other assets	3	3%

In accordance with the company's local laws and regulations, each subsidiary should be flexible to determine the depreciation period and salvage of fixed assets.

4.4 Numbering rule

The fixed assets number is divided into 4 categories, and the specific format should be as follows:

<u>XXX</u>	<u>XX</u>	<u>XXXX</u>	<u>XXX</u>
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- **XXX**: the origin country of fixed assets, and should be distinguished by country code.

For example: Mainland of China-086; Hong Kong, China-852; Indonesia-062; UAE-971;

- **XX**: Classification of fixed assets.

01-Workshop Equipment; 02-Laboratory Equipment; 03-Field Service Equipment;
04-Office Equipment; 05-Transportation Equipment; 06-Immovable;
07-Internet Equipment; 08-Safety Equipment.

- **XXXX**: Date of purchase.

For example, 1506 indicates that the equipment was purchased in June of 2015.

- **XXX**: The running number of procurement.

The number of fixed assets cannot be changed as long as confirmed.

The accounting department, general managerial department of fixed assets, is responsible for allocating the number of all fixed assets.

4.5 Management table

- 4.5.1. Each department or project should set up the management table for recording those assets that belong to own department or project, the financial department is responsible for recording all fixed assets.
- 4.5.2. All changes related to the fixed assets must be supported by documents and may not be changed without approval.
- 4.5.3. Rental equipment should be recorded separately by user department, and the management table should be provided to financial department for reference.

5 Management Procedure

5.1 Responsibilities

5.1.1. Department responsibilities:

- Audit the rationality of asset application;
- Accept whether the purchased fixed assets is qualified before storage or use;
- Arrange individuals to take charge in the daily management and usage of fixed assets;
- Audit whether the assets should be scrapped due to the long service period;
- Change record in fixed assets management;
- Establish management table of fixed assets and periodic inventory shall be made on a regular basis, the result of inventory ought to be recorded.

5.1.2. Personal responsibilities:

- Responsible for monitoring and saving the allocated fixed assets. The custodian shall bear the liability for loss or abnormal spoilage of fixed assets.
- To maintain the daily clean and tidy of fixed assets;
- Report to the director of department or project for repairing or replacement in time after the fixed assets break down

5.2 Acquisition

Refer to the company procurement standard.

5.3 Acceptance

Acceptance should be completed by the application department and must be completed within 5 days. Specific acceptance criteria should be set by the technical department.

5.4 Daily management

- 5.4.1. Specific operational procedures must be stipulated on those assets which precise, precious and have prone to security incidents. The asset management department should designate a person responsible for technical guidance and safety work, and arrange technical and safety training regularly.
- 5.4.2. In order to eliminate hidden dangers promptly, regular maintenance, inspection, repair and test should be carried out by the asset management department. The principle of "prevention first, combining prevention and treatment" should be adhered in management.
- 5.4.3. The daily management of fixed assets should be documented, specific inspection and maintenance procedures should be developed by the technical department. (Related table should be designed by the technical or centralized department)

5.5 Allocation

Hereby the allocation emphasize the mobilization of fixed assets between projects or departments. Departments or projects shall not use any excuse to transfer the equipment without approval

5.6 Disposal

Hereby the disposal refer to the fixed assets' maintenance, lease, lend, sell and scrap.

5.6.1. Maintenance

Directly responsible individual should apply for repairing when equipment break down and the application must be confirmed by the director of project. The relevant information, such as maintenance inquiry, should be attached to repair requisition.

5.6.2. Leasing, lending, and Sell

- In general, assets are not permitted to lease or lend. The centralized management shall put forward the application if it is necessary to lease or lend, and the application must get approved from president. The finance department has responsibility to check the contract.

- The original lending or leasing department should be responsible for acceptance on those recoverable assets.
- The regional president has fully responsibility for selling fixed assets, and get approved from CEO is also necessary.
- Income from leasing, lending or selling must be paid to the company account directly.

5.6.3. Scrap

On the one of the following conditions, the centralized management department should put forward for the application of scrap:

- Long service life lead to function loss, or without the need to repair;
- Backward technology, poor quality, high energy consumption, low efficiency, or technical indicators cannot reach the requirement;
- Cumulative repair costs have been close to or more than the market value due to the serious damage.
- When the damage was caused by work fault, the responsible party should be asked for compensation. In principle, the compensation should not less than the net value of fixed assets;
- Accessories damaged but body workable, can be part of scrap; Available accessories which can be view as new assets, should fulfill the new assets procedures.

The person who take charge in the asset directly should apply for scrap of fixed assets, the regional president have the responsibility to review seriously. And the scrap must get approve from president. The financial department should disposal the assets in accordance with the account provision.

