



# 北京京城機電股份有限公司

## Beijing Jingcheng Machinery Electric Company Limited

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(H Share Stock Code: 0187; A Share Stock Code: 600860)

### Interim Report

# 2017



# IMPORTANT NOTICES

1. The Board of Directors (the "Board"), the Supervisory Committee and the directors (the "Directors"), supervisors and senior management of Beijing Jingcheng Machinery Electric Company (the "Company") confirm that the information contained in this interim report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.

2. Attendance of the Board meeting

<b>Positions of directors who did not attend the board meeting</b>	<b>Name of directors who did not attend the board meeting</b>	<b>Reasons for not attending the board meeting</b>	<b>Appointee</b>
Independent director	Fan Yong	Office duty	Yang Xiaohui

3. The Interim Financial Report has not been audited.

4. Mr. Wang Jun, the person in charge of the Company, Ms. Jiang Chi, the Accounting Director and Mr. Wang Yandong, Accounting Manager (accountant in charge), have declared that they guarantee the trueness, accuracy and completeness of the financial statements contained in this Interim Report.

5. Resolutions of profit distribution or capitalisation from capital reserves of the Company for the Reporting Period examined and reviewed by the Board  
Nil

6. Declaration on risk in forward-looking statements  
 Applicable  Not Applicable

The forward-looking statements involving future plans in this interim report, due to their uncertainties, do not constitute substantial undertakings of the Company to investors, who are advised to be cautious about investment risks.

7. Whether or not the controlling shareholders of the Company or its associates have misappropriated the Company's funds?  
No

8. Whether or not any external guarantees are provided in violation of any specified decision-making procedures?  
No

9. IMPORTANT RISK WARNINGS

In accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, if the audited net profit of the Company for the year 2017 remains negative, the listing of A shares of the Company will be suspended.

10. Others  
 Applicable  Not Applicable

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# SECTION 1 DEFINITION

Unless otherwise stated in context, the following terms should have the following meanings in this report:

## Definition of frequently used terms

Company	means	Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Beiren Holdings	means	Beiren Printing Machinery Holdings Limited (the former name of the Company)
Group	means	the Company and its subsidiaries
Jingcheng Holding (controlling shareholder and beneficial controller)	means	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司), a company established in the PRC and the controlling shareholder of the Company, holding approximately 43.30% equity interest in the Company
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Tianhai Industrial and Beijing Tianhai	means	Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a subsidiary of the Company
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company
Board	means	the board of directors of the Company
AGM	means	the 2016 Annual General Meeting convened on 26 June 2017
Supervisory Committee	means	the supervisory committee of the Company
Director(s)	means	the director(s) of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Shareholder(s)	means	the holder(s) of shares
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
Reporting Period	means	the period from 1 January 2017 to 30 June 2017
SSE	means	the Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission

## SECTION 1 DEFINITION

Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under the CSRC
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Base in Huo County	means	the base for production of liquefied natural gas cylinder for vehicles and cryogenic equipment (LNG industry)
Listing Rules	means	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange
PRC Accounting Standards for Business Enterprises	means	PRC Accounting Standards for Business Enterprises
RMB	means	Renminbi, the lawful currency of the PRC
HK\$	means	Hong Kong dollars, the lawful currency of Hong Kong
USD	means	United States dollars, the lawful currency of the United States of America
DOT	means	Abbreviation of US Department of Transportation
LNG	means	Abbreviation of liquefied natural gas
CNG	means	Abbreviation of compressed natural gas
Station, filling station	means	The station where automobiles are filled with LNG or CNG
Industrial gas cylinder	means	Collective name for the cylinders that are filled with industrial gas

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

Chinese name of the Company	北京京城機電股份有限公司
Chinese abbreviation	京城股份
English name of the Company	BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED
English abbreviation	JINGCHENG MAC
Company's legal representative	Wang Jun

### II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities affairs representative
Name	Luan Jie	Chen Jian
Contact address	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Telephone	010-67365383	010-67365383
Facsimile	010-87392058	010-87392058
E-mail	jcgf@btic.com.cn	jcgf@btic.com.cn

### III. CHANGES OF BASIC INFORMATION

Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Postal code of the office address of the Company	101109
Company's international internet website	www.jingchenggf.com.cn
E-mail	jcgf@btic.com.cn

### IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of newspapers designated for information disclosure	Shanghai Securities News
Website designated by CSRC for publishing the Interim Report	www.sse.com.cn
Place for inspection of the Company's Interim Report	Office of the Board of the Company

### V. INFORMATION OF THE COMPANY'S SHARES

Types of shares	Place of listing of the Shares	Stock abbreviation	Stock code	Stock abbreviation before changes
A share	Shanghai Stock Exchange	*ST京城	600860	京城股份
H share	The Stock Exchange of Hong Kong Limited	JINGCHENG MAC	00187	JINGCHENG MAC

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER RELATED INFORMATION

Applicable  Not applicable

	Name	ShineWing Certified Public Accountants LLP (Special General Partnership)
Name of the accounting firm engaged by the Company (domestic financial reporting and audit)	Office address	9/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing,
	Names of signing accountant	Ji Sheng, Wang Xin
Name of the domestic legal adviser engaged by the Company		Beijing Kang Da Law Firm
Office address of the domestic legal adviser engaged by the Company		No.19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC
Name of the overseas legal adviser engaged by the Company		Woo Kwan Lee & Lo
Office address of the overseas legal adviser of the Company		26/F, Jardine House, Central, Hong Kong
Other basic information of the Company		Reception of shareholders' enquiries: 10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturdays and Sundays) 9:00 a.m. to 11:00 a.m. and 2:00 p.m. to 4:00 p.m.

### VII. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS

#### (1) Major accounting figures

	For the reporting period (January - June)	For the same period last year	Increase/Decrease comparing the reporting period with the reporting period last year (%)
Unit: Yuan    Currency: RMB			
<b>Major accounting figures</b>			
Operation income	535,806,085.23	485,074,778.92	10.46
Net profit attributable to shareholders of listed company	-44,049,991.70	-62,164,227.60	N/A
Net profit attributable to shareholders of listed company after extraordinary items	-46,841,842.65	-70,312,199.06	N/A
Net cash flow from operating activities	-62,482,402.26	-1,879,841.43	N/A
	<b>As at the end of the reporting period</b>	As at the end of last year	Increase/Decrease comparing the end of the reporting period with the end of last year (%)
Net assets attributable to shareholders of listed company	520,650,799.43	565,197,855.29	-7.88
Total assets	1,894,232,599.36	1,849,908,902.76	2.40

#### (2) Key financial indicators

	For the reporting period (January - June)	For the same period last year	Increase/Decrease comparing the reporting period with the reporting period last year (%)
<b>Key financial indicators</b>			
Basic earnings per share (RMB/share)	-0.10	-0.15	N/A
Diluted earnings per share (RMB/share)	-0.10	-0.15	N/A
Basic earnings per share after extraordinary items (RMB/share)	-0.11	-0.17	N/A
Return on net assets on weighted average basis (%)	-8.46	-9.11	Increased by 0.65 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-9.00	-10.31	Increased by 1.31 percentage points

Explanation on the major accounting figures and financial indicators of the Company

Applicable  Not applicable

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VIII. ACCOUNTING FIGURES DIFFERENCES BETWEEN THE PRC GAAP AND IFRSS

Applicable     Not applicable

### IX. EXTRAORDINARY ITEMS AND AMOUNT

Applicable     Not applicable

Unit: Yuan    Currency: RMB

Extraordinary items	Amount	Note (Where applicable)
Gain or loss on disposal of non-current assets	694,074.16	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax		
Government subsidies included in current profit or loss, other than on-going government subsidies which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	2,550,972.00	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or asset under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring	1,026,696.07	
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation		
Reversal of the impairment provision for receivables which are tested individually for impairment		
Gain or loss on entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	-1,383,243.25	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-96,648.03	
Effect of income tax		
Total	2,791,850.95	

### X. OTHERS

Applicable     Not applicable



# SECTION 3 BUSINESS SUMMARY OF THE COMPANY

## I. PRINCIPAL ACTIVITIES, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD

### 1. Scope of business:

Licensed items of operation: general logistics; professional contracting.

General scope of operation: development, design, sales, installation, adjustment and trial, maintenance of cryogenic containers for storage and transportation, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; import and export of commodities and technology and acting as an agency for import and export.

Main products and applications:

The Company's main products include: liquefied natural gas (LNG) cylinders for vehicles, compressed natural gas (CNG) cylinders for vehicles, seamless steel gas cylinders, steel welded gas cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders, plate-type asbestos-free acetylene cylinders, ISO tank containers, aluminum carbon fiber full-winding compound gas cylinders for fuel cells as well as cryogenic tanks and LNG filling station equipment.

### 2. Business model:

The Company is a corporation which owns six major production bases for specialised gas storage and transportation equipment (the advanced and intelligent manufacturing base in Beijing Huo Xian primarily for high-end products such as type III cylinders and system integration; the Tianjin Tianhai production base primarily for winding cylinders and tube type cylinders; the Shandong Tianhai production base primarily for standardised 219 tube type cylinders; the Kuancheng Tianhai production base primarily for extruded cylinders and fire-fighting cylinders for the domestic market; the Jiangsu Tianhai production base primarily for welded cylinders; and the Shanghai Tianhai production base primarily for compound gas cylinders) and one specialised car manufacturing base (Beijing Pioneer Up Lifter Co., Ltd), as well as a US-based sales company. The Company positions itself in the parts and components supply chain for mainstream car manufacturers in China, providing parts and components to the largest car manufacturers, public transport operators and other players in China's automobile sector. It also supplies gas storage and transportation equipment and other products to major gas companies.

The Company's business model comprises links of product development, raw material procurement, production and processing, and sales, being:

- (1) Procurement model: The main raw material used in the Company's production is steel and its main product is steel cylinder. The procurement is conducted on a cash on delivery basis;
- (2) Production model: Due to the complex production process for steel cylinders of high temperature and high pressure, low temperature and negative pressure and strong continuity, its production must be kept stable for a long period of operation;
- (3) Sales model: Its products are mainly sold through direct sales and distribution models, whereby it strives to occupy the market through distributors with strong capability and extensive channels, while making direct sales to capable manufacturers and end customers in order to capture market share.

### 3. Industry overview

#### Industrial gas storage and transportation market

In 2017, driven by the development of relevant downstream industries such as coal chemicals, air separation capacity in China continued its uptrend, where new capacity concentrated in Inner Mongolia, Shanxi, Hebei, Shandong, Jiangsu and Hubei during the first half of the year. Air separation unit operating rates mainly ranged between 50%-55% during 2017.

The highest demand for industrial gas in China comes from the steel and petrochemicals sectors, which accounts for approximately 60% of industrial gas consumption with the remaining 35% used in sectors such as electronics, aerospace, food, glass and healthcare. However, as affected by the economic environment and de-capacity of steel in the last two years, subtle changes were seen in the consumption structure related to downstream products liquid oxygen, liquid nitrogen and liquid argon. Since the start of 2017, increased steel prices due to de-capacity and favourable environment for photovoltaic electronics and other sectors has provided considerable support to the consumption of these liquefied gases.

As a crucial accessory to industrial gas, industrial gas cylinders did not see a huge increase in its global demand in 2017, with demand in China remaining low dragged down by the weak economy. Standardised industrial gas cylinders saw fierce competition as a result of similarity and replaceability among products and resulting in a lot of steel cylinder competitors. Combined with over-capacity, price competition, the glut, rising costs and the low level of data, information and automation application, its prospects were not optimistic. Nevertheless, China's industrial restructuring and rapid development in sectors related to energy-saving, fire-fighting and electronics brought notable increase in demand for specialised gases, which is expected to grow by 30% each year onward. With changes in methods of industrial gas transportation and storage, there will likely be a development pattern where developed coastal areas will lead the central and western regions in implementing transportation of low-temperature liquids and liquefied storage, thereby enlarging market demand for cryogenic cylinders.

The Company has the advantages of a wide range of products and certifications in the industry. It can produce over 800 types of products and has obtained 41 international certifications. Its products have been accepted by seven out of the world's top eight gas companies. Through a wide sales network, it has realized an extensive geographical coverage nationwide and its international operations are mainly located in the United States, Singapore, Korea, India and Australia. The Company's products have strong competitiveness and considerable market share in the industry. Its seamless steel gas cylinders have maintained a steady market share of 60% of the domestic market. Its production capacity for such product is 3.30 million, the largest in the industry.

## SECTION 3 BUSINESS SUMMARY OF THE COMPANY

### Market of natural gas equipment

Natural gas is a key clean energy as a replacement of coal with ample supply and absolute advantage over other fossil fuels in terms of underlying resources, utilisation, cost-effectiveness, cleanliness and others. With theoretical and technological breakthroughs (in particular the unconventional oil and gas reservoir theory lifting limitations on conventional oil and gas reservoirs and sustaining technological advancements in horizontal well drilling and volume fracturing and modification), the exploration and production of natural gas was further developed, suggesting sustained increase in supply. Judging from the current circumstances, natural gas reserves in China will be able to fully meet the country's demand in the 21st century and even a longer period afterwards.

In recent years, China's consumption of natural gas has been rising but still accounted for a relatively lower level of primary energy consumption. Given the current surging pressure to promote environmental protection, optimisation of the energy structure and development of low-carbon clean energy have become pressing demand in China, bringing continuous increase in the consumption of natural gas, a key clean energy as a replacement of coal.

In January 2017, the "13th Five-Year Plan of Natural Gas Development" issued by China's National Development and Reform Commission ("NDRC") set out four major natural gas utilisation projects for the 13th five-year period, including the conversion to natural gas in key areas of air pollution governance, natural gas power generation and distributed energy resources, conversion to natural gas in the transportation sector and energy-saving and replacement, striving to lift the natural gas' percentage in primary energy consumption to 10%. It also required improvement in natural gas technological specifications in the transportation sector, zoning air pollutant emission restriction areas for vessels where emission reduction requirements would be strictly enforced and research on policy support to natural gas cars and vessels. Also stipulated in the document was robust support to development of natural gas cars including public urban transport, taxis, delivery vehicles, passenger carriers, sanitation vehicles and freight carriers as well as vessels for transportation on inland rivers, lakes and coastal areas using LNG. By 2020, approximately 10.00 million cars would be converted into using natural gas, with over 12,000 gas stations to be built for them and more than 200 for vessels.

In April 2017, the Strategies for Energy Production and Consumption Reform (2016-2030) (《能源生產和消費革命戰略(2016-2030)》) issued by the NDRC required further refined and vigorous natural gas policies to enable high efficiency in natural gas utilisation. It set out the implementation of conversion to natural gas in key areas of air pollution governance by accelerating replacement of coal in facilities and households by natural gas and seasonal adjustments based on availability of resources. Urban gas penetration was to be enhanced. Peak-load regulating natural gas power stations were to be built in an orderly manner with robust efforts to promote natural gas tri-generation, distributed energy resources and integration with other energies. Conversion to gas would begin in the transportation sector, especially with regard to oil-driven vehicles and vessels, and conversion to LNG for vessels on inland rivers would be accelerated.

In May 2017, the Opinions on Deepening the Oil and Gas System Reform (《關於深化石油天然氣體制改革的若干意見》) issued by China's State Council made explicit the guiding opinions, basic principles, principal ways of thinking and major tasks of the deepening of the oil and gas system reform. The Opinions expressly specified the liberalisation of natural gas prices for non-household use and further improvement to the pricing mechanism of those for household use. It stipulated the accelerated construction of oil and gas transaction platforms in compliance with laws to encourage eligible market players to take part therein and establish market prices through competition. The release of the Opinions fully demonstrated the determination and will of the Chinese government to promote the liberalisation of the natural gas market, which is likely to speed up conversion to gas in the future.

Natural gas utilisation products of the Company such as CNG cylinders, LNG cylinders, LNG cryogenic tanks, tank containers and LNG filling station equipment offers full coverage to the areas supported by the above policies and will benefit considerably from the China's favourable policies of accelerating popularisation of natural gas. With the strict implementation of environmental protection policies such as air pollution governance by the Chinese government, escalating measures to popularise the clean energy natural gas, the deepening natural gas price liberalisation and gradual rising global crude oil prices, the cost-effectiveness of natural gas utilisation has recovered and the market environment of related equipment picked up. Given the above, sales of natural gas equipment of the Company are going to bottom out and its profitability will return to normal levels over time.

### Market of hydrogen energy equipment

Hydrogen energy is an ideal clean energy and the fuel cell area has become the key to promoting utilisation of this kind of energy. A fuel cell is a device which directly converts the chemical energy from hydrogen into electricity, being the best utilisation of hydrogen energy with its high conversion efficiency and zero emission. In recent years, the advancing fuel cell technology spurred the rapid development of emerging industries based on fuel cells. Among such industries, industries related to cars, forklifts and emergency power sources applying hydrogen fuel cells were approaching industrialisation.

The Blue Book of Infrastructure Development for Hydrogen Power Industry of China (2016) (《中國氫能產業基礎設施發展藍皮書(2016)》) specified objectives and main tasks for this industry for its three stages of development: the short term (2016-2020), medium term (2020-2030) and long term (2030-2050). According to the plan set out in the Blue Book, by 2020, China's infrastructure development for the hydrogen power industry shall have made significant breakthroughs enabling hydrogen power consumption to reach 72.0 billion m<sup>3</sup>, total output of the industry RMB300.0 billion and numbers of hydrogen station, fuel cell car and hydrogen-propelled train to reach 100, 10,000 and 50 units respectively. By 2030, the total output of the industry shall reach RMB1,000.0 billion, the number of hydrogen station 1000, ownership of fuel cell car 2.00 million and the mileage of high-pressure long-distance hydrogen pipelines 3,000 kilometres, with technological specifications of infrastructures of the industry comparable to those in developed countries.

## SECTION 3 BUSINESS SUMMARY OF THE COMPANY

The Chinese government placed high importance on the development of hydrogen energy and related fuel cell industries. It had incorporated hydrogen energy into its national energy strategy, creating a favourable environment and policy support to the development of the hydrogen energy and fuel cell sector in China. Cylinders for hydrogen storage, being an ancillary equipment to hydrogen fuel cells, will likely see higher demand with accelerated expansion in the market share of this kind of cell, and therefore a broad market prospect.

Through recent market research and studies as well as project and technological development, the Company has acquired ample resources along the hydrogen energy supply chain and has gained profound understanding of related business models, in particular those for fuel cell vehicles. The development of fuel cell vehicles will improve infrastructures for hydrogen energy utilisation and the localisation of related equipment manufacturing. By virtue of its advantage in producing gas storage and transportation equipment accumulated over years, the Company had developed systems of high-pressure vehicle hydrogen supply and actively introduced technologies related to hydrogen station equipment manufacturing in order to solve bottlenecks in hydrogen gas storage and transportation and to gain advantage and dominance in the area of hydrogen equipment manufacturing.

### II. DESCRIPTION OF MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable     Not applicable

### III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable     Not applicable

#### 1. Brand advantage

The Company has long been upholding its policy of producing world-class products in accordance with international standards in respect of manufacturing technology and management. It has successfully obtained 41 international certifications such as ISO9001:2008, ISO/TS16949:2009 quality management system, ISO14001:2004 environment management system and OHSAS18001:1999 occupational health and safety management system certifications. With over 20 years of effort, the Company has established the largest product sales network in the industry and a complete and efficient after-sales service system. Its products have national coverage and are sold to more than 40 countries and regions in five continents around the world, and the sales volume of its seamless steel gas cylinders ranked first in the world.

The Company adheres to the corporate spirit of “integrity, dedication, learning, innovation and aiming at first-class” and has established a good reputation for its safe and reliable products and quality services. With its improving core competitiveness and rapidly growing performance, the Company has been awarded the honours of China’s Top 100 Enterprises, Beijing Top Ten Foreign-invested Enterprises, Beijing High-tech Enterprise, Leading Enterprise in the PRC Metal Pressure Vessel Manufacturing Industry and National “Labour Day” Certificate.

#### 2. Technology advantage

The Company has A1, A2, C2, and C3 level pressure vessel design qualifications and A1, A2, B1, B2, B3, C2, C3, D1 and D2 level pressure vessel manufacturing qualifications. It can produce over 800 types of seamless steel gas cylinders, winding cylinders, accumulator shells, asbestos-free acetylene cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders (including those for vehicles), cryogenic tanks and filling stations. The Company’s products are widely applied in automotive, chemical, fire-fighting, medical, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

With an accurate grasp of the clean energy market, the Company has combined technologies in respect of LNG cylinders for vehicles, CNG cylinders, cryogenic tanks and natural gas vehicle filling stations and is able to provide customers with LNG/CNG system solutions. The Company is also capable of manufacturing cryogenic tanks and IMO tank container products in accordance with China pressure vessel standards, EU ADM and 97/23/EC PED and Australia/New Zealand AS1210 standards.

#### 3. Sales network advantage

The Company has established a complete sales network with over 30 distribution offices scattering across the country, realizing a full geographical coverage nationwide. The Company has also set up eight overseas sales offices mainly located in the United States, Singapore, Korea, India, Australia and other countries with value of direct export accounting for around 50% of total income. Its products have been accepted by seven out of the world’s top eight gas companies. In particular, its asbestos-free acetylene cylinders are the first in the global industry to enter the high-end cylinder market in the United States.

#### 4. Human resource advantage

The Company has established an internal organizational system and operational mechanism, performance appraisal mechanism and salary and welfare system meeting the requirements for market competition, in order to provide a career development platform for its management and employees to grow with the Company and share the fruits of development, to create a good corporate culture. It has established a team of talents with ability and integrity, core competence and professional quality in respect of research and development, sales, management, operation and production.

# SECTION 4 REPORT OF CHAIRMAN

## I. REVIEW OF THE FIRST HALF OF THE YEAR

### 1. To streamline capacity planning and accelerate the adjustment on spatial layout

To put the strategic idea of spatial layout adjustment of the Company in place, the Company relocated the production of impact extruded cylinders from Langfang Tianhai High Pressure Cylinder Co., Ltd. ("Langfang Tianhai") to Kuancheng Tianhai Pressure Vessel Co., Ltd. ("Kuancheng Tianhai"), and relocated the production of wrapped cylinders and part of tube type cylinders to Tianjin Tianhai High Pressure Container Co., Ltd. ("Tianjin Tianhai"), so as to reduce overcapacity and centralize the production for enhancing efficiency. At the same time, following onsite visits and research on Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. ("Kuancheng Shenghua"), Beijing Tianhai decided to cooperate with Kuancheng Shenghua to establish Kuancheng Tianhai through joint investment. The establishment of Kuancheng Tianhai not only made use of Beijing Tianhai's product advantages in respect of brand, technology and quality, but also made use of Kuancheng Shenghua's advantages in respect of cost management in order to complement each other and increase market share.

### 2. Transformation and upgrade of management and control

With the completion of adjustment on the industry layout, the products of each industrial base now have a clearer position and target on a more specific market. The original management and control of comprehensively unified management, procurement and sales can no longer cope with the needs of the changing market competition. To build a bridge between the basic unit and the market, and to increase the vitality of the strategy execution unit and results of operation, the Company carried out transformation and upgrade of the internal management and control so that each of its subsidiaries could establish a business model of unifying research, production, supply and sales, so as to fully unleash the potential of the organization, make flexible and quick responses to the changes in the market and effectively enhance the results of operation.

### 3. Revitalization and use of land resources

With the strategic adjustment on the product plan of Langfang Tianhai, the property assets of Langfang Tianhai located at the east of Huaxiang Road and north of Yaohua Road, Lang Fang Development Zone were unoccupied. The Company disclosed the transfer of property assets of Langfang Tianhai through public tender in the announcement published on 21 July 2017. It is expected that such project will be considered and approved and Langfang Tianhai will be authorized to determine the matters relating to the base price of the tender at the general meeting to be convened on 4 September 2017. The current assessed value of the property assets is approximately RMB170 million. After the general meeting and subject to the approval of SASAC, Langfang Tianhai will convene a board meeting to determine the price of tender and will officially be open for bidding on the China Beijing Equity Exchange. After the acceptance of tender, it is expected that the Company will complete the relevant settlement procedures within the year and realize economic benefits.

To revitalize the land resources in the old plant area of Wufangqiao, as at the end of last year, Beijing Tianhai and Yuecheng Elderly Business Investment Co., Ltd. intended to establish a joint venture to jointly develop the land in Wufangqiao. However, the procedure for the change of land use was not completed despite of the efforts from both parties for six months, and as a result, the cooperation purpose of both parties could not be achieved. After friendly negotiation, both parties have terminated the cooperation. Currently, the Company is actively carrying out discussion and preparation of other proposals for achieving the revitalization of land resources in Wufangqiao as soon as possible so as to create better economic benefits for promoting the operation and development of the Company.

## II. OUTLOOK FOR THE SECOND HALF OF THE YEAR

### 1. To put more efforts on the adjustment of spatial layout of the industry and the revitalization of resources, and focus on achieving breakthroughs in key projects

In the second half of the year, reform initiatives will be deepened based on the existing efforts on reforms so as to ensure the effective implementation of various reform initiatives and turn loss into profit for the year. Focus will be placed on the following tasks:

- (1) Careful planning and orderly proceeding of the relocation of Langfang Tianhai are needed for on-schedule implementation of the project and maintain profitability of the Company.
- (2) Business construction for Kuancheng Tianhai will be carried out under the legal entity governance structure of the Company, while the businesses including projects and procurement of materials shall be subject to approval and audit, with budgets and final accounts being prepared within the institutional framework, and become a "Sunshine Project" while ensuring the progress according to schedule.
- (3) Continuous promotion of the development of the land in Wufangqiao will be carried out.

## SECTION 4 REPORT OF CHAIRMAN

### 2. To accelerate the technical innovation, technical transformation and technical reform

With a market-oriented approach, technical personnel will actively visit customers and understand their needs, together with the feedback of the sales department and changes of competitors, we will be able to timely optimize the design and manufacturing process of the Company's products, such as weight reduction of winding cylinders and cost reduction of Type III cylinders. We shall launch innovation boldly and break the norm so as to continue to optimize and improve the design concepts, keep pace with the market trend and enhance competitiveness. We shall speed up the introduction, development and industrialization of strategic products including hydrogen technology and Type IV cylinders, so as to maintain the momentum for the future development of the Company.

### 3. To strengthen the management of costs, strictly control inventories receivable and put more efforts on the control of cash flows

Firstly, we shall raise funds through multi-channels including revitalization of idle assets, strengthening the management of receivables and bank financing, so as to improve cash flows and ensure the financial support for material projects, production and operation. Secondly, we shall set up a capital balancing plan to reasonably establish the rules of use of capital. Approvals on all matters and budgets for all projects are required. The capital expenditures of each business department/subsidiary shall be kept in line with the indicators including income, refunds and use of funds of the departments.

### 4. To put more efforts on the supervision and improve the risk prevention mechanism

We shall fully promote the implementation of a risk prevention system for operation, prepare risk evaluation and establish risk management policies to achieve comprehensive control and effective prevention of operational risks.

We shall continue to strengthen the establishment of a precautionary system for legal risks. By strengthening the management of legal affairs of the Company and its subsidiaries and retention of the external legal adviser, we will establish a system covering the management of legal affairs of the Company and each subsidiary in order to provide business guidelines and effective supervision of the legal affairs of the subsidiaries by the Company, which will perform and effectively link the respective functions in the management of legal affairs between the Company and each subsidiary, and effective prevention of the overall legal risks of the Company's systems would be achieved. Each department of the Company and its subsidiaries shall enhance the awareness of legal risks, strengthen the ability of performing their duties in accordance with law, and attach great importance to each part of the procedures including project research, investigation of counterparty's credit information, project negotiation, contract review and continuous follow-up of performance, so as to minimize the risks.

### 5. To further strengthen the establishment of the Party's discipline and integrity and perform "single position with dual duties"

The leading cadres at all levels of the Company should take the lead in implementing a series of new systems, new rules and new regulations promulgated since the 18th National Congress of the CPC by the central government. We shall thoroughly learn from and implement the spirit of the 12th City Congress, and will earnestly study and carry out the spirit of the 19th National Congress, setting an example in raising the political stance and realizing the requirements of "Three Compliances and Three Implementations". Responsibility Documents for Construction of Incorrupt Party which was signed at the beginning of the year shall be fully implemented. We shall manage the business, the subordinates and people around in respective areas and dare to do and speak with strict management in the long run. For key areas and key aspects in particular, we shall carry out strict management, strict requirements, strict supervision, strict assessment of accountability, and earnestly establish an incorrupt style by "single position with dual duties".

# SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

## I. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, facing with the continuously severe external situation, the Company adhered to the operation target of “comprehensively addressing the delisting risk with profits as the core”. To achieve such operation target, the Company has always insisted on a market-oriented approach for its principal business and promoted the research and development of new products, actively captured market share, accelerated the adjustment on product structure and spatial layout. For non-principal business, the Company carried out proper revitalization and utilization of land resources after consideration and laid a foundation for the healthy and sustainable development of the Company.

During the reporting period, the following work was focused on:

### 1. Regulate the operation of general meetings of the Company, the Board and Supervisory Committee and strictly perform the obligation of information disclosure

The Company has been in strict compliance with the authority as required by the articles of association of the Company and the Listing Rules to perform the review and approval procedures. All significant matters would be implemented only after the consideration and approval at general meetings or by the Board and Supervisory Committee. Special matters, such as connected transactions, significant investment and financing and significant asset disposal, were further subject to the independent opinion from the independent non-executive Directors.

As a listed company of A and H shares, the Company has taken into account the information disclosure requirements of Shanghai Stock Exchange and the Hong Kong Stock Exchange, and perform the disclosure accurately, timely and comprehensively. At the same time, to protect the legal interests of the informed employees, the Company timely completed the registration of persons with access to inside information in order to effectively guarantee the legal compliance of the decision-making process and information disclosure.

### 2. Strengthen the management of internal control and prevent corporate operational risk

In accordance with the Audit Guidelines on Corporate Internal Control of Shanghai Stock Exchange, the Corporate Governance Code of the Hong Kong Stock Exchange and the internal audit policy of the Company, combining with the changes in operating environment and business development needs, the Company adopted a “top-down” approach, assessment of the risks and control points relating to the Company and six subsidiaries of the Company including Beijing Tianhai, Tianjin Tianhai, Langfang Tianhai, Beijing Tianhai Cryogenic Equipment Co., Ltd. and Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd. were carried out by both internal inspection and audit by external audit firm to address the issues identified by internal control audit and recommendations and deadlines were made for rectification in respect of the issues identified from the internal audit so as to ensure the effective implementation of internal control and safeguard the orderly management of the operations of the Company.

In the first half of the year, the Company strictly implemented the regulation systems, operating decision-making and fulfilled 100% the requirement of legal review on economic contracts, so as to provide legal review, consultation and solutions for the daily operation of the business departments of the Company. Through the three parts of review and legal risks control, the legal risks of the Company were effectively mitigated.

### 3. Improve the financial system and strengthen the comprehensive budget management

- (1) To strengthen the asset management, promote the regulation of the operation of the Company and effectively prevent and address various risks in the course of handling loss of accounts receivables, the Company established the Management Measures for Recognition, Verification and Cancellation of Loss of Accounts Receivables.
- (2) To further strengthen the comprehensive budget management, the Company included the budget management in OA system, which refined the management process, defined the division of rights, achieved reasonable allocation of corporate resources and reflected the actual needs of the corporation. Support was provided to the final decision-making in respect of business collaboration, implementation of strategies, current operating situation and growth of value.

### 4. External investment and the establishment of Kuancheng Tianhai Pressure Container Co., Ltd.

According to the strategic ideas on the adjustment of product plan of the Company, and by onsite visits and research on Kuancheng Shenghua, together with several in-depth, comprehensive and detailed communication between both parties, Beijing Tianhai decided to cooperate with Kuancheng Shenghua to establish Kuancheng Tianhai through joint investment on 7 April 2017, of which Beijing Tianhai contributed in cash and the right of use of technologies, holding 61.1% equity interest, while Kuancheng Shenghua contributed in specie, holding 38.9% equity interest. The establishment of Kuancheng Tianhai not only made use of Beijing Tianhai's advantages in respect of brand, technologies and quality of its products, but also made use of Kuancheng Shenghua's advantages in respect of cost management. At the same time, the relocation of traditional gas cylinder products and transfer of properties of Beijing Tianhai were achieved and land resources were utilised reasonably. The cooperation between a State-owned enterprise and a private enterprise is beneficial to the enhancement of product competitiveness and profitability of an enterprise, and would also facilitate the mixed-ownership reform.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Property resource revitalization of Langfang Tianhai

On 14 November 2016, Langfang Tianhai and Kuancheng Shenghua entered into a strategic cooperation letter of intent. On 7 April 2017, Langfang Tianhai cooperated with Kuancheng Shenghua to establish Kuancheng Tianhai. To implement the strategic adjustment plan of spatial layout of the Company, Kuancheng Tianhai purchased equipment including impact extruded cylinders of Langfang Tianhai and the Company relocated the production lines including winding cylinders product lines of Langfang Tianhai to Tianjin Tianhai for production. Hence, the properties of Langfang Tianhai located at the east of Huaxiang Road and north of Yaohua Road, Lang Fang Development Zone were unoccupied. The properties included the land use right area of 62,946.02 sq.m. (Land use right certificate: Lang Kai Guo Yong (2007) No. 119), buildings, structures and other auxiliary facilities, pipelines product lines and grooves with gross floor area of 45,045.80 sq.m. (Lang Kai Zi No. 05020, No. 05021, No. 05022, and No. 05023 of Langfang's property ownership certificate as well as Lang Kai Zi No. H5741 of Langfang's property ownership certificate). The Company had disclosed the transfer of property assets of Langfang Tianhai through public tender in the announcement published on 21 July 2017. It is expected that such project will be considered and approved and Langfang Tianhai will be authorized to determine the matters relating to the floor price of tender at the general meeting to be convened on 4 September 2017. The current assessed value of the property assets is RMB170 million. If the relevant works are commenced smoothly, Langfang Tianhai will convene a board meeting to determine the price of public tender and will officially list on China Beijing Equity Exchange subject to the approval of SASAC and after the convening of the general meeting.

### 6. Lead by technological innovation for development reserve

As time waits for no one, transformations and developments are needed in the future. The Company greatly promoted the structure adjustment and transformation and upgrade by implementing an innovative strategy for driving development, which formed a development model leading by innovation. We adhered to taking technological innovation as the core, and increased investment in technological innovation and enhanced the potential of services so as to comprehensively enhance the quality and efficiency of the development. The Company captured the new opportunities brought by the development of natural gas and strategic products including Type III cylinders, large diameter LNG cylinders and tank containers gained the recognition from the market. At the same time, facing the new global trend of energy conservation and emission reduction, the Company will have active business cooperation in the international high-end technology field for fields in respect of hydrogen refueling stations, hydrogen systems and hydrogen valves.

### (1) Analysis of principal businesses

#### 1. Table of movement analysis for the related items in financial statements

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)
Operating income	535,806,085.23	485,074,778.92	10.46
Operating cost	473,578,921.99	458,962,623.15	3.18
Sales expense	25,484,211.91	30,334,796.09	-15.99
Management expense	47,484,756.46	64,377,046.08	-26.24
Financial expense	11,421,395.05	8,676,593.25	31.63
Net cash flows from operating activities	-62,482,402.26	-1,879,841.43	N/A
Net cash flows from investment activities	-3,923,639.17	-28,054,435.89	N/A
Net cash flows from financing activities	26,065,995.67	-46,519,790.14	N/A
R&D expenditure	5,830,781.93	5,232,563.66	11.43

Reasons for the change in the operating income: increase of 10.46% as compared with the corresponding period of last year, attributable to increase in the operating income from primary business affected by the favourable national policies and active expansion of market by the Company;

Reasons for the change in operating cost: increase of 3.18% as compared with the corresponding period of last year, attributable to increase in the income from the primary business;

Reasons for the change in sales expense: decrease of 15.99% as compared with the corresponding period of last year, attributable to decrease in transportation expense as compared with the corresponding period of last year;

Reasons for the change in management expense: decrease of 26.24% as compared with the corresponding period of last year, attributable to the adjustment of taxes in the management expense to the item of taxes and surcharges in accordance with the Value-added Tax Accounting Treatment Rules issued by the Ministry of Finance;

Reasons for the change in financial expenses: increase of 31.63% as compared with the corresponding period of last year, attributable to increase in the exchange loss for the current period due to changes in the exchange rates;

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Reasons for the change in the net cash flow from operating activities: decrease of RMB60,602,600 as compared with the corresponding period of last year, mainly because the growth rate of cash received from operating activities was lower than that of cash paid for operating activities;

Reasons for the change in the net cash flow from investing activities: increase of RMB24,130,800 as compared with the corresponding period of last year, mainly attributable to decrease of cash outflows from investing activities;

Reasons for the change in the net cash flow from financing activities: increase of RMB72,585,800 as compared with the corresponding period of last year, attributable to increase of borrowings of subsidiaries;

Reasons for the change in R&D expenditure: increase of 11.43% as compared with the corresponding period, attributable to increase in R&D investment by subsidiaries.

### 2. Others

#### (1) Details of the material changes in profit components or income source

Applicable  Not Applicable

#### (2) Others

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Changes as compared with corresponding period of last year (%)	Description
Taxes and surcharges	6,794,558.21	2,352,420.20	188.83	Mainly due to the adjustment of taxes in the management expense to the item of taxes and surcharges in accordance with the Value-added Tax Accounting Treatment Rules issued by the Ministry of Finance
Impairment loss on assets	17,676,453.36	12,642,014.18	39.82	Mainly due to the assets were tested during the Period, impairment loss for Inventories and account receivables were increased as compared with same period of last year
Investment incomes	-2,506,578.34	2,414,445.17	-203.82	Mainly due to the substantial decrease in net profits of joint ventures during the Period
Non-operating income	5,043,594.46	10,007,222.20	-49.6	Mainly due to the decrease in government grants as compared with same period of last year
Non-operating expenses	2,155,095.48	86,136.79	2401.95	Mainly due to the compensation paid for the damaged assets by a subsidiary of a subsidiary according to the settlement agreement during the Period
Total profits	-46,252,291.11	-79,935,183.45		Mainly due to the increase in operating income as compared with same period of last year and the increase in the profitability of products
Income taxes expense	2,090,406.64	1,342,234.26	55.74	Mainly due to the increase in profits of a subsidiary of a subsidiary
Net profits	-48,342,697.75	-81,277,417.71		Mainly due to the increase in profitability as compared with same period of last year
Minority interests income	-4,292,706.05	-19,113,190.11		Mainly due to the increase in profitability as compared with same period of last year
Other net comprehensive incomes after-tax	-976,481.27	2,773,782.50	-135.2	Mainly due to the decrease in the translation balance in the financial statements of foreign currency



## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Items	Current period	Corresponding period of last year	Changes as compared with corresponding period of last year (%)	Description
Cash received from sales of goods or rendering services	417,007,169.45	292,645,356.19	42.50	Mainly due to the increase in cash received from sales of goods
Refunds of taxes	16,745,281.95	10,223,011.22	63.80	Mainly due to the increase in export tax refund
Other cash received concerning operating activities	8,280,323.01	18,014,491.71	-54.04	Mainly due to the decrease in deposit during the Period
Cash paid for purchasing goods or receiving services	350,394,790.39	138,291,643.70	153.37	Mainly due to the increase in cash paid for purchasing goods
Other cash paid concerning operating activities	27,884,450.85	46,833,949.37	-40.46	Mainly due to the decrease in other cash paid concerning operating activities during the Period
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	1,411,693.13	-100.00	Mainly due to the decrease in cash received from disposal of fixed assets during the Period
Cash paid for purchasing fixed assets, intangible assets and other long-term assets	3,923,639.17	29,466,129.02	-86.68	Mainly due to the decrease in cash paid for purchasing fixed assets
Cash received from borrowing	181,877,073.31	120,000,000.00	51.56	Mainly due to the increase in borrowings during the Period as compared with same period of last year
Other cash paid concerning financing activities	1,200,000.00	2,500,000.00	-52.00	Mainly due to the decrease in repayment of borrowings from the holding company

### (II) Description of material change in profit due to non-principal business

Applicable  Not Applicable

### (III) Analysis of assets and liabilities

Applicable  Not Applicable

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount over the previous period (%)	Description
Monetary funds	77,666,624.57	4.10	118,829,271.77	6.42	-34.64	Mainly due to the increase in cash paid for purchasing goods
Notes receivable	11,102,994.10	0.59	16,314,951.71	0.88	-31.95	Mainly due to the increase in notes paid for purchasing goods
Accounts receivable	280,554,200.65	14.81	215,185,885.26	11.63	30.38	Mainly due to the increase in operating income and accounts receivable
Dividends receivable	6,075,169.12	0.32				Mainly due to the distribution of dividends of joint ventures
Other receivables	6,031,076.59	0.32	4,580,549.80	0.25	31.67	Mainly due to the increase in advanced payments with the aging over 5 years of the subsidiaries
Construction in progress	2,882,759.15	0.15				Mainly due to the increase in investment in construction in progress
Notes payable	15,000,000.00	0.79	30,000,000.00	1.62	-50.00	Mainly due to the bank acceptance notes matured to acceptance
Taxes payable	8,216,271.96	0.43	4,755,774.34	0.26	72.76	Mainly due to the increase in the unpaid taxes payables
Interest payable	557,523.71	0.03	26,583.33	0.00	1,997.27	Mainly due to the increase in the unpaid interest payable

### 2. Major restricted assets at the end of the Reporting Period

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Item	Ending carrying amount	Reasons for restrictions
Monetary funds	16,219,392.00	Bill margin, letter of credit
Fixed assets	95,720,999.35	Pledged to secure bank borrowings and bills
Intangible assets	17,807,844.08	Pledged to secure bank borrowings and bills
<b>Total</b>	<b>129,748,235.43</b>	

### 3. Other descriptions

Applicable  Not Applicable

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Analysis of investments

#### 1. General analysis of external equity investments

Applicable  Not Applicable

##### (1) Material equity investments

Applicable  Not Applicable

Beijing Tianhai cooperated with Kuancheng Shenghua in the joint establishment of Kuancheng Tianhai in Kuancheng Manchu Autonomous County, Chengde City, Hebei Province to produce impact extruded cylinders and large tube type cylinders. Beijing Tianhai contributed in cash and patent technologies and the right of use of patent technologies in respect of impact extruded cylinders and fire-fighting cylinders management, while Kuancheng Shenghua contributed through land use rights, plants and used equipment, with a total project investment amount of RMB119,954,000. Kuancheng Tianhai was established on 7 April 2017, with a registered capital of RMB81,584,000. Beijing Tianhai and Kuancheng Shenghua held 61.1% and 38.9% equity interest respectively. For details, please refer to the Announcement on the External Investment by Beijing Tianhai Industry Co., Ltd., a Subsidiary of the Company, in establishing Kuancheng Tianhai Pressure Vessel Co., Ltd. (Announcement No.: Lin 2017-012) disclosed by the Company on 6 April 2017.

Beijing Tianhai Industry Co., Ltd proposed to acquire a total of 49% of the shares, from its external individual shareholders, Bill Zheng (鄭國祥) and Susan Guo (郭志紅), each of whom held 24.5% of the shares of BTIC America Corporation with the Share Transfer Agreement signed. On 3 August 2017, the Company was informed by Beijing Municipal Commission of Commerce that the above share transfer did not meet the latest national policies, that the relevant application and information would not be considered, hence, such share transfer cannot proceed. For details, please refer to the Announcement on the External Share Transfer Agreement Relating to the Acquisition of Shares of BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a Subsidiary of the Company, not taking effect (Announcement No.: Lin 2017-033) disclosed by the Company on 3 August 2017.

##### (2) Material non-equity investments

Applicable  Not Applicable

##### (3) Financial assets measured at fair value

Applicable  Not Applicable

### (V) Material disposal of assets and equity interest

Applicable  Not Applicable

Langfang Tianhai, a subsidiary of Beijing Tianhai proposed to dispose of the property assets, including the land use right area of 62,946.02 sq.m., and buildings, structures and other auxiliary facilities with gross floor area of 45,045.80 sq.m., located in the east of Huaxiang Road and north of Yaohua Road, Lang Fang Development Zone by means of transfer through public tender. Currently, the valuation report for the property assets is under the review of Beijing SASAC.

### (VI) Analysis of major subsidiaries and associates

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$61,401,800	1,894,036,965.30	589,488,791.48	53,715,328.57
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	157,187,753.34	156,369,467.60	1,705.28

# SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

## (VII) Structured entities under the control of the Company

Applicable  Not Applicable

## II. OTHER DISCLOSURES

### (I) Warning and explanation about predicted negative accumulated net profit for the period from the beginning of the year to the end of the next Reporting Period or significant change as compared with the corresponding period of last year

Applicable  Not Applicable

### (II) Potential risks

Applicable  Not Applicable

In accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, if the audited net profit of the Company for the year 2017 remains negative, the listing of A shares of the Company will be suspended.

### (III) Other disclosures

Applicable  Not Applicable

#### 1. Financial position analysis

By implementing prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a sound capital structure and solid financing channels. The Company has kept its loan scale under strict control such that it can satisfy the capital need of operating activities while minimizing its financial costs and preventing against financial risks in a timely manner by fully utilizing financial instruments, for purposes of achieving sustainable development of the Company and maximizing its shareholders' value.

##### *Liquidity and capital structure*

	At the end of the period	At the beginning of the period
(1) Gearing ratio	49.67%	47.46%
(2) Quick ratio	58.49%	60.19%
(3) Liquidity ratio	102.80%	103.05%

#### 2. Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to strictly control the bank loan scale. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. The Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the reporting period, the Company had short-term loan amounting to RMB225,000,000, representing an increase of 18.42% as compared with the beginning of the year. Long-term loan was nil.

#### 3. Foreign exchange risk management

The Group is mainly exposed to foreign exchange risk relating to USD. The Group's main operation is settled by RMB, except BTIC America Corporation, a subsidiary of the Company, has US dollar sales and purchases. On 30 June 2017, the Group's assets and liabilities were in RMB, except the balances were in Euro, HKD and Pound in the following sheet. The foreign exchange risk arising from the assets and liabilities in foreign currency may affect the results of operation of the Group. The Group is closely monitoring the effects on the Group arising from the changes in exchange rates.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Principal Sources of Fund and Its Use

#### (1) Cash flows from operating activities

The Company's cash inflows are mainly derived from the income of product sales during the reporting period. Cash outflow was mainly related to the production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to RMB442,032,800, while cash outflow amounted to RMB504,515,200. Net cash flow during the reporting period from operating activities amounted to RMB-62,482,400.

#### (2) Cash flows from investment activities

Cash inflow from investment activities during the reporting period was nil while cash outflow to investment activities amounted to RMB3,923,600, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investment activities for the reporting period amounted to RMB-3,923,600.

#### (3) Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB181,877,100, which was mainly derived from bank loans. Cash outflow to fundraising activities during the reporting period amounted to RMB155,811,100. Net cash flow from fund-raising activities for the reporting period amounted to RMB26,066,000.

Net cash flow from operating activities during the current period decreased by RMB60,602,600 compared with the corresponding period last year, which was mainly due to the growth rate of the cash received from operating activities was lower than that of the cash paid for operating activities. Net cash flow generated from the investment being increased by RMB24,130,800 compared with the corresponding period last year was mainly attributable to the decrease in cash payment for purchase of fixed assets for the current period. Net cash flow generated from fundraising activities increased by RMB72,585,800 compared with the corresponding period last year, which was mainly due to the borrowings increased in the current period as compared to the corresponding period of last year.

Net cash flow generated from operating activities for the current period was RMB-62,482,400. Net profit for the current period was RMB-48,342,700, which was mainly attributable to the capital raised by internal cash flow generated and borrowings for operation.

### 5. Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB953,353,200, of which, minority interests amounted to RMB432,702,400, and total liabilities amounted to RMB940,879,400. Total assets amounted to RMB1,894,232,600. As at the end of the Reporting Period, the Company's gearing ratio was 49.67%.

#### Capital structure by liquidity

Total current liabilities	RMB800,871,100	Accounting for 42.28% of assets
Total equity interest attributable to shareholders	RMB953,353,200	Accounting for 50.33% of assets
Of which: minority shareholders interests	RMB432,702,400	Accounting for 22.84% of assets

### 6. Contingent liabilities

As at the end of the reporting period, the Company has no significant contingency that needs to be disclosed.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 7. Details of the Company's charge on assets

<u>Item</u>	<u>Book value at the end of period</u>	<u>Reason for restriction</u>
Monetary funds	16,219,392.00	Bill margin, letter of credit
Fixed assets	95,720,999.35	Pledged to secure bank borrowings and bills
Intangible assets	17,807,844.08	Pledged to secure bank borrowings and bills
<b>Total</b>	<b>129,748,235.43</b>	

### 8. Government subsidies

Unit: Yuan Currency: RMB

<u>Item</u>	<u>Amount for the Source current period</u>	
Government subsidies for "double independent" enterprises	230,443.00	Government subsidies for "double independent" enterprises
Supporting fund for short-term export credit insurance	14,629.00	Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Subsidies of Beijing Environmental Protection Bureau for elimination and upgrade of old and used vehicles	85,500.00	Proposal for further promotion of elimination and upgrade of old and used motor vehicles of Beijing City
Technical standard funds of Science and Technology Committee of Chaoyang of Beijing	54,000.00	Incentives for Establishment (Amendment) of technical standard of Chaoyang District
Suspension subsidies for enterprises in Langfang Development Zone	1,383,800.00	Funds for enterprises in polluting industries by the government of Langfang Economic and Technology Development Zone
Outstanding Contribution Award for Addressing Employment Issue	50,000.00	Huo Xian Nan District Management Committee
Employment subsidies of Social Security Bureau of Tianjin City	507,600.00	Employment subsidies of Social Security Bureau of Tianjin City
Work safety standardization subsidies of State Administration of Work Safety of Management Committee	25,000.00	Work safety standardization subsidies of State Administration of Work Safety of Management Committee
Incentives for Outstanding Contribution for the year 2016	200,000.00	Decision on Honour to Enterprises and Technological Innovation Teams for Outstanding Contribution to Economic Development for the year 2016 by Working Committee and Management Committee of Langfang Development Zone of CPC (Lang Kai Gong [2017] No. 13)
<b>Total</b>	<b>2,550,972.00</b>	

### 9. Number of Employees, Employees' rewards, Remuneration Policy and Training Program during the Reporting Period

#### (1) Number of employees:

Number of employees during the reporting period was 1,560.

#### (2) Remunerations:

Remunerations during the reporting period: RMB69,041,400.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (3) *Remuneration Policies*

The Company implemented a diversified salaries system based on the performance of positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to labour market for confirming the relative value of the position, so as to ensure the internal and external equality of salaries level. On this basis, the remuneration policy is to be implemented in accordance with different personnel and nature of work to undertake a diversified salaries system such as the implementation of technology and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework wage system for production workers and annual salary system for senior management. In June 2015, the wages contracting program was implemented to improve the salary management system of the Company and the remuneration management system to truly reflect the hard work and stimulate the enthusiasm of staff.

### (4) *Training Plan*

According to the Annual Training Program, a total of 51 training programs were completed in the first half of 2017 with training of 1,001 staff members, number of training hours per staff reached 16.5 hours. According to the strategic layout requirements of the Company in the first half of the year, the Company organized trainings in relation to external invoice management, construction of incorruptibility and main responsibilities of Party Committee. The Company also provided trainings for key staff. Induction training for new staff and training in relation to changing position were also provided.

### 10. **Corporate Governance:**

During the Reporting Period, the Company re-elected and appointed members for a new session of the Board and the Supervisory Committee, appointed senior and middle-level management members, and effectively ensured that the general meeting, the Board, the Supervisory Committee and managers of the Company have well-defined power and responsibilities, allowing them to maintain checks and balances, coordinate with each other and to operate in compliance with requirements. The Board and its strategic committee, the audit committee, the remuneration and monitoring committee and the nomination committee, and the Supervisory Committee carried out their work according to their responsibilities. The information of the Company was disclosed on a true, accurate, complete and timely basis. The actual situation of the Company's governance complied with relevant requirements.

### 11. **Others:**

- (1) The applicable enterprise income tax rate for the Company for the Reporting Period was 25%.
- (2) The unaudited 2017 interim report of the Company has been reviewed by the audit committee under the Board of the Company.
- (3) The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange during the Reporting Period.
- (4) During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange. After making specific enquiries to all Directors and Supervisors, the Company confirmed that, each of the Directors and Supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the six months ended 30 June 2017.
- (5) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
- (6) There was no change in scope of the consolidated statements as compared to the financial report for the previous year.

# SECTION 6 IMPORTANT MATTERS

## I. INTRODUCTION TO THE GENERAL MEETINGS

Meeting	Date of holding	Index for details on websites designated for publishing resolutions	Date of disclosure of the resolutions
2016 Annual General Meeting	26 June 2017	Website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and HKExnews website of the Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )	27 June 2017

General meetings

Applicable  Not Applicable

## II. PROPOSAL ON THE PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

### (1) Profit distribution plan or plan to convert capital reserve into share capital proposed for this interim period

Nil

## III. FULFILLMENT OF UNDERTAKINGS

### (1) Undertakings made by the beneficial controller, shareholders, connected persons, buyers and the relevant parties of the Company during or up to the Reporting Period

Applicable  Not Applicable

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Undertaking relating to the material asset reorganisation	Settlement of connected transactions	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "As for the connected transactions for us and the companies under our control with the Listed Company and the companies under its control that cannot be avoided or have reasonable grounds, these connected transactions will be conducted in the principles of openness, fairness and justice for market transactions at fair and reasonable prices by us and the companies under our control, and the decision-making procedures for and information disclosure obligations in respect of connected transactions will be performed in accordance the requirements of laws, regulations and regulatory documents. We warrant that we and the companies under our control will not obtain any improper benefits or subject the Listed Company or any of the companies under its control to any improper obligations by way of any connected transactions with the Listed Company or any of the companies under its control. We will indemnify the Listed Company and any of the companies under its control against any losses incurred by them as a result of any transaction with them in violation of the undertakings above."	Long term	Yes	Yes		



## SECTION 6 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Solving the issues concerning competition in the same industry	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Jingcheng Holding undertakes: "In relation to the businesses or business opportunities similar to those of the Listed Company including that we and other companies under our control anticipate or substantially in place to conduct, and assets and businesses of such businesses or business opportunities that may constitute potential competition.</p> <p>The company will not conduct and make efforts to cause the other companies under the control of the company not to conduct businesses which are the same as or similar to those of the Listed Company in order to avoid direct or indirect competition with the operation of business of the Listed Company. In addition, if unfair impact may be made to the Listed Company in the areas of market share, business opportunities and resource allocation by the company and the other companies under the control of the company, the company will voluntarily give up and make efforts to cause the other companies under the control of the company to give up business competition with the Listed Company.</p> <p>The company undertakes that starting from the date of issue of this Letter of Undertaking, it will compensate the Listed Company for any losses suffered or expenses incurred by the Listed Company as a result of the violation of any provisions of this undertaking by the company. This Letter of Undertaking continues to be effective during the period in which the Listed Company legally and validly subsists and the company is the controlling shareholder (or beneficial controller) of the Listed Company."</p>	Long term	Yes	Yes		
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Jingcheng Holding undertakes: "that after the completion of this Material Asset Reorganisation, it will warrant the independence of the personnel, assets, finances, organisations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company."</p>	Long term	Yes	Yes		

## SECTION 6    IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "1. Within 30 days from the receipt of a notice on this matter of Material Asset Reorganisation of Beiren Holdings by the creditors of Beiren Holdings, within 45 days from the date of the first announcement on this matter of Material Asset Reorganisation of Beiren Holdings in case of no receipt of the notice, if they demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings has not repaid the liabilities or provided the security, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 2. If Beiren Holdings cannot reach the creditors, and for those creditors who have not expressed clear opinion after the receipt of the notice or the expiry of the notice period, if they have expressed clearly disagreement opinion before the completion of this Material Asset Reorganisation, and Beiren Holdings has not repaid the liabilities nor provided security upon their demand, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after the receipt of the notice or the expiry of the notice period, if after the completion of this Material Asset Reorganisation, the recipient of the Outgoing Assets cannot repay its liabilities, the Company is in charge of the repayment. After the Company has been liable for guarantee responsibility and repayment responsibility, it has the right to seek repayment from the recipient of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "If, in the future, the production workshops of Tianhai Industry in Mulin Town is needed to be relocated due to real estate problems in defects of the lease, the Company will fully compensate in cash the Listed Company after the completion of this transaction for all the losses of Tianhai Industry caused by the relocating process."	Long term	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		

## SECTION 6 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		

### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

#### Description of appointment and dismissal of accounting firms

Applicable  Not Applicable

There has been no change to the accounting firm engaged by the Company for audit of domestic financial reports. The engagement of BDO China Shu Lun Pan Certified Public Accounts LLP, which was responsible for audit of internal control reports, was not to be renewed and the Company intended to appoint Da Hua Certified Public Accountants (Special General Partnership) as its internal control auditor. The appointment has been approved by the Board and is subject to approval at the annual general meeting.

#### Description of change of accounting firms during the audit period

Applicable  Not Applicable

#### The Company's description of "Non-Standard Auditors' Report" of the accounting firm

Applicable  Not Applicable

#### The Company's description of "Non-Standard Auditors' Report" on the financial report in the annual report for the previous year issued by the accountant

Applicable  Not Applicable

## SECTION 6 IMPORTANT MATTERS

### V. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

Applicable  Not Applicable

### VI. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company has material litigations and arbitrations during the Reporting Period  
 The Company has no material litigations and arbitrations during the Reporting Period

### VII. PUNISHMENT AND RECTIFICATION AGAINST LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER AND BUYER

Applicable  Not Applicable

### VIII. DESCRIPTION OF THE REPUTATION OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD

Applicable  Not Applicable

### IX. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER INCENTIVE MEASURES FOR EMPLOYEES AND THEIR IMPACTS

(I) **Incentives disclosed in extraordinary announcements without progress or change in the follow-up implementation**

Applicable  Not Applicable

(II) **Incentives not disclosed in extraordinary announcements or with progress in the follow-up implementation**

**Share incentive**

Applicable  Not Applicable

**Other descriptions**

Applicable  Not Applicable

**Employee share scheme**

Applicable  Not Applicable

**Other incentive measures**

Applicable  Not Applicable

# SECTION 6 IMPORTANT MATTERS

## X. MATERIAL CONNECTED TRANSACTIONS

### (I) Connected transactions related to daily operation

#### 1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

Applicable  Not Applicable

##### Summary of matter

##### Index for enquiry

Concerning Tianjin Tianhai High Pressure Containers Co., Ltd. and Kuancheng Tianhai Pressure Containers Co., Ltd. entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Steel Pipe and Steel Trade Co., Ltd. separately.

For details, please refer to Shanghai Securities News on 29 April 2017 and the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

#### 2. Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation

Applicable  Not Applicable

#### 3. Matters which were not disclosed in extraordinary announcements

Applicable  Not Applicable

### (II) Connected transactions in relation to the acquisition or disposal of assets or equity interests

#### 1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

Applicable  Not Applicable

##### Summary of matter

##### Index for enquiry

#### 2. Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation

Applicable  Not Applicable

On 6 April 2017, Beijing Tianhai, a subsidiary of the Company, entered into the Share Transfer Agreement with Bill Zheng and Susan Guo ("Equity Transferors"), being individuals and external parties holding shares in BTIC America Corporation ("BAC"), a subsidiary of Beijing Tianhai. Please refer to the "Announcement relating to the acquisition of shares in BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, from external parties and connected transaction" (Announcement No.: Lin 2017-011) published on 6 April 2017 for details. As the abovementioned share transfer constitutes a connected transaction, the resolution on the acquisition of shares in BAC by Beijing Tianhai from external parties and connected transaction was considered and approved at the 22nd extraordinary meeting of the eighth session of the Board on 6 April 2017.

On 3 August 2017, the Company received a notice from the Beijing Municipal Commission of Commerce, which stated that as the abovementioned share transfer did not meet the latest national policies, that the related application and information would not be considered, hence, such share transfer cannot proceed. On 3 August 2017, an announcement was made in relation to the above matter. Please refer to the "Announcement relating to the noneffectiveness of the share transfer agreement entered into by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, for the acquisition of shares in BTIC America Corporation from external parties" (Announcement No.: Lin 2017-033) for details.

#### 3. Matters which were not disclosed in extraordinary announcements

Applicable  Not Applicable

#### 4. Results which are relating to result agreements and shall be disclosed for the Reporting Period

Applicable  Not Applicable

## SECTION 6 IMPORTANT MATTERS

### (III) Material connected transactions relating to common external investments

1. **Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**

Applicable  Not Applicable

2. **Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation**

Applicable  Not Applicable

3. **Matters which were not disclosed in extraordinary announcements**

Applicable  Not Applicable

### (IV) Related creditor's right and debt transactions

1. **Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**

Applicable  Not Applicable

2. **Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation**

Applicable  Not Applicable

3. **Matters which were not disclosed in extraordinary announcements**

Applicable  Not Applicable

Unit: Yuan    Currency: RMB

Related party	Relationship	Provision of funding to related party			Provision of funding by related party to listed company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture	1,445,056.73	752,025.27	2,197,082.00	3,340.00	1,323,316.12	1,326,656.12
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	9,147,887.45	1,233,378.27	10,381,265.72			
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company				1,202,227.27		1,202,227.27
Jingcheng Holdings	Controlling shareholder				247,900,000.00	-1,200,000.00	246,700,000.00
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party				21,452,293.35	-3,348,421.95	18,103,871.40
Tianjin Seamless Investment Co. Ltd.	Other related party				1,704,203.53	41,676.30	1,745,879.83
	Total						
	Reasons for occurrence of related creditor's right and debt transactions	Under normal operation					
	Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company	None					

## SECTION 6 IMPORTANT MATTERS

**(V) Other substantial connected transactions**

Applicable  Not Applicable

**(VI) Others**

Applicable  Not Applicable

### XI. CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

**1 Trust, contracting and lease matters**

Applicable  Not Applicable

**2 Guarantee**

Applicable  Not Applicable

**3 Other material contracts**

Applicable  Not Applicable

### XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

Applicable  Not Applicable

### XIII. CONVERTIBLE BONDS

Applicable  Not Applicable

### XIV. DESCRIPTION ON THE ENVIRONMENT PROTECTION OF THE COMPANY AND ITS SUBSIDIARIES FALLING UNDER KEY SEWAGE EMISSION ENTITIES ANNOUNCED BY THE ENVIRONMENT PROTECTION AUTHORITIES OF THE PRC

Applicable  Not Applicable

### XV. EXPLANATION ON OTHER IMPORTANT MATTERS

**(I) Details, reasons and impact from the changes to the accounting policies, accounting estimates and audit methods compared with the last accounting period**

Applicable  Not Applicable

**(II) Particulars, correction amount, reason and its influence of significant accounting errors amended by retrospective restatement during the Reporting Period**

Applicable  Not Applicable

**(III) Others**

Applicable  Not Applicable

## SECTION 7 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (1) Statement of changes in shares

##### 1. Statement of changes in shares

There was no change in the total number of the shares and structure of share capital of the Company during the Reporting Period.

##### 2. Explanation on the changes in the shares

Applicable  Not Applicable

##### 3. Effect of changes in shares occurred after the Reporting Period up to the date of disclosure of this interim report on financial indicators such as earnings per share and net assets per share (if any)

Applicable  Not Applicable

##### 4. Other disclosure deemed necessary by the Company or required by securities regulatory authorities

Applicable  Not Applicable

#### (2) Changes in trade-restricted shares

Applicable  Not Applicable

### II. INFORMATION ABOUT SHAREHOLDERS

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

Total number of ordinary shareholders as at the end of the Reporting Period	18,828
Total number of shareholders of preference shares with restored voting right as at the end of the Reporting Period	0

#### (2) Shareholding of top ten shareholders, ten ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period

Unit: share

Name of shareholder (full name)	Shareholdings of top ten shareholders						
	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen Share status	Number	Shareholder(s) Nature
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	0	182,735,052	43.30	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	4,000	99,221,200	23.51	0	Unknown	-	Unknown
Tsinghua Unigroup Co., Ltd.	2,841,200	2,841,200	0.67	0	Unknown	-	Unknown
He Yong	972,100	1,864,100	0.44	0	Unknown	-	Unknown
Wen Wei	1,500,000	1,500,000	0.36	0	Unknown	-	Unknown
Yang Qing	1,401,300	1,401,300	0.33	0	Unknown	-	Unknown
Liu Shuizhen	534,400	1,230,400	0.29	0	Unknown	-	Unknown
Xu Rui	1,149,600	1,149,600	0.27	0	Unknown	-	Unknown
Liao Lunwan	1,035,900	1,035,900	0.25	0	Unknown	-	Unknown
Wang Xueli	56,000	956,034	0.23	0	Unknown	-	Unknown



## SECTION 7 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

Particulars of top ten holders of shares not subject to trading moratorium			
Name of shareholder	Number of tradable shares held not subject to selling restrictions	Type	Class and number of shares
			Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	182,735,052	Ordinary shares denominated in RMB	182,735,052
HKSCC NOMINEES LIMITED	99,221,200	Overseas listed foreign shares	99,221,200
Tsinghua Unigroup Co., Ltd.	2,841,200	Ordinary shares denominated in RMB	2,841,200
He Yong	1,864,100	Ordinary shares denominated in RMB	1,864,100
Wen Wei	1,500,000	Ordinary shares denominated in RMB	1,500,000
Yang Qing	1,401,300	Ordinary shares denominated in RMB	1,401,300
Liu Shuizhen	1,230,400	Ordinary shares denominated in RMB	1,230,400
Xu Rui	1,149,600	Ordinary shares denominated in RMB	1,149,600
Liao Lunwan	1,035,900	Ordinary shares denominated in RMB	1,035,900
Wang Xueli	956,034	Ordinary shares denominated in RMB	956,034
Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders	As of the Reporting Period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.		
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings	N/A		

### Notes:

- (1) Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the controlling shareholder of the Company, no share of which are being pledged or frozen.
- (2) HKSCC Nominees Limited held shares on behalf of many of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who individually held 5% or more of the total share capital of the Company.
- (3) Save as disclosed above, as at 30 June 2017, the Directors were not aware of any person (not being a Director, Supervisor or chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- (4) There is no provision for pre-emptive rights under the laws of the PRC and the articles of association of the Company.
- (5) As of 30 June 2017, the Company did not issue any convertible securities, options, warrants or any other similar right.

### Top ten holders of shares subject to trading moratorium and conditions

Applicable  Not Applicable

### (3) Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares

Applicable  Not Applicable

## III. CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable  Not Applicable

# SECTION 8 INFORMATION ABOUT PREFERENCE SHARE

Applicable  Not Applicable

## SECTION 9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. CHANGE OF SHAREHOLDING

- (1) Change in shareholding of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period

Applicable  Not Applicable

- (2) Information on incentive share option granted to directors, supervisors, and senior management during the Reporting Period

Applicable  Not Applicable

### II. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable  Not Applicable

Name	Position(s) held	Change
Wang Jun	Chairman	Elected
Li Junjie	Executive director and general manager	Elected
Zhang Jiheng	Executive Director	Elected
Du Yuexi	Director	Elected
Xia Zhonghua	Director	Elected
Jin Chunyu	Director	Elected
Li Chunzhi	Director	Elected
Wu Yan	Independent non-executive director	Elected
Liu Ning	Independent non-executive director	Elected
Yang Xiaohui	Independent non-executive director	Elected
Fan Yong	Independent non-executive director	Elected
Li Gejun	Chairman of Supervisory Committee	Elected
Li Zhe	Supervisor	Elected
Liu Guangling	Supervisor	Elected
Luan Jie	Secretary to the Board	Appointed
Liu Zhe	Deputy general manager	Appointed
Jiang Chi	Chief accountant (chief financial officer)	Appointed
Shi Fengwen	Chief engineer	Appointed
Ma Tianying	General counsel	Appointed
Chen Changge	Former executive director and general manager	Resigned
Fu Hongquan	Former Director	Resigned
Chang Yun	Former chairman of Supervisory Committee	Resigned
Liu Zhe	Former supervisor	Resigned
Wang Yiqing	Former supervisor	Resigned

## SECTION 9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Explanation on the change of directors, supervisors, and senior management of the Company

Applicable  Not Applicable

1. On 25 April 2017, Mr. Chen Changge, executive director and general manager of the Company, submitted his resignation to the Board to resign from the positions of the executive director, general manager, member of the remuneration and monitoring committee and member of the nomination committee of the Company due to work reasons. The Board fully respects Mr. Chen Changge's decision and has accepted his resignation. The resignation takes effect from 25 April 2017.
2. The Company convened the twenty-third extraordinary meeting of the eighth session of the Board on 25 April 2017, at which the resolution on the resignation of director and general manager and appointment of the general manager of the Company and election of the members of special committees of the Board was considered and passed. The Board agreed to appoint Mr. Li Junjie as the general manager of the Company. The term of office of Mr. Li Junjie commences from 25 April 2017 and ending at the conclusion of the 2016 AGM.
3. The Company convened the 2016 AGM on 26 June 2017, at which the resolution on the general election of the Board was considered and passed, approving the appointment of Wang Jun, Li Junjie and Zhang Jiheng as the executive directors of the ninth session of the Board, Du Yuexi, Xia Zhonghua, Jin Chunyu and Li Chunzhi as the non-executive directors of the ninth session of the Board, and Wu Yan, Liu Ning, Yang Xiaohui and Fan Yong as the independent non-executive directors of the ninth session of the Board;

and the resolution on the general election of the Supervisory Committee was considered and passed, approving the appointment of Li Gejun and Li Zhe as Supervisors of the ninth session of the Supervisory Committee of the Company.

The term of office of the above persons is three years commencing on 27 June 2017 and ending at the conclusion of the 2019 annual general meeting.

4. The Company convened a meeting for all employees on 26 June 2017, at which Mr. Liu Guangling was elected as the employee supervisor of the ninth session of the Supervisory Committee of the Company with a term commencing from 26 June 2017 and ending at the conclusion the 2019 annual general meeting.
5. The Company convened the first extraordinary meeting of the ninth session of the Board on 27 June 2017, at which the resolution in relation to the election of the chairman of the ninth session of the Board was considered and passed, appointing Mr. Wang Jun as the Chairman of the ninth session of the Board for a term of three years commencing from 27 June 2017 and ending at the conclusion of 2019 annual general meeting;

the resolution in relation to the appointment of the general manager of the Company and the secretary to the Board as nominated by the Chairman was considered and approved, appointing Mr. Li Junjie as general manager of the Company and Mr. Luan Jie as the secretary to the Board, both with a term of three years commencing from 27 June 2017 and ending at the conclusion of 2019 annual general meeting; and

the resolution in relation to the appointment of the deputy general manager, chief accountant, chief engineer and general counsel as nominated by the general manager of the Company was considered and approved, appointing Ms. Liu Zhe as deputy general manager, Ms. Jiang Chi as chief accountant (financial controller), Mr. Shi Fengwen as the chief engineer and Ms. Ma Tianying as general counsel of the Company, all with a term of three years commencing from 27 June 2017 and ending at the conclusion of 2019 annual general meeting.

### III. OTHER INFORMATION

Applicable  Not Applicable

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET

June 30, 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash at bank and on hand	VI. 1	<b>77,666,624.57</b>	118,829,271.77
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	VI. 2	<b>11,102,994.10</b>	16,314,951.71
Accounts receivable	VI. 3	<b>280,554,200.65</b>	215,185,885.26
Advances to suppliers	VI. 4	<b>30,080,742.50</b>	36,211,833.81
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable	VI. 5	<b>6,075,169.12</b>	
Other receivables	VI. 6	<b>6,031,076.59</b>	4,580,549.80
Financial assets purchased under agreements to resell			
Inventories	VI. 7	<b>354,894,515.89</b>	317,127,619.90
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VI. 8	<b>56,898,227.32</b>	54,172,565.88
<b>Total current assets</b>		<b>823,303,550.74</b>	762,422,678.13
<b>Non-current assets:</b>			
Loans and advances			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI. 9	<b>64,260,405.15</b>	75,181,681.58
Investment properties			
Fixed assets	VI. 10	<b>827,393,537.14</b>	841,900,126.42
Construction in progress	VI. 11	<b>2,882,759.15</b>	
Construction materials			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	VI. 12	<b>159,247,905.59</b>	151,586,583.57
Development expenditures			
Goodwill	VI. 13	<b>3,679,654.40</b>	3,679,654.40
Long-term deferred expenses	VI. 14	<b>13,180,166.31</b>	14,852,487.39
Deferred income tax assets	VI. 15	<b>284,620.88</b>	285,691.27
Other non-current assets			
<b>Total non-current assets</b>		<b>1,070,929,048.62</b>	1,087,486,224.63
<b>Total assets</b>		<b>1,894,232,599.36</b>	1,849,908,902.76

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings	VI. 16	225,000,000.00	190,000,000.00
Borrowings from the central bank			
Deposits and placements from other financial institutions			
Placements from banks and other financial institutions			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VI. 17	15,000,000.00	30,000,000.00
Accounts payable	VI. 18	319,836,920.07	268,518,401.08
Advances from customers	VI. 19	41,474,427.17	43,159,742.00
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Employee benefits payable	VI. 20	18,255,105.84	25,073,101.25
Taxes payable	VI. 21	8,216,271.96	4,755,774.34
Interest payable	VI. 22	557,523.71	26,583.33
Dividends payable			
Other payables	VI. 23	161,329,258.84	167,017,675.53
Reinsurance amounts payable			
Reserve of insurance contract			
Securities brokering			
Securities underwriting			
Held for sale liabilities			
Non-current liabilities due within one year	VI. 24	11,000,000.00	11,000,000.00
Other current liabilities	VI. 25	201,563.68	279,193.40
<b>Total current liabilities</b>		<b>800,871,071.27</b>	<b>739,830,470.93</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable	VI. 26	32,978,853.78	31,163,678.50
Special payables	VI. 27	103,900,000.00	103,900,000.00
Provisions	VI. 28	3,129,430.00	3,129,430.00
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>140,008,283.78</b>	<b>138,193,108.50</b>
<b>Total liabilities</b>		<b>940,879,355.05</b>	<b>878,023,579.43</b>
<b>Owner's equity:</b>			
Share capital	VI. 29	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves			
Less: treasury stocks	VI. 30	683,803,181.69	683,803,181.69
Other comprehensive incomes	VI. 31	1,893,851.37	2,390,915.53
Special reserves			
Surplus reserves	VI. 32	45,665,647.68	45,665,647.68
Provisions for general risk			
Undistributed profit	VI. 33	-632,711,881.31	-588,661,889.61
<b>Total shareholders' equity attributable to parent company</b>		<b>520,650,799.43</b>	<b>565,197,855.29</b>
Non-controlling interests	VIII. 1	432,702,444.88	406,687,468.04
<b>Total shareholders' equity</b>		<b>953,353,244.31</b>	<b>971,885,323.33</b>
<b>Total liabilities and stockholders' equity</b>		<b>1,894,232,599.36</b>	<b>1,849,908,902.76</b>

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## BALANCE SHEET OF PARENT COMPANY

June 30, 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash at bank and on hand		<b>2,625,500.32</b>	3,764,017.52
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers			
Interest receivable		<b>13,104,312.82</b>	16,270,562.82
Dividends receivable			
Other receivables	XVI. 1	<b>345,100,000.00</b>	345,100,000.00
Inventories			
Held for sale assets			
Non-current assets due within one year			
Other current assets		<b>103,761.03</b>	9,393.32
<b>Total current assets</b>		<b>360,933,574.17</b>	365,143,973.66
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI. 2	<b>694,842,724.41</b>	694,842,724.41
Investment properties			
Fixed assets		<b>6,299.98</b>	6,923.08
Construction in progress			
Construction materials			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>694,849,024.39</b>	694,849,647.49
<b>Total assets</b>		<b>1,055,782,598.56</b>	1,059,993,621.15

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

## SECTION 10 FINANCIAL REPORT

### BALANCE SHEET OF PARENT COMPANY (CONTINUED)

June 30, 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Employee benefits payable		41,493.76	718,140.84
Taxes payable		69,847.47	15,154.89
Interest payable			
Dividends payable			
Other payables		3,349,574.89	5,565,688.80
Held for sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		201,563.68	279,193.40
<b>Total current liabilities</b>		<b>3,662,479.80</b>	<b>6,578,177.93</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
including: preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>3,662,479.80</b>	<b>6,578,177.93</b>
<b>Owners' equity:</b>			
Share capital		422,000,000.00	422,000,000.00
Other equity instruments			
including: preferred shares			
Perpetual bond			
Capital reserves		666,639,987.85	666,639,987.85
Less: treasury stocks			
Other comprehensive incomes			
Special reserves			
Surplus reserves		38,071,282.24	38,071,282.24
Undistributed profit		-74,591,151.33	-73,295,826.87
<b>Total shareholders' equity</b>		<b>1,052,120,118.76</b>	<b>1,053,415,443.22</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,055,782,598.56</b>	<b>1,059,993,621.15</b>

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong



# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Amount in the current period	Amount in the previous period
<b>I. Total operating revenue</b>		<b>535,806,085.23</b>	485,074,778.92
Including: operating revenues	VI. 37	535,806,085.23	485,074,778.92
Interest incomes			
Earned premiums			
Fees and commissions incomes			
<b>II. Total operating cost</b>		<b>582,440,296.98</b>	577,345,492.95
Including: operating cost	VI. 37	473,578,921.99	458,962,623.15
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Expenses for reinsurance accepted			
Taxes and surcharges	VI. 38	6,794,558.21	2,352,420.20
Selling expenses	VI. 39	25,484,211.91	30,334,796.09
Administrative expenses	VI. 40	47,484,756.46	64,377,046.08
Financial expenses	VI. 41	11,421,395.05	8,676,593.25
Asset impairment losses	VI. 42	17,676,453.36	12,642,014.18
Add: gains from changes of fair value (with "-" for losses)			
Investment incomes (with "-" for losses)	VI. 43	-2,506,578.34	2,414,445.17
Including: investment incomes from associated enterprise and joint venture		-2,506,578.34	2,414,445.17
Exchange gains (with "-" for losses)			
Other income			
<b>III. Operating profit (with "-" for losses)</b>		<b>-49,140,790.09</b>	-89,856,268.86
Add: non-operating income	VI. 44	5,043,594.46	10,007,222.20
Including: gains from disposal of non-current assets		813,871.18	598,517.22
Less: non-operating expenses	VI. 45	2,155,095.48	86,136.79
Including: losses from disposal of non-current assets		119,797.02	68,525.43
<b>IV. Total profits (with "-" for total losses)</b>		<b>-46,252,291.11</b>	-79,935,183.45
Less: income tax expenses	VI. 46	2,090,406.64	1,342,234.26
<b>V. Net profits (with "-" for net losses)</b>		<b>-48,342,697.75</b>	-81,277,417.71
Net profits attributable to shareholders of parent company		-44,049,991.70	-62,164,227.60
Non-controlling interests		-4,292,706.05	-19,113,190.11
<b>VI. Other net comprehensive incomes after-tax</b>	VI. 47	<b>-976,481.27</b>	2,773,782.50
Other comprehensive incomes after-tax attributable to owners of the parent company		-497,064.16	1,400,356.53
(I) Other comprehensive incomes that can not be reclassified into loss and profit in the future.			
1. Changes recalculating and setting the net liabilities or net assets of the benefit plan			
2. Under the equity method, share enjoyed in other comprehensive incomes in the invested entity that can not be reclassified into loss and profit in the future			
(II) Other comprehensive incomes can be reclassified into loss and profit in the future.		-497,064.16	1,400,356.53
1. Under the equity method, share enjoyed in other comprehensive incomes in the invested entity that can be reclassified into loss and profit in the future			
2. Change loss and profit of fair value of financial assets available-for-sale			
3. Mature investment reclassified to loss and profit of available-for-sale financial assets			
4. Valid part of hedging loss and profit of cash flow			
5. Converted difference in foreign currency statements for foreign currency		-497,064.16	1,400,356.53
6. Others			
Other comprehensive incomes after-tax attributable to minority shareholders		-479,417.11	1,373,425.97
<b>VII. Total comprehensive incomes</b>		<b>-49,319,179.02</b>	-78,503,635.21
Total comprehensive incomes attributable to shareholders of the parent company		-44,547,055.86	-60,763,871.07
Total comprehensive incomes attributable to minority shareholders		-4,772,123.16	-17,739,764.14
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share		-0.10	-0.15
(II) Diluted earnings per share		-0.10	-0.15

# SECTION 10 FINANCIAL REPORT

## INCOME STATEMENT OF PARENT COMPANY

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Amount in the current period	Amount in the previous period
<b>I. Operating revenues</b>	XVI. 3	<b>786,556.61</b>	708,789.32
Less: operating costs	XVI. 3		
Taxes and surcharges			1,908.20
Selling expenses			
Administrative expenses		<b>2,093,390.84</b>	3,506,351.81
Financial expenses		<b>-11,509.77</b>	-6,718.95
Asset impairment losses			169.50
Add: gains from changes of fair value (with "-" for losses)			
Investment incomes (with "-" for losses)			
Including: investment incomes from related enterprise and joint venture			
Other income			
<b>II. Operating profits(with "-" for losses)</b>		<b>-1,295,324.46</b>	-2,792,921.24
Add: non-operating income			
Including: gains from disposal of non-current assets			
Less: non-operating expenses			
Including: losses from disposal of non-current assets			
<b>III. Total profits(with "-" for total losses)</b>		<b>-1,295,324.46</b>	-2,792,921.24
Less: income tax expenses			
<b>IV. Net profits(with "-" for net losses)</b>		<b>-1,295,324.46</b>	-2,792,921.24
<b>V. Other comprehensive incomes after-tax</b>			
(I) Other comprehensive incomes that can not be reclassified into loss and profit in the future.			
1. Changes recalculating and setting the net liabilities or net assets of the benefit plan			
2. Under the equity method, share enjoyed in other comprehensive incomes in the invested entity that can not be reclassified into loss and profit in the future			
(II) Other comprehensive incomes can be reclassified into loss and profit in the future.			
1. Under the equity method, share enjoyed in other comprehensive incomes in the invested entity that can be reclassified into loss and profit in the future			
2. Change loss and profit of fair value of financial assets available-for-sale			
3. Mature investment reclassified to loss and profit of available-for-sale financial assets			
4. Valid part of hedging loss and profit of cash flow			
5. Converted difference in foreign currency statements for foreign currency			
6. Others			
<b>VI. Total comprehensive incomes</b>		<b>-1,295,324.46</b>	-2,792,921.24

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Amount in the current period	Amount in the previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		417,007,169.45	292,645,356.19
Net increase in deposits and placements from financial institutions			
Net increase in due to central banks			
Net increase in placement from other financial institutions			
Cash received from premiums of original insurance contract			
Net amount of reinsurance business			
Net increase in deposits of the insured and investment			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash received from interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in repurchasing			
Taxes and surcharges refunds		16,745,281.95	10,223,011.22
Other cash receipts related to operating activities	VI. 51	8,280,323.01	18,014,491.71
<b>Subtotal of cash inflows from operating activities</b>		<b>442,032,774.41</b>	<b>320,882,859.12</b>
Cash paid for goods and services		350,394,790.39	138,291,643.70
Net increase in loans and advances			
Net increase in deposits in the Central Bank and other financial institutions			
Cash paid for claim settlements on original insurance contract			
Cash paid for interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		101,079,477.44	103,175,755.92
Taxes and surcharges cash payments		25,156,457.99	34,461,351.56
Other cash payments related to operating activities	VI. 51	27,884,450.85	46,833,949.37
<b>Subtotal of cash outflows from operating activities</b>		<b>504,515,176.67</b>	<b>322,762,700.55</b>
<b>Net cash flows from operating activities</b>		<b>-62,482,402.26</b>	<b>-1,879,841.43</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			1,411,693.13
Net cash received from disposal of subsidiaries and other business entities			
Other cash received concerning investing activities			
<b>Subtotal of cash inflows from investing activities</b>			<b>1,411,693.13</b>
Cash paid for purchasing fixed assets, intangible assets and other long-term assets		3,923,639.17	29,466,129.02
Cash paid for investment			
Net increase in pledge loans			
Net cash paid for the disposal of subsidiaries and other business entities			
Other cash paid concerning investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>3,923,639.17</b>	<b>29,466,129.02</b>
<b>Net cash flows from investing activities</b>		<b>-3,923,639.17</b>	<b>-28,054,435.89</b>

## SECTION 10 FINANCIAL REPORT

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Amount in the current period	Amount in the previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Including: cash received from minority shareholder investment by subsidiaries		<b>181,877,073.31</b>	120,000,000.00
Cash received from borrowings			
Cash received from issuing bonds			
Other cash received from concerning financing activities			
<b>Subtotal of cash inflows from financing activities</b>		<b>181,877,073.31</b>	120,000,000.00
Cash paid for repayments of debts		<b>146,948,504.30</b>	155,906,160.00
Cash paid for allocation of dividends, profits or interest repayment		<b>7,662,573.34</b>	8,113,630.14
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid concerning financing activities	VI. 51	<b>1,200,000.00</b>	2,500,000.00
<b>Subtotal of cash outflows from financing activities</b>		<b>155,811,077.64</b>	166,519,790.14
<b>Net cash flows from financing activities</b>		<b>26,065,995.67</b>	-46,519,790.14
<b>IV. Effects from change of exchange rate to cash and cash equivalents</b>			
		<b>-793,333.44</b>	1,207,391.37
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents	VI. 51	<b>-41,133,379.20</b>	-75,246,676.09
	VI. 51	<b>102,580,611.77</b>	175,776,574.47
<b>VI. Closing balance of cash and cash equivalents</b>	VI. 51	<b>61,447,232.57</b>	100,529,898.38

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CASH FLOW STATEMENT OF PARENT COMPANY

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Note	Amount in the current period	Amount in the previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services			
Taxes and surcharges refunds			
Other cash receipts related to operating activities		545,601.60	734,994.31
<b>Subtotal of cash inflows from operating activities</b>		<b>545,601.60</b>	<b>734,994.31</b>
Cash paid for goods and services			
Cash paid to and for employees		2,225,875.75	478,732.82
Taxes and surcharges cash payments		531,934.74	742,284.84
Other cash payments related to operating activities		2,926,308.31	2,384,817.56
<b>Subtotal of cash outflows from operating activities</b>		<b>5,684,118.80</b>	<b>3,605,835.22</b>
<b>Net cash flows from operating activities</b>		<b>-5,138,517.20</b>	<b>-2,870,840.91</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash received concerning investing activities		4,000,000.00	
<b>Subtotal of cash inflows from investing activities</b>		<b>4,000,000.00</b>	<b>-</b>
Cash paid for purchasing fixed assets, intangible assets and other long-term assets			
Cash paid for investment			
Net cash paid for the disposal of subsidiaries and other business entities			
Other cash paid concerning investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from investing activities</b>		<b>4,000,000.00</b>	<b>-</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash received concerning financing activities			
<b>Subtotal of cash inflows from financing activities</b>		<b>-</b>	<b>-</b>
Cash paid for repayment of debts			
Cash paid for allocation of dividends, profits or interest repayment			
Other cash paid concerning financing activities			
<b>Subtotal of cash outflows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>IV. Effects from change of exchange rate to cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-1,138,517.20</b>	<b>-2,870,840.91</b>
Add: Opening balance of cash and cash equivalents		3,764,017.52	4,152,554.89
<b>VI. Closing balance of cash and cash equivalents</b>		<b>2,625,500.32</b>	<b>1,281,713.98</b>

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES OF OWNERS' EQUITY

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Current period													
	Total owners' equity attributable to parent company													
	Share capital	Other comprehensive incomes			Capital reserves	Less: treasury stocks	Other equity instruments	Special reserves	Surplus reserves	Provisions for general risk	Undistributed profit	Non-controlling interests	Total owners' equities	
<b>I. Closing balance of previous period</b>	422,000,000.00				683,883,181.69			2,290,915.53		45,665,647.68		-588,661,889.61	426,687,468.04	971,885,323.33
Add: changes in accounting policies														
Corrections of early errors														
Business merge under common control														
Others														
<b>II. Opening balance of current period</b>	422,000,000.00				683,883,181.69			2,290,915.53		45,665,647.68		-588,661,889.61	426,687,468.04	971,885,323.33
<b>III. Increases and decreases in the current period</b>														
(with "+" for decrease)														
(I) Total comprehensive income								-497,064.16						
(II) Capital input and reduced by owners								-497,064.16						
1. Common shares input by shareholders														
2. Input capital by other equity instrument owners														
3. Amounts of share-based payments recorded in owner's equity														
4. Others														
(III) Profits distribution														
1. Appropriation of surplus reserves														
2. Appropriation to general risk reserves														
3. Distribution to owners (for shareholders)														
4. Others														
(IV) Internal carry-over in shareholders' equity														
1. Share capital increased from transfer of capital reserves														
2. Share capital increased from transfer of surplus reserves														
3. Losses made up with surplus reserves														
4. Others														
(V) Special reserves														
1. Appropriation for the current period														
1. Use for the current period														
(VI) Others														
<b>IV. Closing balance in the current period</b>	422,000,000.00				683,883,181.69			1,893,851.37		45,665,647.68		-632,711,889.31	432,702,444.88	953,353,244.31

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES OF OWNERS' EQUITY (CONTINUED)

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Previous period												
	Total owners' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Provisions for general risk	Undistributed profit	Non-controlling interests	Total owners' equities
<b>I. Closing balance of previous period</b>	422,000,000.00				683,883,181.69		1,060,547.60		45,665,647.68		-439,874,304.42	437,310,484.44	1,149,973,556.99
Add: changes in accounting policies													
Corrections of early errors													
Business merge under common control													
Others													
<b>II. Opening balance of current period</b>	422,000,000.00				683,883,181.69		1,060,547.60		45,665,647.68		-439,874,304.42	437,310,484.44	1,149,973,556.99
<b>III. Increases and decreases in the current period</b>													
(with "+" for decrease)							1,400,356.53				-62,164,227.60	-17,739,764.14	-78,503,635.21
(I) Total comprehensive income							1,400,356.53				-62,164,227.60	-17,739,764.14	-78,503,635.21
(II) Capital input and reduced by owners													
1. Common shares input by shareholders													
2. Input capital by other equity instrument owners													
3. Amounts of share-based payments recorded in owner's equity													
4. Others													
(III) Profits distribution													
1. Appropriation of surplus reserves													
2. Appropriation to general risk reserves													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-over in shareholders' equity													
1. Share capital increased from transfer of capital reserves													
2. Share capital increased from transfer of surplus reserves													
3. Losses made up with surplus reserves													
4. Others													
(V) Special reserves													
1. Appropriation for the current period													
2. Use for the current period													
(VI) Others													
<b>IV. Closing balance in the current period</b>	422,000,000.00				683,883,181.69		2,460,904.13		45,665,647.68		-502,038,532.02	419,570,720.30	1,071,469,921.78

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## STATEMENT OF CHANGES OF OWNERS' EQUITY OF PARENT COMPANY

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Current period									Total owners' equities	
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves		Undistributed profits
		Preferred shares	Perpetual bond	Others							
<b>I. Closing balance of the previous period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-73,295,626.87	1,053,415,443.22
Add: changes in accounting policies											
Correctors of early errors											
Others											
<b>II. Opening balance of current period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-73,295,626.87	1,053,415,443.22
<b>III. Increases and decreases in the current period (with "+" for decrease)</b>											
(I) Total comprehensive income										-1,295,324.46	-1,295,324.46
(II) Capital input and reduced by owners											
1. Common shares input by shareholders											
2. Input capital by other equity instrument owners											
3. Amounts of share-based payments recorded in owner's equity											
4. Others											
(III) Profits distribution											
1. Appropriation of surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Share capital increased from transfer of capital reserves											
2. Share capital increased from transfer of surplus reserves											
3. Losses made up with surplus reserves											
4. Others											
(V) Special reserves											
1. Appropriation for the current period											
2. Use for the current period											
(VI) Others											
<b>IV. Closing balance in the current period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-74,591,151.33	1,052,120,118.76

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong



# SECTION 10 FINANCIAL REPORT

## STATEMENT OF CHANGES OF OWNERS' EQUITY OF PARENT COMPANY (CONTINUED)

January ~ June 2017

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB Yuan

Item	Previous period										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owners' equities
		Preferred shares	Perpetual bond	Others							
<b>I. Closing balance of the previous period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-76,299,743.92	1,050,411,526.17
Add: changes in accounting policies											
Corrections of early errors											
Others											
<b>II. Opening balance of current period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-76,299,743.92	1,050,411,526.17
<b>III. Increases and decreases in the current period (with "+" for decrease)</b>										-2,792,921.24	-2,792,921.24
(I) Total comprehensive income										-2,792,921.24	-2,792,921.24
(II) Capital input and reduced by owners											
1. Common shares input by shareholders											
2. Input capital by other equity instrument owners											
3. Amounts of share-based payments recorded in owner's equity											
4. Others											
(III) Profits distribution											
1. Appropriation of surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Share capital increased from transfer of capital reserves											
2. Share capital increased from transfer of surplus reserves											
3. Losses made up with surplus reserves											
4. Others											
(V) Special reserves											
1. Appropriation for the current period											
2. Use for the current period											
(VI) Others											
<b>IV. Closing balance in the current period</b>	422,000,000.00				666,639,987.85				38,071,282.24	-79,092,665.16	1,047,618,604.93

Legal representative: Wang Jun

Principal in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yandong

# SECTION 10 FINANCIAL REPORT

## I. BASIC INFORMATION OF THE COMPANY

Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the “Company”, collectively referred to as the Group if it includes subsidiary) formerly Beiren Printing Machinery Co., Ltd. is a limited company established by fund solely initiated by Beiren Group Corporation. Registered on July 13, 1993, it was transferred to a limited liability company which could publicly offer and be listed in mainland China and Hong Kong according to the approval document of T.G.S. (1993) No. 118 File issued by State Commission for Restructuring the Economic System on July 16, 1993. Upon approval by the State Council Securities Commission and other departments concerned, the Company publicly offered H-shares in Hong Kong in 1993 and A-shares in Shanghai in 1994, and was respectively listed in Stock Exchange of Hong Kong Limited in 1993 and Shanghai Stock Exchange in 1994.

After being approved in the resolutions made by the Company’s general meetings of shareholders held between May 16, 2001 and June 11, 2002 and being reviewed and approved in Z.J.F.X.Z. [2002] No. 133 File issued by China Securities Regulatory Commission, the Company successfully increased issues in 22,000,000 RMB ordinary shares (A-shares) to the public stock shareholders between December 26, 2002 and January 07, 2003, with RMB 1 par value per share. After secondary public offering, the Company’s total stock issue was 422,000,000 shares, of which, there were 250,000,000 state-owned legal person shares, 72,000,000 domestic public shares and 100,000,000 overseas public shares, with RMB 1 par value per share.

According to J.G.Z.Q.Z. [2006] No. 25 “Reply to Problems on Equity Division Reform of Beiren Printing Machinery Co., Ltd” issued by State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing, the Company’s sole non-circulating stock shareholder- Beiren Group Corporation paid the original 27,360,000 state-owned legal person shares to the Company’s circulating A-stock shareholder by every 10 shares allotted with 3.8 shares, and the A-share equity right registration date for implementing the aforesaid equity division reform plan was on March 29, 2006.

Beiren Group Corporation sold 21,000,000 shares of the Company’s non-restricted circulating stock through the block trading system of Shanghai Stock Exchange on January 06, 2010 and January 07, 2010, and publicly sold 20,000 shares of the Company’s non-restricted circulating stock on December 02, 2010, accounting for 4.98% of the Company’s total stock issue. As at December 31, 2011, Beiren Group Corporation held 201,620,000 state-owned legal person shares which were all non-restricted circulating stocks and accounted for 47.78% of total stock issue; 120,380,000 non-restricted domestic public shares, accounting for 28.52% of total stock issue; and 100,000,000 non-restricted overseas public shares, accounting for 23.70% of total stock issue.

The Company’s controlling shareholder Beiren Group Corporation and the Company’s actual controller Beijing Jingcheng Machinery Electric Holding Co., Ltd. (hereinafter referred to as Jingcheng Holding) signed the Agreement on Gratuitous Transfer of State-owned Stock Equity between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation on June 16, 2012, under which, Beiren Group Corporation gratuitously transferred the Company’s 201,620,000 A-shares to Jingcheng Holding; after the share transfer, the Company’s total stock issue remained the same, and Jingcheng Holding held 201,620,000 shares of the Company stock which accounted for 47.78% of total stock issue and became the Company’s controlling shareholder. The gratuitous equity transfer this time has been approved by the State-owned Assets Supervision and Administration Commission of the State Council on September 01, 2012. The Company received the Confirmation of Transfer Register issued by China Securities Depository and Clearing Co., Ltd. Shanghai Branch on December 07, 2012, and the formalities related to share transfer was completed.

The Company signed the Agreement on Replacement of Material Assets and the Supplementary Agreement under the Agreement on Replacement of Material Assets with Jingcheng Holding and Beiren Group Corporation in November 2012. Pursuant to these agreements, the Company replaced all its assets and liabilities with relevant assets of gas storage and transport equipment business owned by Jingcheng Holding, and the balance was made up by Jingcheng Holding in cash. The proposed traded-out property was the Company’s all assets and liabilities, and the proposed traded-in property was 88.50% equity of Beijing Tianhai Industry Co., Ltd. held by Jingcheng Holding. 100% equity of Jingcheng Holding (Hong Kong) Co., Ltd. and 100% equity of Beijing Jingcheng Compressor Co., Ltd. whose environmental protection business was stripped.

On September 26, 2013, the Company received the Reply on Approving the Material Asset Restructuring of Beiren Printing Machinery Co., Ltd.(Z.J.X.K. [2013] No. 1240) issued by China Securities Regulatory Commission, approving the Company to restructure materials assets in this time.

The Company signed the Agreement on Replacement and Settlement of Material Assets with Jingcheng Holding and Beiren Group Corporation on October 31, 2013, under which, Jingcheng Holding settled and delivered the traded-in assets to the Company, and the Company delivered the traded-out assets and relevant staff to Beiren Group Corporation.

On December 23, 2013, the Company’s was renamed from Beiren Printing Machinery Co., Ltd to Beijing Jingcheng Machinery Electric Company Limited.

Jingcheng Holding reduced 21,000,000 shares of the Company’s non-restricted circulating A-stock through the block trading system of Shanghai Stock Exchange on May 6, 2015, May 13, 2015 and May 14, 2015, accounting for 4.98% of the Company’s total stock issue. As at December 31, 2015, Jingcheng Holding held 180,620,000 shares of the Company’s non-restricted circulating A-stock, accounting for 42.80% of the Company’s total stock issue.

Jingcheng Holding bought 2,115,052 shares of the Company’s A-stock through the trading system of Shanghai Stock Exchange on August 03, 2016, accounting for 0.50% of the Company’s total stock issue. As at June 30, 2017, Jingcheng Holding held 182,735,052 shares of the Company’s non-restricted circulating A-stock, accounting for 43.30% of the Company’s total stock issue.

The Company’s registered address is located at Suite 901, Building 59, East Third Ring Middle Rd., Chaoyang District, Beijing, with Wang Jun serving as the legal representative. The business place is located at No. 2 Nansan Street, Huoxian Town, Huoxian County, Tongzhou District, Beijing.

The Company’s business scope: General freight; development, design, sales, installation, debugging and repair of cryogenic storage transport vessel, compressor (piston compressor, membrane compressor and nuclear membrane compressor) and accessories, machinery equipment and electrical equipment; technical consulting; technical service; economic trade consulting; goods import and export; technical import and export; and agency for import and export.

Jingcheng Holding is both the controlling shareholder and actual controller of the Company.

# SECTION 10 FINANCIAL REPORT

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's consolidated financial statements cover Jingcheng Holding (Hong Kong) Co., Ltd., Beijing Tianhai Industry Co., Ltd. and its subsidiaries Langfang Tianhai High Pressure Container Co., Ltd., Tianjin Tianhai High Pressure Container Co., Ltd., Shanghai Tianhai Composite Cylinders Co., Ltd., Beijing Tianhai Cryogenic Equipment Co., Ltd., Beijing Pioneer Up Lifter Co., Ltd., Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd., BTIC AMERICA CORPORATION and Kuancheng Tainhai Pressure Container Co., Ltd.. Kuancheng Tainhai Pressure Container Co., Ltd. is new compared with the previous year.

See details in the Note VII "Changes in Consolidated Scope" and Note VIII "Interests in Other Subjects".

## III. PREPARATION BASIS OF FINANCIAL STATEMENTS

### (1) Preparation Basis

The Group prepared the financial statements on the basis of continuous operation, as per the actually incurred transaction and events as well as related disclosure made according to Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant provisions and as required by Companies Ordinance of Hong Kong and Listing Rule of Hong Kong Stock Exchange, and based on the accounting policies and accounting estimates in the "Note IV. Significant Accounting Policies and Accounting Estimates".

### (2) Continuous Operation

After the assessment of the capability of continuous operation for 12 months from June 30, 2017, the Group found no matters and circumstances resulting in suspect of the capability of continuous operation. Therefore, these financial statements were prepared on the basis of the assumption of continuous operation.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates will indicate: accounting policies developed by the Group according to characteristics of actual production and operation and accounting estimates including business cycle, the recognition and measurement of provisions for bad debts from receivables, the measurement of inventory dispatched, fixed assets classification and depreciation methods, amortization of intangible assets, conditions for capitalizing R&D expenses, recognition and measurement of incomes, impairment of long term assets and provisions, etc.

### 1. Declaration on Compliance with the Accounting Standards for Business Enterprises

The Company declares that the financial statements prepared comply with the Accounting Standards for Business Enterprises, which reflect the financial position, performance result and cash flow of the Company truly and completely.

### 2. Accounting Period

The accounting period of the Group commences from January 01 to December 31 of each calendar year.

### 3. Business Cycle

The Group treats 12 months as a dividing standard for the liquidity of assets and liabilities since the business cycle is too short for the Group's business.

### 4. Recording Currency

RMB is recording currency for the Company and its subsidiaries, except for BTIC AMERICA CORPORATION and Jingcheng Holding (Hong Kong) Co., Ltd. which use USD as their recording currency.

### 5. Accounting Treatment Method for Business Merger under Common Control and Different Control

The Group, as the merging party, obtained assets and liabilities through business merger under common control, which are measured at date of merging according to the book value of merged party in the consolidated financial statements of final controlling party. The balance between the book value of the net assets obtained and the book value of the consideration paid shall be used to adjust the capital reserves; where the capital reserves are not sufficient to be offset, the retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired by the acquiree in the business merger not under common control are measured at fair value at the acquisition date. The cost for merging is the sum of book value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining the control power of the acquiree and various direct expenses in business merger (in the business merger realized step by step through several transactions, the cost for merging is the sum of the cost for each single transaction). Positive balance between the cost of merging and the fair value of the identifiable net assets of the acquiree obtained by the Group on the acquisition date shall be recognized as goodwill; if the cost of merging is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in business merger and the fair value of non-cash assets or equity security issued in the consideration of merger shall be re-checked first. If the rechecked cost of merging is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included into current non-operating income.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6. Preparation Method of Consolidated Financial Statements

The Group incorporates all subsidiaries controlled by it and structured entities into consolidated financial statements.

When preparing consolidated financial statements, if the accounting policy or the accounting period adopted is inconsistent between the subsidiaries and the Company, the financial statements of subsidiaries shall be adjusted according to the accounting policy or the accounting period of the Company.

All significant internal transactions, current balances and unrealized profits within the scope of the merger are offset in preparing consolidated statements. Shares in owners' equity of subsidiaries but not attributed to the parent company, net profit and loss for the current period, other comprehensive income and shares attributed to non-controlling interests in total comprehensive income shall be listed in consolidated financial statements as non-controlling interests, non-controlling profit and loss, other comprehensive income attributed to minority shareholders and total comprehensive income attributed to minority shareholders.

Operating results and cash flows of subsidiaries which are acquired by business merger under common control are included into consolidated financial statements on the beginning of the current period of the merger. Upon the preparation of comparative consolidated financial statements, any adjustments to relevant items in financial statements of the previous year are considered as the subject of reports formed after merger as if it might have exist since the time when final controlling party begin to take the control.

If equity of the invested entity under the common control is obtained step by step through several transactions, which results in business merger, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the report period of acquiring the control. For example, if equity of the invested entity under the common control is obtained step by step through several transactions, which results in business merger, such equity shall be adjusted in the preparation of consolidated financial statements as if they might have exist as the current state from the time when final controlling party takes the control. When preparing comparative accounts, relevant assets and liabilities of the acquiree are included in comparative accounts of consolidated financial statements of the Group according to the restriction that the time above shall be later than the time when the Group and the acquiree are under the common control of final controlling party, moreover, increased net assets resulting from the merger are adjusted as relevant items under owners' equity. In order to avoid repeated calculation of value of net assets of the merged party, the long-term equity investment held by the Group before the merger is achieved, the changes in relevant profits and losses, other comprehensive incomes and other net asset that have been recognized in the period from the later date, when the long-term equity investment is acquired and when the Group and the acquiree are under the final control of the same party, to the merger date, shall respectively be applied to write off the opening retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business merger under the different control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing consolidated financial statements, adjustments to financial statements of subsidiaries are based on the fair value of identifiable assets, liabilities or contingent liabilities, which is identified at the purchase date.

Under the circumstance that the equity of invested entity is obtained under the different control through multiple transactions step by step, which results in business merger, supplementary disclosure to treatment methods in consolidated financial statements shall be made in the report period for acquiring the control. For instance, under the circumstance that the business merger is realized under the different control through multiple transactions step by step, the equity of the acquiree obtained before the purchase date shall be recalculated as per the fair value of the equity on the purchase date when preparing the consolidated financial statements, with the balance between the fair value and its book value included into the current investment profits; if the equity of the acquiree held before the purchase date involves other comprehensive income calculated under the equity method and other change of the owner's equity except net profits and incomes, other comprehensive incomes and profit allocation, the relevant other comprehensive incomes and other change of owners' equity shall be transferred into current income of the purchase date, except other comprehensive incomes arising out from that the acquiree remeasures change of the net liabilities or net assets of the set benefit plan.

The Group disposes of the long-term equity investment against subsidiaries partially without losing control right; in the consolidated financial statements, as for the balance between the disposing amount and the net asset continuously calculated from the purchase date or date of merging of the subsidiary enjoyed correspondingly in disposing long-term equity investment, capital premium or share premium shall be adjusted; if the capital reserves are not sufficient for offset, the retained earnings shall be adjusted.

Where control right over the invested entity is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the purchase date or date of merging shall be recorded into the investment income of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive incomes related with the equity investment of the original subsidiaries shall be converted to the current investment profit and loss when losing the control right.

When the Group disposes of equity investment of the subsidiaries step by step through multiple transaction till losing the control right, if various transaction from disposal of equity investment of subsidiaries till losing the control right belongs to package deal, accounting treatment shall be conducted for each transaction as the transaction that disposes of subsidiary with loss of control right; Nonetheless, before loss of control right, the balance between each price disposal and the net asset share of such subsidiary enjoyed correspondingly in asset disposal is recognized in the other comprehensive income in the consolidated financial statements and turned into the current profit and loss when losing control right.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 7. Joint Venture Arrangements Classification and Accounting Treatment Methods of Joint Operation

The Group's joint venture arrangements include joint operations and joint ventures. In projects for joint operation, for assets held and liabilities assumed solely which are confirmed by the Group as the joint-venture party in joint operation and assets held and liabilities assumed according to shares, their relevant income and costs shall be determined as per related individual agreements or shares. If purchase or sales related to joint operation are not construed as assets transactions of business, it only needs to determine parts which belong to other participants of joint operation in profit and loss arising from such transactions.

### 8. Cash and Cash Equivalents

The cash of the Group in cash flow statements includes the cash on hand, the bank deposits available for pay immediately. Cash equivalents in the cash flow statement refer to highly liquid investments that are held for less than three months and are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### 9. Foreign Currency Business and Translation of Foreign Currency Financial Statements

#### (1) Foreign Currency Transaction

In foreign currency transactions of the Group, the amount in foreign currency shall be converted into RMB at the spot rate in the date of such transactions. On the balance sheet date, monetary items in foreign currency are translated into RMB at spot rate of such date, and translation balance arising from which is directly recorded into current profits and losses, except for exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing or producing assets that conforms to capitalization conditions, and such exchange balances shall be treated as per the principles of capitalization.

#### (2) Translation of Foreign Currency Financial Statements

Items in assets and liabilities of balance sheet in foreign currency are translated at the spot rate of the balance sheet date; except for "undistributed profits", items in ownership interests are translated at the spot rate when transactions occur; income and expenses in income statements are translated at the spot rate of the date when transactions occur. Translation balance in the financial statements of foreign currency arising from translations above shall be listed in items of other comprehensive income. Foreign currency cash flow shall be translated at the spot rate on the date that cash flow occurs. The influence of change in exchange rate on cash shall be separately presented in the cash flow statement.

### 10. Financial Assets and Financial Liabilities

When the Group becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

#### (1) Financial Assets

##### 1) Classification, Recognition Basis and Measurement Method of Financial Assets

The Group divides the financial assets owned into four categories according to the investment purpose and economic essence, including financial assets at fair value through profit or loss, held-to-maturity investments, accounts receivable, and available-for-sale financial assets.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated to be measured at fair value upon initial recognition with the variation included into the current profits and losses.

Held-to-maturity investments refer to the non-derivative financial assets, the maturity date of which is fixed, the recovery amount of which is fixed or determinable and that the Group has an obvious intent and ability to hold to its maturity. Held-to-maturity investments shall be subsequently measured at amortized cost by effective interest method, with profits or losses arising out from amortization, impairment or de-recognition included into the current profits and losses.

Accounts receivable refer to non-derivative financial assets without quotation in the active market and with fixed or determinable recovery amount. Accounts receivable shall be subsequently measured at amortized cost by effective interest method, with profits or losses arising out from amortization, impairment or de-recognition included into the current profits and losses.

Available-for-sale financial assets refer to the non-derivative financial assets defined as being available for sale upon initial recognition and other financial assets that have not been divided. The equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured as well as the derivative financial liabilities which are connected to such equity instrument and must be settled by delivering the equity instrument in these assets shall be measured subsequently on the basis of their costs; those that with quotation in the active market or that the fair value can be reliably measured though without quotation in the active market shall be measured at fair value, with the change of fair value included into other comprehensive incomes. Such financial assets shall be measured at the fair value subsequently. The variation of fair value of financial assets available-for-sale shall be directly recorded into interests of shareholders, except for impairment losses, and exchange profits and losses arising from monetary financial assets in foreign currency, when the confirmation of such financial assets are terminated, accumulated amount from the variation of the fair value which has been directly recorded into interests, shall be carried forward into current profits and losses. The interests of available-for-sale debt instrument investments calculated through effective interest method in holding period, and the cash dividends declared to be distributed by the invested organization and related to available-for-sale equity instrument investments will be included into the current profit and loss as investment income. The equity instrument investment, for which there is no quotation in the active market and whose fair value cannot be reliably measured, shall be measured at cost.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial Assets and Financial Liabilities (Continued)

#### (1) Financial Assets (Continued)

##### 2) *Recognition Basis and Measurement Method of Transferred Financial Assets (Continued)*

The financial assets meeting one of the following conditions shall be de-recognized: ① Where the contractual rights for collecting the cash flow of the said financial asset are terminated; ② Where the said financial asset has been transferred and almost all risks and rewards of ownership of financial assets have been transferred into the transfer-in party by the Group; ③ Where the financial assets have been transferred, although the Group has neither transferred nor retained almost all risks and rewards of ownership of financial assets, the Group has gave up the control to the financial assets.

Where an enterprise does not transfer or retain almost all of the risks and rewards related to the ownership of a financial asset and does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize related financial asset and recognize relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for de-recognition, balance on the book value of the transferred financial asset and consideration received due to transfer as well as accumulative amount of variation of the fair value that is initially included into the other comprehensive incomes shall be included into the current profits and losses.

If the transfer of partial financial asset satisfies the conditions of de-recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value and the balance between the consideration received in the transfer and the accumulative amount of the changes of the fair value originally recorded in other comprehensive income and apportioned to the portion whose recognition has not been stopped and the book value before apportioning is recorded in the current profits and losses.

##### 3) *Test and Accounting Treatment Method for Financial Asset Impairment*

Except the financial assets measured at fair value with the variation included into the current profits and losses, the Group would check the book value of other financial asset on the balance sheet date, and provide the impairment in case that there are some objective evidences showing the financial asset suffers from impairment.

Where a financial asset measured on the basis of post-amortization cost is impaired, impairment provisions shall be withdrawn as per the negative balance the present value of the future cash flow(excluding the loss of future credits not yet occurred) and the book value. If there are objective evidences showing that the value of such financial asset has been recovered, and the financial asset is objectively related to events occurring after the confirmation of the loss, the impairment loss confirmed previously is reversed and recorded in the current profits and losses.

If the financial assets available-for-sale go through impairment,the accumulated loss formed out of fair value decrease originally included into owners' equity shall be transferred out and included into impairment loss. With regard to the debt instrument investment available-for-sale, the impairment loss of which has been recognized, if the fair value rises in the subsequent period and it is objectively related to the matters incurred after the original impairment loss is recognized, the originally recognized impairment loss shall be transferred out and recorded in the current profits and losses. With regard to the equity instrument investment available-for-sale, the impairment loss of which has been recognized, the rise in fair value in the subsequent periods shall be directly recorded in the owners' equity.

#### (2) Financial Liabilities

##### 1) *Classification, Recognition Basis and Measurement Method of Financial Liabilities*

Financial liabilities of the Group shall be classified into the financial liabilities measured at fair value with the variation included into the current profits and losses and other financial liabilities when they are initially recognized.

The financial liability measured at fair value with the variation included into the current profits and losses is measured subsequently,including financial liabilities held for trading and financial liabilities designated to be measured at fair value with the variation included into current profits and losses for the current period when initially recognizing, the profit or loss occurred from change of the fair value and the relevant dividend and interest expenditure of such financial liability are recorded into the current profits and losses.

Other financial liabilities are subsequently measured at the amortized cost according to the effective interest method.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial Assets and Financial Liabilities (Continued)

#### (2) Financial Liabilities (Continued)

##### 2) Condition for De-recognition of Financial Liabilities

When all or parts of current obligations of the financial liabilities are released, such financial liabilities or a part that the obligations have been released shall be de-recognized correspondingly. Where the Company enters into an agreement with a creditor, so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall stop the recognition of the existing financial liability, and shall at the same time recognize the new financial liability. Substantial adjustments by the Company to all or partial terms in contracts related to existing financial liabilities shall be considered as termination of confirmation for all or parts of existing financial debts, and such financial debts after modification shall be deemed as new financial debts. Balance between the book value of the parts to be de-recognized and consideration paid shall be included into current profits and losses.

##### (3) Methods of Recognition of Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities in the Group shall be measured by the price in the primary market, and if no the primary market, such assets and liabilities shall be measured by the price in the most favorable market. And then applicable and sufficient data and valuation techniques supported by other information shall be used. Input values used for measuring the fair value shall be classified into three levels, that is to say, the input value of the first level is the unadjusted offer obtained on the measurement date for the same assets and liabilities in the active market; the input value of the second level shall be observable input values directly or indirectly related to assets or liabilities, except for the input value of the first level; the input value of the third level is the unobservable input value of relevant assets or liabilities. The Group prefers the input value of the first level, then uses the input value of the third level. The Group determines the level that the measurement result of the fair value belongs to as per the lowest level that the input value of significant importance belongs to with respect to the whole of the measurement of fair values.

### 11. Bad Debt Reserve of Receivables

The standards for the Group to recognize the receivables bad debt losses are as follows: It fails to pay the debts within the foreseeable time due to revocation, bankruptcy, insolvency, serious shortage of cash flow and serious natural disaster of the debtor; and that the debtor has not performed its repayment obligations for three years and there are relevant evidences showing that they cannot be recovered.

The Group calculates the potential bad debt losses by allowance method; and conducts impairment test separately or by combination at end of the year, with Bad Debt Provision withdrawn and included into current profits and losses. Account receivables that have been recognized for failure of collection with unambiguous evidence shall be recognized as bad debt loss and used to write off withdrawn Bad Debt Provision.

#### (1) Receivables which single amount is significant with single bad debt provision

Judgment basis or amount standard for significant single amount

The Group considers the receivables with the single amount exceeding RMB 5 million as the significant receivables.

Withdrawing method of receivables which single amount is significant with single bad debt reserve

The Group withdraws bad debt reserve based on negative balance of present value of future cash flow and book value.

#### (2) Receivables which bad debts are withdrawn by combination of credit risk features

##### Withdrawing method of bad debt reserve by combination (aging analysis method)

Combination by aging

Withdrawing of Bad Debt Provision by aging analysis method

Proportion of withdrawing of Bad Debt Provision for receivables by aging analysis method is as follows:

Aging	Proportion of Withdrawing of Receivables (%)	Proportion of Withdrawing of Other Receivables (%)
Within one year	1	1
One to two years	10	10
Two to three years	20	20
Three to four years	50	50
Four to five years	80	80
More than five years	100	100

#### (3) Receivables which single amount is insignificant with single bad debt reserve

Reasons for single withdrawal of Bad Debt Provision

Receivables with insignificant single amount and whose risk characteristics cannot be reflected through bad debt reserve accrued in combinations

Withdrawing method of Bad Debt Provision

The Group withdraws bad debt reserve based on negative balance of present value of future cash flow and book value.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Inventories

The Group's inventory mainly includes raw materials, packing materials, low-value consumables, goods in process, finished goods, goods shipped in transit, etc.

The perpetual inventory system shall be adopted. Inventories shall be priced as per actual cost when acquired. For the inventories requisitioned or in transit, the actual costs thereof shall be recognized by weighted average method. Low-value consumables and packing materials shall be amortized by the one-off amortization method.

For the merchandise inventories, unfinished products, materials for sale and other merchandise inventories directly for sale, the net realizable values thereof shall be recognized at the balance after the estimated selling price of such inventories deducts the estimated sales expenses and relevant taxes. For the material inventories held for production, the net realizable values thereof shall be recognized at the balance after the estimated selling price of the finished product deducts the estimated costs to be incurred upon completion, estimated sales expenses and related taxes.

### 13. Assets Classified as Held for Sale Assets

The Group classifies assets as held-for-sale assets based on the followings: the assets may be sold immediately just as per the usual and common terms for selling the assets; the Group has made resolution with respect to disposal of the parts, signed the irrevocable transfer agreement with the transferee and the transfer will be finished within one year.

### 14. Long-term Equity Investment

The long-term equity investment of the Group is mainly aimed to subsidiaries, associated enterprises and joint ventures.

The Group judges the common control based on that: all the participants or group of participants collectively control the arrangement; and policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

When the Group directly holds or indirectly holds more than 20% (inclusive) but less than 50% of the voting right of the invested entity through subsidiaries, then it shall be deemed usually having significant influence to the invested entity. When the Group holds less than 20% voting right of the invested entity, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the invested entity, or whether participating in formulation of financial and operating policies of the invested entity, significant transaction happened with the invested entity, dispatching managers to the invested entity or providing key technical data to the invested entity, etc., to judge whether the Group has significant influence to the invested entity.

The invested entity under the control of the Group shall be deemed as the subsidiaries of the Group. If the long-term equity investment is obtained from the business merger under the common control, the share of book value of owners' equity of the merged party in consolidated financial statements of the ultimate controlling party on the date of merger shall be deemed as the initial investment cost of the long-term equity investment. If the book value of the net asset of the merged party on the date of merging is negative, then cost of long-term equity investment shall be determined as zero.

Under the circumstance that the equity of the invested entity is obtained under the different control through multiple transactions step by step, which results in business merger, supplementary disclosure to treatment methods for long-term equity investment in consolidated financial statements shall be made in the report period for acquiring the control. For instance, under the circumstance that the equity of invested entity is obtained under the common control through multiple transactions step by step, which results in the business merger, the Group will conduct accounting treatment on each transaction as one that the control right has been obtained if the transaction belongs to "package deal". If the transactions do not belong to "package deal", the share of book value of owners' equity of the merged party in consolidated financial statements of the ultimate controlling party on the date of merging shall be deemed as the initial investment cost of the long-term equity investment. The balance between the initial investment cost and the sum of the book value of long-term equity investment which has reached the amount before the merger and the book value of new payment consideration obtained under the date of merging shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment obtained through business merger under different control, consolidated cost shall be recognized as initial investment cost.

Under the circumstance that the equity of the invested entity is obtained under the different control through multiple transactions step by step, which results in business merger, supplementary disclosure to treatment methods for long-term equity investment in financial statements of parent company shall be made in the report period for acquiring the control. For instance, under the circumstance that the equity of invested entity is not obtained under the common control through multiple transactions step by step, which results in the business merger, the Group will conduct accounting treatment on each transaction as one that the control right has been obtained if the transaction belongs to "package deal". Where it does not belong to "package deal", the sum of the book value of equity investment held originally and additional investment costs shall be initial investment costs of long-term equity investment if the accounting method is changed as cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive incomes calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the invested entity when disposing the investment. Where the equity held before the purchase date is calculated by fair value in the financial assets available-for-sale, then accumulative change of the fair value originally included into other comprehensive income shall be transferred into current investment profits and losses on the date of merging.



# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Long-term Equity Investment (Continued)

Except long-term equity investment obtained through business merger, for those obtained by cash, purchase amount actually paid shall be used as its initial investment amount; for those obtained through issuing equity security, the fair value of equity security issued shall be used as the initial investment cost; and for those obtained through contribution by the investor, the value agreed as per the investment contract or agreement shall be used as the initial investment cost; for those obtained through debt restructuring, non-monetary assets exchange, etc. by the company, then investment cost shall be recognized as per related accounting standards for business enterprises and by combining with actual condition of the Company.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for associated enterprises and joint ventures.

Long-term equity investment subsequently measured by cost method shall be calculated at fair value of cost paid for the additional investment and book value of the cost of the long-term equity investment added through related transaction fees happened. Cash dividends or profits that the invested entity declares to distribute shall be recognized as the current investment profits as per the cost enjoyed.

For long-term equity investment subsequently measured by equity method, the book value of long-term equity investment shall be accordingly increased or decreased as the owners' equity of the invested entity changes. Wherein, the Group shall, when recognizing the shares of the net losses of the invested entity that shall be enjoyed by the Group, calculate the portion that belongs to the Group based on the fair value of each identifiable asset of the invested entity upon acquisition in accordance with the shareholding ratio by offsetting profits and losses of unrealized internal transaction incurred between the joint venture and associated enterprise, then recognize the net profits of the invested entity after adjustment.

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included into the current investment profits. If the long-term equity investment calculated by equity method is included into owners' equity due to the other change of the owners' equity of the invested entity besides net profits and losses, the portion previously included in the owners' equity shall, when disposing of a long-term equity investment measured by the equity method, be transferred to the current profits and losses according to a certain proportion.

Where the Company's common control or significant influence over the invested entity is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per the financial assets available-for-sale, the balance between the fair value and book value thereof on the date the common control or significant influence is lost shall be included into the current profits and losses. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the invested unit directly disposes the relevant assets or liabilities when ceasing to use equity method.

When the Group loses the control over invested entity for disposal of partial long-term equity investment, the accounting method shall be changed to equity method if the remaining shares after disposal still have joint control or significant impacts on the invested entity, with the balance between the book value of equity to be disposed and consideration of disposal included into the investment profits. While the remaining shares after disposal do not have joint control or significant impacts on invested entity anymore, the accounting treatment shall be conducted as per regulations related to recognition and measurement standards of financial instruments and its balance between fair value and book value on the date of losing the control shall be included into current losses and profits.

For various transactions where the Group loses equity through disposing of equity step by step that do not belong to "package deal", accounting treatment shall be conducted for each transaction. If the transactions belong to "package deal", then the Group shall conduct accounting treatment on the transaction which shall be taken as a transaction for disposing subsidiaries with control right lost; however, before loss of control right, the balance between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be firstly recognized in the other comprehensive income and then wholly transferred into the current profit and loss when losing control right.

### 15. Investment Properties

The investment properties of the Group include the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation and the right to use any building which has already been rented. The Group makes subsequent measurement on the investment real estate at cost.

Investment properties of the Group shall be depreciated or amortized by straight-line-method. The estimated service life, net residual value rate and yearly depreciation (amortization) of investment properties are presented as follows:

Category	Depreciation Life (year)	Estimated Residuals Rate (%)	Annual Depreciation Rate (%)
Land Use Right	50	-	2.000
Plant & Buildings	40	5	2.375

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 16. Fixed Assets

The fixed assets of the Group refer to those tangible assets held for production of commodities, rendering labor services, lease or management with its service life more than one year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and the cost of the fixed asset can be measured reliably. Fixed assets include plant and building, machinery equipment, transportation equipment, office equipment and other equipment.

Except for the fixed assets that have been fully depreciated but are still in use, the Group shall carry out depreciation on all fixed assets. The depreciation is withdrawn by straight-line-method. The category, depreciation life, estimated residuals rate and depreciation rate of the fixed assets of the Group are as follows:

Category	Depreciation Life (year)	Estimated Residuals Rate (%)	Annual Depreciation Rate (%)
Plant & Buildings	40	5	2.375
Machinery Equipment	10	5-10	9-9.5
Electrical Equipment	5-10	5-10	9-19
Transportation equipment	5	5-10	18-19
Office Equipment and Others	5	5-10	18-19

The Group will review the estimated service life, estimated net salvage value and depreciation method at the end of current year for fixed assets. In case of change, it shall be treated as change of accounting estimates for handling.

The Group will record the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the entering value in an account for fixed assets under financial lease. The balance between the entering value of leased assets and the minimum lease payment shall be deemed unrecognized financial fee.

The fixed assets under financial lease shall be depreciated according to the same depreciation policy as that for self-owned fixed assets. If it is reasonable to confirm that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased fixed asset shall be depreciated over its estimated service life; otherwise, the leased fixed asset shall be depreciated over the shorter one of the lease term or its service life.

### 17. Construction in Progress

Construction in progress shall be transferred into fixed assets at the estimated value as per the project budget, construction cost or actual cost of the projects from the date that they reach the estimated serviceable condition, and be depreciated from the next month and be adjusted for difference from the original value of fixed asset after the completion settlement procedures have been handled.

### 18. Borrowing Costs

The borrowing costs incurred that can be directly attributable fixed assets, investment properties and inventories, etc. that can reach scheduled usable and salable status through the acquisition and construction or production for over one year shall be capitalized when the following conditions are met: Where the asset disbursements have already incurred; where the borrowing costs have already incurred; and where the construction activities which are necessary to prepare the asset for its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, with the subsequently happened borrowing cost included into current profits and losses. Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than three months, the capitalization of the borrowing costs shall be suspended until the construction or production events of asset begin again.

The actual interest cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing liabilities as a deposit in the bank or as a temporary investment shall be capitalized. The Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Intangible Assets

The intangible assets of the Group include land use right, patented technology, non-patented technology, etc, which shall be measured at actual cost when being obtained; wherein, for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value.

The land use right shall be amortized at average as per the years of transfer from the date of transferring the land use right; intangible assets such as patented technology and non-patented technology shall be amortized at average as per the shortest of the estimated service life, benefit year stipulated in the contract and effective service life stipulated by law. Amortized amount shall be included into related asset cost and current profits and losses as per the benefit object. It is necessary to review the estimated service life and amortization method of the intangible asset with limited service life at the end of each year. In case of any change, it shall be treated as changes in accounting evaluation for handling.

The Group rechecks the expected service life and amortization method of intangible assets with uncertain service life at the end of each year.

The expenditure of R&D of the Group shall be divided into expenditures for research and development as per its nature and that whether the intangible assets finally formed from R&D have a relative uncertainty.

Research expenditures shall be recorded into current profits and losses when incurring.

Development expenditures shall be recognized as intangible assets when the following conditions are met:

- (1) Where it is feasible technically to finish intangible assets for use or sale;
- (2) Where the management is intended to finish and use or sell the intangible assets;
- (3) Where the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- (4) Where it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) Where the development expenditures of the intangible assets can be reliably measured.

Development expenditures not meeting the said conditions will be included into current profits and losses when incurring. The development expenditures that have been included in the profits and losses previously shall not be recognized as assets in the subsequent period. The capitalized expenditures in the development stage shall be presented as development expenditures on the balance sheet and shall be transferred into intangible assets from the date when the project meets the expected conditions for use.

### 20. Long-term Impairment of Assets

As for fixed asset, projects under construction, the intangible asset with limited service life, the investment properties measured at cost pattern, the long term equity investment on subsidiaries, joint ventures and associated enterprises, the Group will make impairment test if there exists indication of impairment on assets on the balance sheet date. Where the measurement result of the impairment test indicates that an asset's book value exceeds the recoverable amount, impairment provision shall be withdrawn based on its balances and recorded into the impairment loss. The recoverable amount of assets refers to the higher one of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. Asset impairment provision is calculated and recognized based on single asset. In case of the difficulty to estimate the recoverable amount of single asset, the recoverable amount of asset group is recognized in accordance with the asset group that such asset belongs to. The asset group refers to the minimum combination of asset that can independently generate cash inflow.

Goodwill separately listed in the financial statements shall be tested for impairment at least once each year no matter whether there exists impairment indication. When conducting impairment test, the book value of goodwill shall be amortized to the beneficial assets group or combination of asset groups according to the synergy of business merger. If the test result indicates that the recoverable amount of the asset group or the combination of asset groups of the goodwill apportioned is lower than its book value, corresponding impairment loss is recognized. The amount of the impairment loss shall first be used to charge against the book value of the goodwill of asset group or combination of asset groups then charge it against the book value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the goodwill excluded.

Once any loss of asset impairment is recognized, it shall not be reversed in the future accounting periods.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Long-term Deferred Expenses

Long-term deferred expenses of the Group includes turnover fees and property insurance fees. Such fees shall be amortized during the benefit period at average; if long-term deferred expenses cannot make benefits in the future accounting period, its amortized value of the project that has not been amortized shall be fully transferred into the current profits and losses.

### 22. Employees' Remuneration

The employee remuneration includes the short-term employee remuneration, post-employment benefit, dismissal welfare and other long-term benefits.

Short-term employee remuneration includes employee salary, employee benefit, medical insurance, etc.; the Group shall recognize the short-term remuneration actually incurred as liability and record it in the current profits and losses or relevant asset costs during the accounting period when employees provide services.

Post-employment benefit mainly includes basic pension insurance, unemployment insurance, etc., which shall be classified into defined contribution plan and defined benefit plan as per the risk and obligation assumed by the Company. Contribution that paid to individual subject for the services provided by the employees in the accounting period on the balance sheet date as per the defined contribution plan shall be recognized as liabilities, and included into current profits and losses or related asset cost as per the benefit object.

For the defined benefit plan, the Group shall make estimate on the demographic variables and financial variables, measure obligations for set benefit plan and recognize the belonging period of related obligations through consistent actuarial assumptions without prejudice as per the estimated cumulative welfare institutions method. The obligations incurred from the defined benefit plan shall be discounted as per the discount rate, to recognize the present value of obligations of the set benefit plan and cost of the current services.

Dismissal welfare refers to compensation provided to employees for terminating the labor relationship with employees before the expiration of the labor contract between the Group and the employee, or for encouraging the employees to voluntarily accept the reduction.

Other long-term benefit refers to all employee remuneration except short-term employee remuneration, post-employment benefit and dismissal welfare.

### 23. Provisions

The Group shall recognize businesses pertinent to contingencies such as external guarantee, commercial acceptance bill discount, pending action or arbitration, assurance on product quality as liabilities when the following conditions are satisfied simultaneously: that obligation is a current obligation of the enterprise; it is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and the amount of the obligation can be measured in a reliable way.

Provisions are initially measured according to the best estimated number of expenditure needed for implementing relevant actual liability with comprehensive consideration on contingency related risks, uncertainties and currency time value, etc. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future cash outflow. The increased amount of the book value of the provisions due to discount with the passage of time shall be recognized as interest costs.

The book value of provisions shall be reviewed on each balance sheet date, which shall also be adjusted to reflect the current optimal estimation.

### 24. Stock Payment

The stock payment settled by equity for obtaining services of employees shall be measured according to the fair value on the date when granting the equity instrument to employees. In situations where the amount of fair value is only vested after completing services in waiting period or reaching specific performance conditions, the amount fair value calculated by the method of line based on the optimal estimation of the quantity of vesting equity instruments in waiting period shall be include it into relevant cost or expense, with capital reserves increased correspondingly.

Stock payment settled by cash shall be measured at the fair value of liabilities recognized based on stocks or other equity instruments assumed by the Group. For the stock payment with immediate vesting after it is granted, its relevant cost or expenditure shall be included on the date when it is vested with increasing the liabilities correspondingly; for the stock payment vesting only after the services in the waiting period is completed or the specified performance conditions are satisfied, the services obtained in the current period shall be recorded into costs or expenditures based on the optimal estimation of the vesting and at the fair value of the liabilities assumed by the Company on each balance sheet date within the waiting period, and the liabilities shall be adjusted correspondingly.

On each balance sheet date and settlement date before settlement of relevant liabilities, the fair value of liabilities shall be re-measured, and its changes shall be included in the current profits and losses.

If the Group cancels the equity instruments granted in the waiting period (except for those canceled due to unsatisfaction to the vesting conditions), such a cancellation shall be treated as accelerated vesting as that stock payment plan in the remaining waiting period has fully met the vesting conditions; and the Group will recognize all expenses in the remaining waiting period on the current period of canceling vested equity instrument.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Recognition Principle and Measurement Method of Revenues

The operating revenues of the Group mainly cover revenues from selling goods, rendering labor services and alienating of right to use assets; and the policies for income recognition are as follows:

#### (1) Incomes from Sales of Goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### (2) Incomes from Rendering Labor Services

The revenues from services rendering will be recognized when total incomes and costs for rendering services can be reliably measured; economic benefits related to transaction can flow into the Group and completeness degree of service rendered can be reliably determined.

If the results of rendering labor services can be reliably estimated, the Group shall, on the balance sheet date, recognize the related income from rendering labor services by employing completion percentage method; while recognize the completion percentage as per the percentage of the completed work to the total estimated cost; if the results of labor transaction provided cannot be reliably estimated and the cost of labor services incurred is expected to be compensated, then the revenue from rendering labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount. If the result of a labor transaction provided cannot be evaluated and all costs of labor incurred are not expected to be compensated, the cost of labor incurred shall be included into current profits and losses, without labor incomes recognized.

#### (3) Alienating the Right to Use Assets

The incomes from alienating of right to use assets will be recognized when incomes from right to use from alienating of right to use assets can be recognized as per the charging time and method stipulated in relevant contract or agreement; the relevant economic benefits related to transaction are likely to flow into the Group; and the amount of revenues can be measured reliably.

### 26. Government Subsidies

The government subsidies of the Group are divided into government subsidies related to assets and government subsidies related to incomes.

Where the government subsidy is monetary asset, it shall be measured at the amount received; for subsidy granted as per the fixed quota standard, when there are unambiguous evidences showing that related conditions as stipulated in the financial supporting policies are met and it is expected that the financial supporting assets can be obtained, such subsidy shall be measured as per the receivable amount; where the government subsidy is non-monetary asset, it shall be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at its nominal amount (RMB 1).

The government subsidies related to assets shall be recognized as deferred incomes; and shall be included into the current profits and losses when they are allocated at average within the service life of related asset. The government subsidies related to income shall be recognized as deferred incomes and included into the current profits and losses when determining the related expenses if they is used for compensating the subsequent related expenses or losses; should they are used for compensating the related expenses or losses that have incurred, they shall be included into the current profits and losses

The government subsidies related to daily activities shall be included in other income or offset relevant costs. The government subsidies not related to daily activities shall be included in the non-operating income and expenditure.

### 27. Deferred Income Tax Assets and Deferred Income Tax Liabilities

The deferred income tax assets and deferred income tax liabilities of the Group shall be calculated and recognized as per the taxation base of assets and liabilities and the balance of their book values (temporary balance). As for deductible loss that can claim a credit against the taxable income in the subsequent years as per the provisions of the tax laws, relevant deferred income assets shall be recognized. As of temporary balance arising out from initial recognition of goodwill, no relevant deferred income tax liabilities shall be recognized. As for temporary balance arising out from the initial recognition of assets or liabilities from the transactions of non-business merger that cannot influence accounting profits nor taxable income (or deductible loss), no relevant deferred income tax assets and deferred income tax liabilities shall be recognized. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The Group recognizes the deferred income tax asset to the extent of any deductible temporary balance, deductible loss or tax deduction that are likely obtained.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Lease

The Group divides the lease into financial lease and operating lease.

The Group, as the lessee of the finance lease shall, on the lease beginning date, record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

The rents from operating leases of the Group as lessee of operating lease shall be included into relevant asset cost or current profits and losses by straight-line method in each period.

### 29. Other Significant Accounting Policies and Accounting Estimates

When preparing financial statements, the management shall apply estimate and assumption which will influence application of accounting policies and amount of assets, liabilities, income and expenses. And the actual fact might be different from the estimates. The management of the Group will continuously assess the judgment on the key assumption and uncertain factors involved in the estimates. Influence from change of accounting estimates shall be recognized in the current period and future period of change.

The following accounting estimates and key assumption suffer from significant risks for material adjustment on the book value of assets and liabilities in the future period.

#### (1) Impairment for Receivables

The Group will measure the receivables at the amortized cost on the balance sheet date to assess whether there exists impairment; and assess the specific amount of impairment loss when impairment incurs. Objective evidences of impairment include showing data for judging whether the future cash flow of individual receivables or receivable combination might drop greatly as estimated, and data to judge significant negative influence on financial status of the debtors in the individual receivables or receivable combination. If there are evidences showing that the value of the receivables has been recovered, and the receivables is objectively related to events occurring after the confirmation of the loss, the impairment loss confirmed previously is reversed.

#### (2) Provision for Impairment of Inventories

The Group will regularly estimate realizable net value of estimated inventory, and recognize loss of falling price of inventory as per the positive balance between the cost of inventory and realizable net value. When the Group estimates the net realizable value, it will recognize the realizable value as per the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated sale price of similar inventories. When the actual selling price or cost is different from the previous estimate, the management will adjust accordingly the realizable net value. Therefore, the result estimated based on the current experience may be different from the actual result, resulting in the adjustment of the book value of inventory in the balance sheet. So the amount for the provision for falling price of inventory may be changed due to the above reason. The adjustment for the provision of falling price of inventory will affect the current profits and losses of estimate change.

#### (3) Accounting Estimate of Impairment Provision for Goodwill

The Group conducts impairment test on goodwill every year. The recoverable amount of the asset group and combination of asset groups including goodwill is the present value of the estimated future cash flow, and it shall be calculated by employing accounting estimates.

If the gross margin used in the calculation of the future cash flow in the asset group and combination of asset groups is amended by the management and the gross margin after amendment is below the current one, then the Group will increase impairment provision for the goodwill.

If the pretax discount rate applied in the discounted cash flow is revised by the management and the pretax discount rate is above the current one, then the Group will increase impairment provision for the goodwill.

If the actual gross margin or pretax discount rate is above or below the estimate of the management, the Group cannot reverse the impairment provision for the goodwill that have been accrued.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29. Other Significant Accounting Policies and Accounting Estimates (Continued)

#### (4) Accounting Estimates for Impairment Provision for Fixed Assets

The Group will conduct impairment test on the fixed assets, like plant & buildings, machinery equipment on the balance sheet date that have the indication of impairment. If the recoverable amount of fixed asset is the higher one of the present value of the estimated future cash flow and fair value of the assets minus the disposal expense, it shall be calculated by employing accounting estimates.

If the gross margin used in the calculation of the future cash flow in the asset group and combination of asset groups is amended by the management and the gross margin after amendment is below the current one, then the Group will increase impairment provision for the fixed assets.

If the pretax discount rate applied in the discounted cash flow is revised by the management and the pretax discount rate is above the current one, then the Group will increase impairment provision for the fixed assets.

If the actual gross margin or pretax discount rate is above or below the estimate of the management, the Group cannot reverse the impairment provision for the fixed assets that have been accrued.

#### (5) Accounting Estimate for Recognition of Deferred Income Tax Assets

For the estimate of the deferred income tax assets, it is required to estimate the taxable income and applicable tax rate of each year. The realization of the deferred income tax assets depends on the possibility of the company's obtaining adequate taxable income in the future. The change of the future tax rate and the reverse time of the temporary balance may also affect the income tax expense(profits) and the balance of deferred income tax. The change in the above estimate may lead to the significant adjustment of the deferred income tax.

#### (6) Service Life for Fixed Assets and Intangible Assets

The Group shall check the expected service life of fixed assets and intangible assets at least at the end of each year. The expected service life is determined by the management based on the similar asset history and referring to the estimates applied generally by the same industry and combination of the expected technology update. When the past estimates have been materially changed, the depreciation cost and amortization cost of future period shall be adjusted accordingly.

#### (7) Accounting Estimates for Product Quality Assurance

The Group shall estimate the quality assurance responsibility for the products with a guarantee period on the balance sheet date, and the provision for the after-sale service expense is based on the 4.25% of the operation revenue of the product in the current year. The estimated provision proportion is determined by the management based on the years of liability for the quality assurance under the sales contract and historical experience. When the past estimates have been materially changed, the future after-sales service expense shall be adjusted accordingly.

### 30. Change of Significant Accounting Policies and Accounting Estimates

#### (1) Change of Significant Accounting Policies

None.

#### (2) Change of Significant Accounting Estimate

None.

# SECTION 10 FINANCIAL REPORT

## V. TAXES

### 1. Main Tax Types and Tax Rate

Tax Types	Taxation Basis	Tax Rate
Value-added Tax	Taxable Added Value	17%
Urban Maintenance and Construction Tax	VAT Payable	5%, 7%
Educational Surtax	VAT Payable	3%
Local Educational Surtax	VAT Payable	2%
Property Tax	70%-80% of the original value of the property	
	Income from House Leasing	1.2% and 12%
Corporate Income Tax	Taxable Income	25%
Hong Kong Profits Tax	Taxable Income	16.50%

Taxpayer's description of the tax rate of different business income tax:

Names of the Taxpayer	Income Tax Rate
The Company	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Container Co., Ltd.	25%
Langfang Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Cylinders Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Pioneer Up Lifter Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	25%
BTC AMERICA CORPORATION	Progressive Tax Rate
Kuancheng Tianhai Pressure Container Co., Ltd.	25%
Jingcheng Holding (Hong Kong) Company Limited	16.50%

BTC AMERICA CORPORATION is a company incorporated in America, whose corporate income tax is based on the surtax system, and the tax rate of taxable income ranges from 15% to 39%.

### 2. Tax Preference

Beijing Tianhai Industry Co., Ltd, the subsidiary of the Company, has obtained the High-tech Enterprise Certificate on December 22, 2016 jointly issued by Beijing Municipal Science & Technology Commission, Beijing Fiscal Bureau, Beijing Municipal Office, SAT and Beijing Local Taxation Bureau, with the Certificate No. GR201611003805. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate for the year 2017.

Beijing Tianhai Cryogenic Equipment Co., Ltd., the subsidiary of the Company, has obtained the High-tech Enterprise Certificate on December 22, 2016 jointly issued by Beijing Municipal Science & Technology Commission, Beijing Fiscal Bureau, Beijing Municipal Office, SAT and Beijing Local Taxation Bureau, with the Certificate No. GR201611004210. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate for the year 2017.



## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the data on the Financial Statement disclosed below, unless otherwise specifically stated, "opening" refers to January 1, 2017, "closing" is June 30, 2017, "the current period" means the period of 2017 from January 1 to June 30, and "the previous period" refers to the period of 2016 from January 1 to June 30. The monetary unit is RMB yuan.

#### 1. Cash at bank and on hand

Item	Closing Balance	Opening Balance
Cash	87,534.23	81,483.39
Deposit in Bank	61,359,698.34	102,499,128.38
Other cash at bank and on hand	16,219,392.00	16,248,660.00
<b>Total</b>	<b>77,666,624.57</b>	<b>118,829,271.77</b>
Including: total amount deposited abroad	12,709,029.93	13,156,280.25

Other cash balances include RMB 1,219,392.00 of L/C Guarantee deposits and RMB 15,000,000.00 of deposits of bank acceptance notes with limited use.

#### 2. Notes receivable

##### (1) Type of Notes Receivable

Item	Closing Balance	Opening Balance
Bank Acceptance Bill	11,102,994.10	16,314,951.71

##### (2) There is no receivable note as pledge at the end of the period.

##### (3) Notes receivable that have been endorsed or discounted and have not yet been expired on the balance sheet date

Item	Closing Derecognized Amount	Closing Underecognized Amount
Bank Acceptance Bill	105,290,714.51	0.00

##### (4) There are no notes that shall be transferred into receivables due to the drawer's failure of performance at the end of the period.

##### (5) The closing receivable notes mentioned above are aged within 180 days.

#### 3. Receivables

##### (1) Aging Analysis of Receivables

Aging	Closing Balance		Proportion of Withdrawing (%)
	Receivables	Bad Debt Reserves	
Within one year	227,053,160.62	2,270,554.39	1.00
One to two years	41,183,032.04	4,118,303.20	10.00
Two to three years	5,756,244.89	1,151,248.98	20.00
Three to four years	24,040,903.00	12,020,451.50	50.00
Four to five years	8,567,090.85	6,853,672.68	80.00
More than five years	5,951,852.20	5,583,852.20	100.00
<b>Total</b>	<b>312,552,283.60</b>	<b>31,998,082.95</b>	<b>-</b>

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Receivables (Continued)

#### (1) Aging Analysis of Receivables (Continued)

(Con't)

Aging	Opening Balance		
	Receivables	Bad Debt Reserves	Proportion of Withdrawing (%)
Within one year	168,459,143.80	1,684,591.43	1.00
One to two years	17,304,999.74	1,730,499.98	10.00
Two to three years	33,814,665.70	6,762,933.14	20.00
Three to four years	9,734,919.15	4,867,459.58	50.00
Four to five years	4,588,205.00	3,670,564.00	80.00
More than five years	2,691,401.00	2,691,401.00	100.00
<b>Total</b>	<b>236,593,334.39</b>	<b>21,407,449.13</b>	<b>-</b>

#### (2) Classification of Receivables

Category	Closing Balance				Book Value
	Book Balance		Bad Debt Reserves		
	Amount	Proportion (%)	Amount	Proportion of Withdrawing (%)	
Receivables which single amount is significant with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
Receivables which bad debts are provided by combination of credit risk features Including: combination by aging	312,046,783.60	99.84	31,860,582.95	10.21	280,186,200.65
Receivables which single amount is insignificant but with single bad debt reserve	505,500.00	0.16	137,500.00	27.20	368,000.00
<b>Total</b>	<b>312,552,283.60</b>	<b>100.00</b>	<b>31,998,082.95</b>	<b>-</b>	<b>280,554,200.65</b>

(Con't)

Category	Opening Balance				Book Value
	Book balance		Bad Debt Reserves		
	Amount	Proportion (%)	Amount	Proportion of Withdrawing (%)	
Receivables which single amount is significant with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
Receivables which bad debts are provided by combination of credit risk features Including: combination by aging	236,593,334.39	100.00	21,407,449.13	9.05	215,185,885.26
Receivables which single amount is insignificant but with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>236,593,334.39</b>	<b>100.00</b>	<b>21,407,449.13</b>	<b>-</b>	<b>215,185,885.26</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 3. Receivables (Continued)

##### (2) Classification of Receivables (Continued)

Receivables which bad debts are provided by approach of aging analysis in combination

Aging	Closing Balance		Proportion of Withdrawing (%)
	Aging	Bad Debt Reserves	
Within one year	227,053,160.62	2,270,554.39	1.00
One to two years	41,183,032.04	4,118,303.20	10.00
Two to three years	5,756,244.89	1,151,248.98	20.00
Three to four years	24,040,903.00	12,020,451.50	50.00
Four to five years	8,567,090.85	6,853,672.68	80.00
More than five years	5,446,352.20	5,446,352.20	100.00
<b>Total</b>	<b>312,046,783.60</b>	<b>31,860,582.95</b>	<b>-</b>

##### (3) Provision, reverse (or recovery) of the bad debt reserve of this current period

The amount of the bad debt reserve this period is RMB 10,592,703.81, of which the foreign currency translation affected is RMB -2,069.99, without bad debt reserve recovered or reversed this year.

##### (4) Receivables with top five balance as collected as per the debtors

Name of Company	Closing Balance	Aging	Proportion to Total Amount of Closing Balance of Receivable (%)	Impairment Provisions Closing Amount
Sinochem International Logistics Co., Ltd.	17,642,549.00	Within one year	5.64	176,425.49
Hubei Juxi Automotive Technology Co., Ltd.	10,655,799.93	Within one year	3.41	106,558.00
Zhengzhou Yutong Bus Co., Ltd, Branch of New Energy Bus	9,762,426.89	Within one year	3.12	97,624.27
Jiangsu Tianhai Special Equipment Co., Ltd.	9,600,516.61	Within one year	3.07	96,005.17
Nanghai Plant of Beiqi Foton Motor Co., Ltd.	7,930,386.70	Within one year	2.54	79,303.87
<b>Total</b>	<b>55,591,679.13</b>	<b>-</b>	<b>17.78</b>	<b>555,916.80</b>

#### 4. Advances to Suppliers

##### (1) Aging of Advances to Suppliers

Item	Closing Balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	13,609,096.73	45.24	32,186,913.36	88.89
One to two years	14,973,977.28	49.78	2,207,094.35	6.09
Two to three years	1,039,018.24	3.45	1,383,945.85	3.82
More than three years	458,650.25	1.53	433,880.25	1.20
<b>Total</b>	<b>30,080,742.50</b>	<b>100.00</b>	<b>36,211,833.81</b>	<b>100.00</b>

The main reason for the aging over one year and some advances to suppliers not settled in time is that the procurement has not yet finished.

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Advances to Suppliers (Continued)

##### (2) Advances to suppliers with top five balance as collected as per the objects of advances

Name of Company	Closing Balance	Aging	Proportion to total amount of closing balance of advances to suppliers (%)
TORAY INTERNATIONAL INC	3,291,637.13	Within one year	10.94
Beijing Taiyuan Iron&Steel Sales Co., Ltd.	1,519,800.00	Within one year	5.05
Tianjin Xinyuhao Steel Co., Ltd.	1,481,245.00	Within one year	4.92
Luoyang Feitesi Industrial Equipment Co., Ltd.	920,100.00	Within one year	3.06
Benxi Ruixinying Steel Trade Co., Ltd.	943,012.57	Within one year	3.13
<b>Total</b>	<b>8,155,794.70</b>	-	27.10

#### 5. Dividends receivable

Item	Closing Amount	Opening Balance
Shandong Tianhai High Pressure Container Co., Ltd.	6,075,169.12	0.00

#### 6. Other receivables

Item	Closing Amount	Opening Balance
Other receivables	8,097,905.67	6,521,905.80
Less: bad debt reserves	2,066,829.08	1,941,356.00
<b>Net Amount</b>	<b>6,031,076.59</b>	4,580,549.80

##### (1) Aging analysis of other receivables

Aging	Closing Amount	Opening Balance
Within one year	4,836,577.26	4,330,368.10
One to two years	1,139,814.03	202,847.76
Two to three years	35,363.71	35,864.94
Three to four years	17,415.59	7,693.00
Four to five years	1,906.00	3,776.00
More than five years	0.00	0.00
<b>Net Amount</b>	<b>6,031,076.59</b>	4,580,549.80

##### (2) Classification of other receivables

Category	Closing Balance				Book Value
	Book Balance		Bad Debt Reserves		
	Amount	Proportion (%)	Amount	Proportion of Withdrawing (%)	
Other receivables which single amount is significant with single bad debt reserves	0.00	0.00	0.00	0.00	0.00
Other receivables which bad debts are provided by combination of credit risk features	8,097,905.67	100.00	2,066,829.08	25.52	6,031,076.59
Other receivables which single amount is insignificant but with single bad debt reserves	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>8,097,905.67</b>	<b>100.00</b>	<b>2,066,829.08</b>	-	<b>6,031,076.59</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Other receivables (Continued)

##### (2) Classification of other receivables (Continued)

(Con't)

Category	Book Balance		Opening Balance		Book Value
	Amount	Proportion (%)	Bad Debt Reserves		
			Amount	Proportion of Withdrawing (%)	
Other receivables which single amount is significant with single bad debt reserves	0.00	0.00	0.00	0.00	0.00
Other receivables which bad debts are provided by combination of credit risk features	3,711,774.42	56.91	1,941,356.00	52.30	1,770,418.42
Other receivables which single amount is insignificant but with single bad debt reserves	2,810,131.38	43.09	0.00	0.00	2,810,131.38
<b>Total</b>	<b>6,521,905.80</b>	<b>100.00</b>	<b>1,941,356.00</b>	<b>-</b>	<b>4,580,549.80</b>

Other receivables which bad debts are provided by approach of aging analysis in combination

Aging	Closing Balance		Proportion of Withdrawing (%)
	Other Receivables	Bad Debt Reserves	
Within one year	5,566,222.28	55,600.22	1.00
One to two years	517,521.37	51,752.14	10.00
Two to three years	44,204.63	8,840.92	20.00
Three to four years	34,831.18	17,415.59	50.00
Four to five years	9,530.00	7,624.00	80.00
More than five years	1,925,596.21	1,925,596.21	100.00
<b>Total</b>	<b>8,097,905.67</b>	<b>2,066,829.08</b>	<b>-</b>

##### (3) Provision and recovery (or reverse) of the bad debt this year

The amount of bad debt reserves withdrawn for the current year is RMB 125,473.08 and the bad debt reserves recovered or reversed is RMB 0.00.

##### (4) The category of other receivables as per the nature of amount

Nature of Amount	Closing Book Balance	Opening Book Balance
Imprest	1,243,176.75	648,132.84
Deposit, Security etc.	953,928.99	810,500.00
Export Rebates	946.19	2,810,131.38
Advances to Suppliers More than Five Years	1,855,976.21	513,574.62
Intercourse Funds	4,043,877.53	1,739,566.96
<b>Total</b>	<b>8,097,905.67</b>	<b>6,521,905.80</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Other receivables (Continued)

##### (5) Other receivables with top five closing balances as collected as per the debtors:

Name of Company	Nature of Amount	Closing Balance	Aging	Proportion to total amount of closing balance of other receivables(%)	Closing balance of bad debt reserves
Shandong Tianhai High Pressure Container Co., Ltd.	Intercourse Funds	2,196,302.00	Within one year	27.12	21,963.02
Beijing Xingjianhangyong Valve Co., Ltd.	Advances to Suppliers More than Five Years	628,083.99	More than five years	7.76	628,083.99
Jiangsu Tianhai Special Equipment Co., Ltd.	Intercourse Funds	593,237.11	One to Two Years	7.33	40,336.96
Baotou Steel Union Sales Co., Ltd.	Advances to Suppliers More than Five Years	400,648.84	More than five years	4.95	400,648.84
Taiyuan Heavy Industry Co., Ltd.	Advances to Suppliers More than Five Years	350,000.00	More than five years	4.32	350,000.00
<b>Total</b>	–	4,168,271.94	–	51.48	1,441,032.81

#### 7. Inventories

##### (1) Classification of Inventories

Item	Closing Amount		
	Book Balance	Falling Price Reserves	Book Value
Raw Materials	180,980,050.89	24,310,284.24	156,669,766.65
Goods in Process	84,613,100.64	16,239,719.74	68,373,380.90
Merchandise Inventories	147,228,957.89	17,694,739.35	129,534,218.54
Goods in Transit	430,499.67	113,349.87	317,149.80
<b>Total</b>	<b>413,252,609.09</b>	<b>58,358,093.20</b>	<b>354,894,515.89</b>

(Con't)

Item	Opening Amount		
	Book Balance	Falling Price Reserves	Book Value
Raw Materials	165,018,648.27	25,525,950.82	139,492,697.45
Goods in Process	67,855,698.43	15,699,021.15	52,156,677.28
Merchandise Inventories	141,016,628.39	15,867,362.65	125,149,265.74
Goods in Transit	430,499.67	101,520.24	328,979.43
<b>Total</b>	<b>374,321,474.76</b>	<b>57,193,854.86</b>	<b>317,127,619.90</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Inventories (Continued)

##### (2) Inventory Falling Price Reserves

Item	Opening Balance	Increase in the Current Year		Decrease in the Current Year		Closing Balance
		Withdrawing	Others	Reverse or	Other	
Raw Materials	25,525,950.82	441,062.29	0.00	1,656,728.87	0.00	24,310,284.24
Goods in Process	15,699,021.15	2,728,565.10	0.00	2,187,866.51	0.00	16,239,719.74
Merchandise Inventories	15,867,362.65	3,776,819.45	0.00	1,949,442.75	0.00	17,694,739.35
Goods in Transit	101,520.24	11,829.63	0.00	0.00	0.00	113,349.87
<b>Total</b>	<b>57,193,854.86</b>	<b>6,958,276.47</b>	<b>0.00</b>	<b>5,794,038.13</b>	<b>0.00</b>	<b>58,358,093.20</b>

##### (3) Refer to Note IV.12 for withdrawal method of inventory falling price reserves

#### 8. Other Current Assets

Item	Closing Balance	Opening Balance	Nature
Added-value Tax Retained	56,869,462.86	54,172,565.88	Added-value Tax Retained
Prepaid Water Rates	5,062.15	0.00	Water Rate
Prepaid Electric Charge	3,702.31	0.00	Electric Charge
Prepaid Heating Fees	20,000.00	0.00	Heating Fee
<b>Total</b>	<b>56,898,227.32</b>	<b>54,172,565.88</b>	—

#### 9. Long-term equity investments

##### (1) Classification of Long-term Equity Investments

Invested Entity	Opening Balance	Increase and Decrease for the Current Year								Closing Balance	Closing Balance of Impairment Provisions
		Added Investment	Reduced Investment	Investment Profits and Losses Recognized under Equity Method	Adjustment to Other Comprehensive Incomes	Variation in Other Equities	Declared Distribution of Cash Dividends or Profit	Withdrawing of Reserves for Impairment	Others		
I. Joint Ventures											
Shandong Tianhai High Pressure Container Co., Ltd.	63,161,807.36	0.00	0.00	-2,665,360.75	0.00	0.00	-8,756,869.09	0.00	0.00	51,739,577.52	0.00
II. Associated Enterprises											
Jiangsu Tianhai Special Equipment Co., Ltd.	12,019,874.22	342,171.00	0.00	158,782.41	0.00	0.00	0.00	0.00	0.00	12,520,827.63	0.00
<b>Total</b>	<b>75,181,681.58</b>	<b>342,171.00</b>	<b>0.00</b>	<b>-2,506,578.34</b>	<b>0.00</b>	<b>0.00</b>	<b>-8,756,869.09</b>	<b>0.00</b>	<b>0.00</b>	<b>64,260,405.15</b>	<b>0.00</b>

##### (2) Analysis of Long-Term Equity Investments

Item	Closing Amount	Opening Amount
<b>Listed</b>		
China (excluding Hong Kong)	0.00	0.00
Hong Kong	0.00	0.00
Other regions	0.00	0.00
Subtotal	0.00	0.00
<b>Unlisted</b>	<b>64,260,405.15</b>	<b>75,181,681.58</b>
<b>Total</b>	<b>64,260,405.15</b>	<b>75,181,681.58</b>

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Fixed Assets

#### (1) List of Fixed Assets

Item	Plant & Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Electric Equipment	Total
I. Original Book Value						
1. Opening Balance	672,205,360.89	805,622,185.97	28,845,722.33	12,530,082.03	25,614,130.56	1,544,817,481.78
2. Increase for the Current Period	22,452,552.00	0.00	0.00	19,534.19	0.00	22,472,086.19
(1) Purchase	0.00	0.00	0.00	19,534.19	0.00	19,534.19
(2) Transferred from Construction in Progress	22,452,552.00	0.00	0.00	0.00	0.00	22,452,552.00
3. Decrease for the Current Period	0.00	2,373,903.13	3,843,840.64	18,787.78	289,600.00	6,526,131.55
(1) Disposal or Scrapping	0.00	2,373,903.13	3,843,840.64	0.00	289,600.00	6,507,343.77
(2) Exchange Rate Changes	0.00	0.00	0.00	18,787.78	0.00	18,787.78
4. Closing Balance	694,657,912.89	803,248,282.84	25,001,881.69	12,530,828.44	25,324,530.56	1,560,763,436.42
II. Accumulated Depreciation						
1. Opening Balance	148,238,713.36	464,414,566.52	24,718,883.20	7,888,490.14	17,609,779.20	662,870,432.42
2. Increase for the Current Period	7,470,927.12	27,190,193.18	458,916.39	735,801.86	543,429.66	36,399,268.21
(1) Withdrawing	7,470,927.12	27,190,193.18	458,916.39	735,801.86	543,429.66	36,399,268.21
3. Decrease for the Current Period	0.00	2,214,489.82	3,459,456.57	12,137.90	260,640.00	5,946,724.29
(1) Disposal or Scrapping	0.00	2,214,489.82	3,459,456.57	0.00	260,640.00	5,934,586.39
(2) Exchange Rate Changes	0.00	0.00	0.00	12,137.90	0.00	12,137.90
4. Closing Balance	155,709,640.48	489,390,269.88	21,718,343.02	8,612,154.10	17,892,568.86	693,322,976.34
III. Provision for Impairment						
1. Opening Balance	0.00	36,902,270.18	0.00	0.00	3,144,652.76	40,046,922.94
2. Increase for the Current Period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the Current Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing Balance	0.00	36,902,270.18	0.00	0.00	3,144,652.76	40,046,922.94
IV. Book Value						
1. Closing Book Value	538,948,272.41	276,955,742.78	3,283,538.67	3,918,674.34	4,287,308.94	827,393,537.14
2. Opening Book Value	523,966,647.53	304,305,349.27	4,126,839.13	4,641,591.89	4,859,698.60	841,900,126.42

(2) The depreciation of the fixed assets recognized to be profits is RMB 36,399,268.21 (the previous period: RMB 39,603,806.69).

(3) In the added fixed assets, the amount transferred in from the construction in progress is RMB 22,452,552.00.

(4) The profit from the sale of the fixed assets is RMB694,074.16.

Note 1: The Property Ownership Certificate (JZ No. 115031501859) and Certificate of Land Use Right (DHB-32-2) for the fixed assets of Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, at the end of the period are used as the mortgage to Tianjin Branch of Huaxia Bank, involving RMB 110,130,000 of the assessed value. The land is located on No. 268 Jinbin Road, Port Bonded Area, with the area of 50378.4 square meters. The loan contract No. is TJ0310120160075, with the loan amount RMB 40,000,000. The term of the loan is from November 23, 2016 to October 20, 2017. The Property Ownership Certificate (JZ No. 1150211201217) and Certificate of Land Use Right (DHB-31-6) for the fixed assets are used as loan on notes to Tianjin Branch of Huaxia Bank, involving RMB 75,740,000 of the assessed value. The land is located on No. 306 Xingang Avenue, Port Bonded Area, with the area of 45489.2 square meters. The maximum amount of debt is RMB 40,000,000 in the notes mortgage contract (No. TJ03 (Gaorong) 20160049). The financing period is from October 23, 2016 to October 24, 2017.

#### (5) Analysis of plant & buildings based on location and service life:

Item	Closing Amount	Opening Amount
Within China	<b>538,948,272.41</b>	523,966,647.53
Long-term (more than 50 years)	<b>0.00</b>	0.00
Middle-term (10-50 years)	<b>538,948,272.41</b>	523,966,647.53
Short-term (within 10 years)	<b>0.00</b>	0.00
Outside China	<b>0.00</b>	0.00
Long-term (more than 50 years)	<b>0.00</b>	0.00
Middle-term (10-50 years)	<b>0.00</b>	0.00
Short-term (within 10 years)	<b>0.00</b>	0.00
<b>Total</b>	<b>538,948,272.41</b>	523,966,647.53



# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Fixed Assets (Continued)

#### (6) Unused fixed assets for the time being

Item	Original Book Value	Accumulated Depreciation	Provision for Impairment	Book Value	Remarks
Plant & Buildings and Machinery Equipment	124,728,330.20	90,186,648.20	20,683,902.28	13,857,779.72	—

### 11. Construction in Progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Equipment	2,882,759.15	0.00	2,882,759.15	0.00	0.00	0.00

### 12. Intangible Assets

#### (1) Breakdown of Intangible Assets

Item	LandUseRight	PatentRights	Software	Total
I. Original Book Value				
1. Opening Balance	165,755,637.08	11,707,050.00	769,294.28	178,231,981.36
2. Increase in the Current Year	9,584,432.00	0.00	83,867.91	9,668,299.91
3. Decrease in the Current Year	0.00	0.00	0.00	0.00
4. Closing Balance	175,340,069.08	11,707,050.00	853,162.19	187,900,281.27
II. Accumulated Amortization				
1. Opening Balance	17,920,247.29	8,136,142.05	589,008.45	26,645,397.79
2. Increase in the Current Year	1,713,757.80	249,999.99	43,220.10	2,006,977.89
(1) Withdrawing	1,713,757.80	249,999.99	43,220.10	2,006,977.89
3. Decrease in the Current Year				
4. Closing Balance	19,634,005.09	8,386,142.04	632,228.55	28,652,375.68
III. Provision for Impairment				
1. Opening Balance	0.00	0.00	0.00	0.00
2. Increase in the Current Year	0.00	0.00	0.00	0.00
3. Decrease in the Current Year	0.00	0.00	0.00	0.00
4. Closing Balance	0.00	0.00	0.00	0.00
IV. Book Value				
1. Closing Book Value	155,706,063.99	3,320,907.96	220,933.64	159,247,905.59
2. Opening Book Value	147,835,389.79	3,570,907.95	180,285.83	151,586,583.57

There are no intangible assets formed through internal R&D in the Company at the end of the period.

The depreciation and amortization amounts of the intangible assets recognized as profits and losses in the current year are RMB2,006,977.89 (RMB 2,248,881.52 for the previous period).

Refer to Note VI. 10 for the closing pledge of intangible assets for the Company.

#### (2) Analysis of land use right based on location and service life:

Item	Closing Amount	Opening Amount
Within China	155,706,063.99	147,835,389.79
Long-term (more than 50 years)	0.00	0.00
Middle-term (10-50 years)	155,706,063.99	147,835,389.79
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (more than 50 years)	0.00	0.00
Middle-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
<b>Total</b>	<b>155,706,063.99</b>	<b>147,835,389.79</b>

#### (3) There is no land use right for property that certificate of title has not been handled.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Goodwill

#### (1) Original Value of Goodwill

Name of Invested Entity	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Closing Balance
BTIC AMERICA CORPORATION	6,562,344.06	0.00	0.00	6,562,344.06

#### (2) Impairment Provision for Goodwill

Name of Invested Entity	Opening Balance	Provision in the Current Period	Disposal in the Current Period	Closing Balance
BTIC AMERICA CORPORATION	2,882,689.66	0.00	0.00	2,882,689.66

On December 31, 2016, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, has conducted the impairment test for the goodwill and adopted the combination of asset groups related to the goodwill to estimate the present value of future cash flow when the estimated input cost can be recovered.

Recoverable amounts of the asset group and combination of asset groups are calculated by the cash flow forecasting method in the stable operation period from the sixth year based on the five-year budget approved by the management. Other key assumptions adopted in the impairment test include estimated selling price, sales volume, other related expenses, etc. of products. The management determines the above key assumptions as per the historical experience and forecast to market development. The management adopts the pretax rate of 8.26% which can reflect the specific risks of relevant asset groups and combination of asset groups as the discount rate. The above assumptions are used to analyze recoverable amounts of each asset group and combination of asset groups. The management believes that any material change in these key assumptions may cause the carrying amount of a single asset group to exceed its recoverable amount.

The management believes that the provision for impairment for the goodwill is RMB 2,882,689.66 based on the above assessment.

### 14. Long-term Deferred Expenses

Item	Opening Balance	Increase in the Current Year	Amortization in the Current Year	Other Decrease in the Current Year	Closing Balance
Amortization of Turnover Fees	14,706,614.55	0.00	1,604,995.20	0.00	13,101,619.35
Property Comprehensive Insurance	145,872.84	0.00	67,325.88	0.00	78,546.96
<b>Total</b>	<b>14,852,487.39</b>	<b>0.00</b>	<b>1,672,321.08</b>	<b>0.00</b>	<b>13,180,166.31</b>

### 15. Deferred Income Tax Assets and Deferred Income Tax Liabilities

#### (1) Deferred Income Tax Assets that Have not been Offset

Item	Closing Balance		Opening Balance	
	Deductible Temporary Balance	Deferred Income Tax Assets	Deductible temporary difference	Deferred Income Tax Assets
Provision for Assets Impairment	1,138,483.52	284,620.88	1,090,575.06	285,691.27

#### (2) Breakdown of Deferred Income Tax Assets Unrecognized

Item	Closing Balance	Opening Balance
Deductible Temporary Balance	0.00	0.00
Deductible Loss	406,969,959.12	406,969,959.12
Provision for Assets Impairment	134,214,134.31	123,507,533.52
<b>Total</b>	<b>541,184,093.43</b>	<b>530,477,492.64</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

##### (3) The deductible losses of unrecognized deferred income tax assets will be due in the following year

Year	Closing Amount	Opening Amount
2017	43,261,714.43	43,261,714.43
2018	16,422,438.17	16,422,438.17
2019	42,853,049.96	42,853,049.96
2020	183,719,785.08	183,719,785.08
2021	120,712,971.48	120,712,971.48
<b>Total</b>	<b>406,969,959.12</b>	<b>406,969,959.12</b>

#### 16. Short-term Borrowings

##### (1) Classification of Short-term Borrowings

Category	Closing Balance	Opening Balance
Mortgage Borrowing	40,000,000.00	20,000,000.00
Guaranteed Borrowing	185,000,000.00	170,000,000.00
<b>Total</b>	<b>225,000,000.00</b>	<b>190,000,000.00</b>

- On October 18, 2016, Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. TJ0310120160075) with Tianjin Branch of Huaxia Bank, with the loan amount of RMB 20,000,000, lasting for 11 months from November 23, 2016 to October 20, 2017 and with the loan rate of 4.785%. Tianjin Tianhai High Pressure Container Co., Ltd. took its property (Number of Property Ownership Certificate: FDZJZ No. 115031501859) and land (Number of Certificate of Land Use Right: DHB-32-2) worthy of RMB 110,130,000 as assessed in total for pledge from October 23, 2016 to the date of expiry of the debt performance under the main contract.
- On January 6, 2017, Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. TJ0310120170031) with Tianjin Branch of Huaxia Bank, with the loan amount of RMB 10,000,000, lasting for 9 months from January 6, 2017 to October 20, 2017 and with the loan rate of 4.785%. Tianjin Tianhai High Pressure Container Co., Ltd. took its property (Number of Property Ownership Certificate: FDZJZ No. 115031501859) and land (Number of Certificate of Land Use Right: DHB-32-2) worthy of RMB 110,130,000 as assessed in total for pledge from January 06, 2017 to the date of expiry of the debt performance under the main contract.
- On October 24, 2017, Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. TJ0310120170001) with Tianjin Branch of Huaxia Bank, with the loan amount of RMB 10,000,000, lasting for 9 months from March 24, 2017 to October 20, 2017 and with the loan rate of 5.0025%. Tianjin Tianhai High Pressure Container Co., Ltd. took its property (Number of Property Ownership Certificate: FDZJZ No. 115031501859) and land (Number of Certificate of Land Use Right: DHB-32-2) worthy of RMB 110,130,000 as assessed in total for pledge from March 24, 2017 to the date of expiry of the debt performance under the main contract.
- On January 13, 2017, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120170002) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB 30,000,000, lasting for 12 months from January 16, 2017 to January 16, 2018 and with the loan rate of 5.0025%. Beijing Jingcheng Machinery Electric Holding Co., Ltd., the parent company of the Company, will provide the maximum amount guarantee in the guarantee contract (No. YYB12 (Gaobao) 20160024) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.
- On April 6, 2017, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120170024) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB 25,000,000, lasting for 12 months from April 12, 2017 to April 12, 2018 and with the loan rate of 5.0025%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee in the guarantee contract (No. YYB12 (Gaobao) 20160024) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.
- On May 12, 2017, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120170041) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB 50,000,000, lasting for 12 months from May 16, 2017 to May 16, 2018 and with the loan rate of 5.0025%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee in the guarantee contract (No. YYB12 (Gaobao) 20160024) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Short-term Borrowings (Continued)

#### (1) Classification of Short-term Borrowings (Continued)

- 7) On December 29, 2016, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120160111) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB 30,000,000, lasting for 12 months from December 29, 2016 to December 29, 2017 and with the loan rate of 5.0025%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee in the guarantee contract (No. YYB12 (Gaobao) 20160024) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.
- 8) On January 11, 2017, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. 91082017280001) with Beijing Branch of Shanghai Pudong Development Bank, with the loan amount of RMB 30,000,000, lasting for 6 months from January 11, 2017 to July 10, 2017 and with the loan rate being the loan prime rate of Shanghai Pudong Development Bank for six months announced by the lender on the date of loan release plus 46.5BPS. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee in the guarantee contract (No. ZB9108201600000004) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.
- 9) On May 11, 2017, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. 91082017280026) with Beijing Branch of Shanghai Pudong Development Bank, with the loan amount of RMB 20,000,000, lasting for 12 months from May 11, 2017 to May 10, 2018 and with the loan rate being the loan prime rate of Shanghai Pudong Development Bank for one year announced by the lender on the date of loan release plus 111.75BPS. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee in the guarantee contract (No. ZB9108201700000001) from the effective date of the main contract to the date of expiry of two years after the date of expiry of the debt performance under the main contract.
- 10) The weighted average interest rate of short-term loan at the end of current period is 5.03% (4.77% at the end of the previous period)

#### (2) There are no closing unpaid short-term borrowings in maturity.

### 17. Notes payable

Type of Notes	Closing Balance	Opening Balance
Bank Acceptance Bill	15,000,000.00	30,000,000.00

- (1) There are no closing unpaid notes payable in maturity. The aging of the closing notes payable of the Group is within 180 days.
- (2) On June 28, 2016, Tianjin Tianhai High Pressure Container Co., Ltd., the subsidiary of the Company signed note pledge contract (No.: TJ03 (GR)20160049) with Tianjin Branch of Hua Xia Bank Co., Ltd.; where, Tianjin Tianhai High Pressure Container Co., Ltd took its property (Number of Certificate of Property: FDZJZi No. 1150211201217) and land (Number of Certificate of Land Use Right: DHB-31-6) worthy of RMB 75.74 million as assessed in total for pledge from October 23, 2016 to the date of expiry of the debt performance under the main contract. And the maximum debt limit is RMB 40 million, with the period for financing from October 23, 2016 to October 24, 2017. As of June 30, 2017, the actual draft amount accepted by the bank was RMB 15 million.

### 18. Accounts payable

#### (1) Accounts payable

Item	Closing Balance	Opening Balance
Material Payment, etc.	231,850,290.66	215,997,537.29
Project Payment	87,986,629.41	52,520,863.79
<b>Total</b>	<b>319,836,920.07</b>	<b>268,518,401.08</b>

#### (2) Aging Analysis of Accounts Payable

Item	Closing Amount	Opening Amount
Within one year	214,937,270.38	170,792,265.42
One to two years	40,119,980.34	87,809,198.38
Two to three years	55,633,259.00	6,809,605.43
More than three years	9,146,410.35	3,107,331.85
<b>Total</b>	<b>319,836,920.07</b>	<b>268,518,401.08</b>

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Accounts payable (Continued)

#### (3) Significant Payables with the Aging over 1 Year

Name of Company	Closing Balance	Reasons for Unrepayment or Carrying over
BUCC (Tianjin) Pressure Equipment Manufacturing Co., Ltd.	3,942,184.76	Unsettled
Tianjin Lebeier Catering Management Co., Ltd.	2,032,245.00	Unsettled
Beijing Guangnan Science and Technology Development Co., Ltd.	1,733,987.50	Unsettled
Tianjin Weishi Construction Machinery Commerce and Trade Co., Ltd.	1,398,261.99	Unsettled
Tianjin Xinan (Dongli Branch) Construction Engineering Co.,Ltd.	1,213,809.81	Unsettled
<b>Total</b>	<b>10,320,489.06</b>	—

### 19. Advances from customers

#### (1) Advances from customers

Item	Closing Balance	Opening Balance
Goods Payment Received in Advance	41,474,427.17	43,159,742.00
Including: more than one year	8,641,956.92	8,267,337.63

#### (2) Significant Accounts Collected in Advance with Aging less than 1 Year

Name of Company	Closing Balance	Reasons for Unrepayment or Carrying over
WESTPORT POWER INC.	3,583,509.31	The contract has not been fulfilled.
Handan Futong Transportation and Sales Co., Ltd.	880,000.00	The contract has not been fulfilled.
Jiangsu Zhenjiang Shipyard (Group) Co., Ltd.	530,000.00	The contract has not been fulfilled.
EUROTECH CYLINDERS PVT.LTD	296,608.49	The contract has not been fulfilled.
Handan Jinsong Welding Equipment Co., Ltd.	213,329.00	The contract has not been fulfilled.
<b>Total</b>	<b>5,503,446.80</b>	—

### 20. Employee Benefits Payable

#### (1) Classification of Employee Benefits Payable

Item	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Closing Balance
Short-term Compensation	20,117,998.59	83,722,614.75	91,658,728.01	12,181,885.33
Post-employment Benefits-Defined Contribution Plan	750,883.39	11,256,501.02	10,657,384.19	1,350,000.22
Dismissal Welfare	0.00	170,582.00	107,887.10	62,694.90
Other Welfare Due within One Year	4,204,219.27	456,306.12	0.00	4,660,525.39
<b>Total</b>	<b>25,073,101.25</b>	<b>95,606,003.89</b>	<b>102,423,999.30</b>	<b>18,255,105.84</b>

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Employee Benefits Payable (Continued)

#### (2) Short-term Compensation

Item	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Closing Balance
Wage, Bonus, Allowance and Subsidy	13,160,534.13	69,041,426.33	78,277,825.30	<b>3,924,135.16</b>
Employee Welfare	0.00	1,324,985.66	1,324,985.66	<b>0.00</b>
Social Insurance Expenses	549,249.01	7,131,356.08	6,211,896.66	<b>1,468,708.43</b>
Including: Medical Insurance Premiums	481,580.47	6,244,986.31	5,353,164.01	<b>1,373,402.77</b>
Industrial Injury Insurance Premium	35,674.44	520,230.57	514,491.00	<b>41,414.01</b>
Birth Insurance Premium	31,994.10	366,139.20	344,241.65	<b>53,891.65</b>
Housing Funds	63,632.00	4,245,320.60	4,217,650.60	<b>91,302.00</b>
Labor-union Expenditures and Personnel Education Funds	4,211,603.45	1,959,526.08	1,416,729.79	<b>4,754,399.74</b>
Housing Allowance	2,132,980.00	20,000.00	209,640.00	<b>1,943,340.00</b>
<b>Total</b>	<b>20,117,998.59</b>	<b>83,722,614.75</b>	<b>91,658,728.01</b>	<b>12,181,885.33</b>

#### (3) Defined Contribution Plan

Item	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Closing Balance
Basic Pension Insurance Premium	719,529.94	10,777,890.06	10,257,837.65	<b>1,239,582.35</b>
Unemployment Insurance Expense	31,353.45	478,610.96	399,546.54	<b>110,417.87</b>
<b>Total</b>	<b>750,883.39</b>	<b>11,256,501.02</b>	<b>10,657,384.19</b>	<b>1,350,000.22</b>

The Group participates the social insurance plan set by the governmental authority as stipulated. As per the plan, the Group will contribute to the plan in accordance with relevant provisions of the local government. Besides the contribution above, the Group will not assume any obligations for payment. Relevant expenditures shall be recorded into current profits and losses.

On June 30, 2017, there was payable contribution of RMB 1,350,000.22 for paying the relevant payable contributions at the end of the report period that has been due but not paid in the report period.

### 21. Taxes payable

Item	Closing Balance	Opening Balance
Value-added Tax	<b>3,087,450.29</b>	2,417,599.54
Corporate Income Tax	<b>2,203,052.29</b>	435,097.21
Individual Income Tax	<b>796,472.66</b>	686,632.43
Urban Maintenance and Construction Tax	<b>260,386.01</b>	253,010.06
Property Tax	<b>253,499.15</b>	86,238.11
Land Use Tax	<b>131,643.64</b>	131,312.64
Educational Surtax	<b>157,119.94</b>	164,293.17
Local Educational Surtax	<b>34,526.13</b>	25,064.20
Stamp Duty	<b>529,735.57</b>	531,250.04
Watercourse Management Fee	<b>102,348.30</b>	13,668.37
Flood Prevention Charge	<b>9,737.98</b>	11,608.57
Employment Security Payments for the Disabled	<b>650,000.00</b>	0.00
Vehicle and Vessel Use Taxes	<b>300.00</b>	0.00
<b>Total</b>	<b>8,216,271.96</b>	4,755,774.34

### 22. Interests payable

Item	Closing Balance	Opening Balance
Interest payable of short-term borrowing	<b>557,523.71</b>	26,583.33

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 23. Other Payables

##### (1) Classification of Other Payables by Nature

Nature of Amount	Closing Balance	Opening Balance
Related Party Borrowing	131,800,000.00	133,000,000.00
Advance Money for Another, etc.	28,287,323.94	33,144,677.10
Return of Social Insurance	101,744.42	16,807.95
Lease Expenses	1,140,190.48	856,190.48
<b>Total</b>	<b>161,329,258.84</b>	<b>167,017,675.53</b>

##### (2) Aging Analysis of Other Payables

Item	Closing Balance	Opening Balance
Within one year	13,359,507.38	28,023,530.75
One to two years	96,475,119.40	136,154,535.73
Two to three years	49,368,320.37	2,197,774.28
More than three years	2,126,311.69	641,834.77
<b>Total</b>	<b>161,329,258.84</b>	<b>167,017,675.53</b>

##### (3) Payables with significant amount and age of over 1 year

Name of Company	Closing Balance	Reasons for Unrepayment or Carrying over
TPCO Investment Co., Ltd.	1,704,203.53	Invoices are not received.
Beijing Jingcheng Machinery Electric Holding Company Limited	131,800,000.00	Related Party Borrowing
<b>Total</b>	<b>133,504,203.53</b>	—

#### 24. Non-Current Liabilities Due Within One Year

Item	Closing Balance	Opening Balance	Remarks
Current portion of Special Payables	11,000,000.00	11,000,000.00	
Including: Skid-mounted Fueling Station for Liquefied Natural Gas Self-compression-adding Liquefied Natural Gas (LNG) Welding Thermal Insulation Cylinder Products for Motor Vehicles	5,000,000.00	5,000,000.00	Note 1
Liquefied Natural Gas Low Temperature Storage Tank Product for HPDI-T6 Motor Vehicles	2,000,000.00	2,000,000.00	Note 2
	4,000,000.00	4,000,000.00	Note 3

Note 1: On December 25, 2012, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted a supporting fund of RMB 5,000,000 on skid-mounted liquefied natural gas (LNG) refilling stations of Beijing Tianhai Industry Co., Ltd.. Beijing Tianhai Industry Co., Ltd. would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.

Note 2: On December 22, 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted Beijing Tianhai Industry Co., Ltd. a supporting fund of RMB 2,000,000 on the development of self-compression-adding liquefied natural gas (LNG) welding thermal insulation cylinder products for motor vehicles. Beijing Tianhai Industry Co., Ltd. would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.

Note 3: On December 22, 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted Beijing Tianhai Industry Co., Ltd. a supporting fund of RMB 4,000,000 on the development of liquefied natural gas low temperature storage tank product for HPDI-T6 motor vehicles. Beijing Tianhai Industry Co., Ltd. will make RMB 1,200,000 and RMB 2,800,000 repayment of the non-current liability not repaid at the end of the year that has been adjusted to current portion of non-current liabilities, to Jingcheng Holding within the first 10 working days effective from December 1, 2014 and December 1, 2015, respectively. Such non-current liability has not been repaid at the end of the period.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Other Current Liabilities

Item	Closing Balance	Opening Balance
Pending Changeover VAT on Sales	201,563.68	279,193.40

### 26. Long-term Employee Benefits Payable

#### (1) Classification of Long-term Employee Benefits Payable

Item	Closing Balance	Opening Balance
Post-employment Benefits-Net Liabilities in Defined Benefit Plan	32,978,853.78	31,163,678.50

#### (2) Change of Defined Benefit Plan-Present Value of Obligation of Defined Benefit Plan

Item	Amount in the current period	Amount in the previous period
Opening Balance	35,367,897.77	35,208,710.51
Defined Benefit Cost Included into the Current Profits and Losses	2,773,206.95	4,057,615.10
1. Current Service Cost	1,446,910.78	2,733,767.58
2. Previous Service Cost	0.00	0.00
3. Gains or Losses from Settlement (with "-" for losses)	0.00	0.00
4. Net Interests	1,326,296.17	1,323,847.52
Defined Benefit Cost Included into Other Comprehensive Incomes	0.00	0.00
1. Actuarial Gains (with "-" for losses)	0.00	0.00
Other Changes	-501,725.55	-3,898,427.84
1. Liabilities Eliminated when Settling	0.00	0.00
2. Paid Welfare	-501,725.55	-3,898,427.84
<b>Closing Balance</b>	<b>37,639,379.17</b>	<b>35,367,897.77</b>
Less: Welfare Due within One Year	4,660,525.39	4,204,219.27
Deduction of Closing Balance Due within One Year	32,978,853.78	31,163,678.50

#### (3) Change of Defined Benefit Plan-Net Liabilities in Defined Benefit Plan (Net Assets)

Item	Amount in the current period	Amount in the previous period
Opening Balance	35,367,897.77	35,208,710.51
Defined Benefit Cost Included into the Current Profits and Losses	2,773,206.95	4,057,615.10
Defined Benefit Cost Included into other Comprehensive Incomes	0.00	0.00
Other Changes	-501,725.55	-3,898,427.84
<b>Closing Balance</b>	<b>37,639,379.17</b>	<b>35,367,897.77</b>

#### (4) Explanations on Contents of Defined Benefit Plan and Influence from the Related Risks to Future Cash Flow, Time and Uncertainty of the Company:

Obligations incurred from defined benefit plan are discounted as per the discount rate in the defined benefit plan, to determine the present value of obligations in the defined benefit plan and current service cost. The discount rate adopted for discounting is confirmed as per the market profitability matching to period of obligations in the defined benefit plan and amount on the balance sheet date.

#### (5) Explanations on Significant Actuarial Assumptions and Results of Sensitive Analysis for Defined Benefit Plan:

For the defined benefit plan, the Group shall make estimate on the demographic variables and financial variables, measure obligations for set benefit plan and recognize the belonging period of related obligations through consistent actuarial assumptions without prejudice as per the estimated cumulative welfare institutions method according to the modified *Accounting Standards for Business Enterprises No.9-Employee Benefits*.



## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 27. Special Payables

Item	Opening Balance	Increase in the Current Year	Decrease in the Current Year	Closing Balance	Remarks
Project of Aluminum Lined Fully-wrapped Composite Gas Cylinder for Tianhai Vehicles	3,900,000.00	0.00	0.00	3,900,000.00	Note 1
Project of Production Base Construction for Gas Storage and Transportation Equipment	100,000,000.00	0.00	0.00	100,000,000.00	Note 2
<b>Total</b>	<b>103,900,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>103,900,000.00</b>	

Note 1: Beijing Tianhai Industry Co., Ltd signed "Fund Supporting Contract for Jingcheng Holding's Strategic Products and Technical R&D" with Jingcheng Holding in 2009; and Jingcheng Holding provided RMB 10 million for supporting the Project of Aluminum Lined Fully-wrapped Composite Gas Cylinder for Tianhai Vehicles of Beijing Tianhai Industry Co., Ltd. The closing balance unpaid is RMB 3.9 million.

Note 2: State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality issued Notice about Appropriation of State-owned Capital Operation Budget for 2013 on June 4, 2013(JGZ [2013] No.96)to Jingcheng Holding and notified to arrange RMB 0.1 billion yuan for the project of production base construction for gas storage and transportation equipment. Beijing Tianhai Industry Co., Ltd received the above funds in August 2013.

#### 28. Provisions

Item	Closing Balance	Opening Balance	Cause
Product Quality Assurance	3,129,430.00	3,129,430.00	Quality Bond

Note: The management withdraws Product Quality Assurance at 4.25% by taking the annual income of LNG products as the baseline based on the years of assumption of quality bond and historical data in the sales contract.

#### 29. Share Capital

The change of the legal, issued and paid share capital of the Company is as follows: All the shares of the Company are ordinary one with the face value of RMB 1 per share.

(Unit: RMB 1000)

Item	Opening Amount		Change in the Current Period					Closing Amount	
	Amount	Proportion (%)	Issuing New shares	Share Donation	Transfer into Shares from Accumulation Funds	Others	Subtotal	Amount	Proportion (%)
Total Shares with Trading Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares without Trading Limited	—	—	—	—	—	—	—	—	—
RMB Ordinary Share	322,000.00	76.30	0.00	0.00	0.00	0.00	0.00	322,000.00	76.30
Overseas Listed Foreign Share	100,000.00	23.70	0.00	0.00	0.00	0.00	0.00	100,000.00	23.70
Total Shares without Trading Limited	422,000.00	100.00	0.00	0.00	0.00	0.00	0.00	422,000.00	100.00
<b>Total Shares</b>	<b>422,000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>422,000.00</b>	<b>100.00</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 30. Capital Reserves

Item	Opening Amount	Increase in the Current Period	Decrease in the Current Period	Closing Amount
Capital Stock Premium	557,838,342.74	0.00	0.00	557,838,342.74
Other Capital Reserves	125,964,838.95	0.00	0.00	125,964,838.95
<b>Total</b>	<b>683,803,181.69</b>	<b>0.00</b>	<b>0.00</b>	<b>683,803,181.69</b>

#### 31. Other Comprehensive Incomes

Item	Opening Balance	Amount in the Current Period					Closing Balance
		Amount incurred before Income Tax in the Current Period	Less: Net amount that is included into other comprehensive income and transferred into the current profits and losses	Less: Income Tax Expenses	Attributed to Parent Company after Tax	Attributable to Minority Shareholders after Tax	
I. Other Comprehensive Incomes that Cannot be Re-classified into Profits and Losses Including: Changes in Net Liabilities and Net Assets of Defined Benefit Plan after Re-measurement	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
II. Other Comprehensive Incomes that will be Re-classified into Profits and Losses Translated Balance in Foreign Currency Financial Statements	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
	2,230,915.53	-976,481.27	0.00	0.00	-497,064.16	-479,417.11	1,733,851.37
	2,230,915.53	-976,481.27	0.00	0.00	-497,064.16	-479,417.11	1,733,851.37
<b>Total of Other Comprehensive Incomes</b>	<b>2,390,915.53</b>	<b>-976,481.27</b>	<b>0.00</b>	<b>0.00</b>	<b>-497,064.16</b>	<b>-479,417.11</b>	<b>1,893,851.37</b>

#### 32. Surplus Reserves

Item	Opening Balance	Increase in the Current Period	Decrease in the Current Period	Closing Balance
Statutory Surplus Reserves	41,838,334.73	0.00	0.00	41,838,334.73
Discretionary Surplus Reserves	2,906,035.91	0.00	0.00	2,906,035.91
Reserve Funds	460,638.52	0.00	0.00	460,638.52
Enterprise's Development Funds	460,638.52	0.00	0.00	460,638.52
<b>Total</b>	<b>45,665,647.68</b>	<b>0.00</b>	<b>0.00</b>	<b>45,665,647.68</b>

#### 33. Undistributed Profits

Item	Current period	Previous period
<b>Closing Balance for the Previous Period</b>	<b>-588,661,889.61</b>	<b>-439,874,304.42</b>
Plus: Adjustment of Opening Undistributed Profits	0.00	0.00
Including: Retroactive Adjustment as Newly Stipulated in Accounting Standards for Business Enterprises	0.00	0.00
Changes of Accounting Policies	0.00	0.00
Correction of Major Early Errors	0.00	0.00
Change in Scope of Merger under the Common Control	0.00	0.00
Other Adjustment Factors	0.00	0.00
<b>Opening Balance for the Current Period</b>	<b>-588,661,889.61</b>	<b>-439,874,304.42</b>
Plus: Net Profits Attributable to Parent Company in the Current Year	-44,049,991.70	-62,164,227.60
Less: Appropriation of Statutory Surplus Reserve	0.00	0.00
Appropriation of Discretionary Surplus Reserves	0.00	0.00
Appropriation of General Risk Reserves	0.00	0.00
Common Stock Dividends Payable	0.00	0.00
Common Stock Dividends Transferred into Capital	0.00	0.00
<b>Closing Balance for the Current Period</b>	<b>-632,711,881.31</b>	<b>-502,038,532.02</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 34. Net Current Assets

Item	Closing Amount	Opening Amount
Current Assets	823,303,550.74	762,422,678.13
Less: Current Liabilities	800,871,071.27	739,830,470.93
<b>Net Current Assets</b>	<b>22,432,479.47</b>	<b>22,592,207.20</b>

#### 35. Total Assets Minus Current Liabilities

Item	Closing Amount	Opening Amount
Total Assets	1,894,232,599.36	1,849,908,902.76
Less: Current Liabilities	800,871,071.27	739,830,470.93
<b>Total Assets Minus Current Liabilities</b>	<b>1,093,361,528.09</b>	<b>1,110,078,431.83</b>

#### 36. Loan

The loan of the Group is summarized as follows:

Item	Closing Amount	Opening Amount
Short-term Bank Loan	225,000,000.00	190,000,000.00
Special Payables Due Within One Year	11,000,000.00	11,000,000.00
Special Payables	103,900,000.00	103,900,000.00
Loan from Jingcheng Holding	131,800,000.00	133,000,000.00
<b>Total</b>	<b>471,700,000.00</b>	<b>437,900,000.00</b>

#### (1) Analysis of Debit and Credit

Item	Closing Amount	Opening Amount
Bank Loan	225,000,000.00	190,000,000.00
– Need to repay within one year	225,000,000.00	190,000,000.00
– Need to repay after one year	0.00	0.00
Subtotal	225,000,000.00	190,000,000.00
Other Loans	0.00	0.00
– Need to repay within one year or as required	246,700,000.00	247,900,000.00
– Need to repay after one year	0.00	0.00
Subtotal	246,700,000.00	247,900,000.00
<b>Total</b>	<b>471,700,000.00</b>	<b>437,900,000.00</b>

#### (2) Analysis of Due Date of Debit and Credit

Bank Loan:

Item	Closing Amount	Opening Amount
Repay as required or repay within one year	225,000,000.00	190,000,000.00
One to two years	0.00	0.00
Two to five years	0.00	0.00
More than five years	0.00	0.00
<b>Total</b>	<b>225,000,000.00</b>	<b>190,000,000.00</b>

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Loan (Continued)

#### (2) Analysis of Due Date of Debit and Credit (Continued)

Other Loans:

Item	Closing Amount	Opening Amount
Repay as required or repay within one year	246,700,000.00	247,900,000.00
One to two years	0.00	0.00
Two to five years	0.00	0.00
More than five years	0.00	0.00
<b>Total</b>	<b>246,700,000.00</b>	<b>247,900,000.00</b>

### 37. Operating Incomes and Operating Costs

#### (1) Breakdown of Operating Incomes and Operating Costs

Item	Amount in the Current Period		Amount in the Previous Period	
	Incomes	Costs	Incomes	Costs
Prime Business	518,664,127.93	456,434,978.62	461,157,156.81	433,991,485.63
Other Businesses	17,141,957.30	17,143,943.37	23,917,622.11	24,971,137.52
<b>Total</b>	<b>535,806,085.23</b>	<b>473,578,921.99</b>	<b>485,074,778.92</b>	<b>458,962,623.15</b>

#### (2) Gross Profits from Prime Businesses

Item	Amount in the current period	Amount in the previous period
Prime Business Income:	518,664,127.93	461,157,156.81
Prime Business Costs	456,434,978.62	433,991,485.63
Gross Profit	62,229,149.31	27,165,671.18

#### (3) Prime Businesses-Classified by Products

Name of Industry	Amount in the current period		Amount in the previous period	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Seamless Steel Gas Cylinder	130,823,394.15	102,146,384.97	244,377,340.98	223,360,889.66
Full-wrapped Cylinder	99,773,930.42	87,792,516.43	53,738,322.28	59,413,089.11
Cryogenic Cylinder	141,166,345.91	125,807,203.83	96,996,900.42	89,140,151.49
Cryogenic Storage and Transportation Equipment	63,047,862.80	63,267,402.42	22,243,581.30	20,931,210.00
Other	83,852,594.65	77,421,470.97	43,801,011.83	41,146,145.37
<b>Total</b>	<b>518,664,127.93</b>	<b>456,434,978.62</b>	<b>461,157,156.81</b>	<b>433,991,485.63</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 37. Operating Incomes and Operating Costs (Continued)

##### (4) Prime Businesses-Classified by Regions

Name of Business	Amount in the current period		Amount in the previous period	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Domestic Sales	259,088,136.53	216,881,358.73	203,583,046.41	185,121,091.63
International Sales	259,575,991.40	239,553,619.89	257,574,110.40	248,870,394.00
<b>Total</b>	<b>518,664,127.93</b>	<b>456,434,978.62</b>	461,157,156.81	433,991,485.63

##### (5) Other Operating Incomes and Other Operating Costs

Name of Business	Amount in the Current Period		Amount in the Previous Period	
	Other Operating Incomes	Other Operating Costs	Other Operating Incomes	Other Operating Costs
Sales of Materials	13,073,848.82	11,882,894.89	23,917,622.11	24,971,137.52
Other	4,068,108.48	5,261,048.48	0.00	0.00
<b>Total</b>	<b>17,141,957.30</b>	<b>17,143,943.37</b>	23,917,622.11	24,971,137.52

- (6) The total operating revenue from the top five companies of the Group in the current period are RMB 141,381,051.07, accounting for 26.38% of the total operating revenue in the current year (Previous period: 17.22%), with the details as follows:

Name of Company	Operating Income	Proportion to Total Operating Revenues (%)
Wuhan Tianhai Hongyun Technology Development Co., Ltd.	33,933,756.53	6.33
Chongqing Senrui Gas Equipment Co., Ltd. (Passenger vehicles)