5.7 Inventory

All projects and departments should establish an asset inventory standard. The asset management department is responsible for the organizing irregularly inventory as needed. Each year in December, the financial department has responsibilities to conduct a comprehensive inventory for all fixed assets.

- Set up an inventory team which constituted by two people at least. Draw a clear plan on the division, methods, procedures and schedule during the inventory;

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- For the problem which be found in the inventory, assets management department should find the reason as soon as possible, than prepare written report with solution and report to president for approval. In principle, it should be completed at the end of this year.

Inventory Management Standard

1. Purpose

Hereby the standard was drafted in order to strengthen the internal control of the stock purchase and sale, to ensure the safety of the inventory assets.

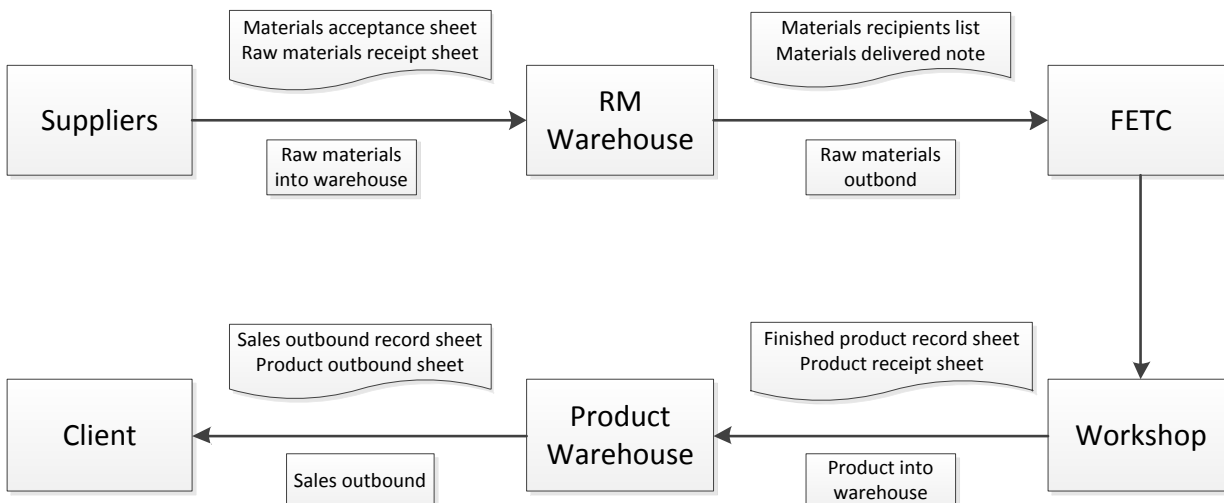
2. Scope

This standard is applicable to headquarters and all subsidiaries.

3. Inventory management scope

3.1. It include mainly raw materials, auxiliary materials, packaging, finished product out of storage and inventory management.

3.2. Inventory flow chart



4. Warehousing management

4.1. For purchasing, purchaser should collect material requirements of all relevant departments in advance, than carry out plan to get approved from regional president.

4.2. For materials storage, inspector and warehouse keeper should sign on “Material acceptance sheet” after confirmation. Inspector check quality and warehouse keeper take charge in quantity,

4.3. For product storage, warehouse keeper should fill in “completion of the product sheet” according to specifications and varieties, workshop director and warehouse keeper also need sign on the sheet.

5. Outbound management

- 5.1. For materials used for producing, production department should fill out “production material requisition sheet” according to demands. For non production materials, the recipient should get approved from department head before apply for usage. Warehouse staff and recipient should sign on the above sheet at the same time.
- 5.2. For product sales, salesmen fill in “sales outbound record sheet” according to the sale contract. Warehouse staff and recipient should sign on the sheet at the same time.

6. Inventory management

- 6.1. Warehouse staff should make stock ledger, and record into the inventory management system in time according to the in or out record sheet, check actual product end of the every month, and ensure both account and actual product uniformity.
- 6.2. All the inventory stock should meet the following requirement: classify, neat, label clear and storage safely.
- 6.3. Subsidiaries should inventory and make inventory sheet at least half a year, report and solve the existing problem in time.

Attached list 1 “Materials acceptance sheet”

№ 00000001


Materials acceptance sheet

Date: _____

Supplier Name/Code	Materials name/Code	Material model/ Specification	Quantity	Acceptance results	Remark

 P
a
g
e

1

Notify Party:

Surveyor:

Consignee:

Attached list 2 “Materials delivered note”

№ 00000001


Materials delivered note

Date: _____

Materials Demand Units/Department	Materials name/Code	Unit	Quantity	Materials Demand specifications	Remark

 P
a
g
e

1

Warehouse Tube:

Consignee: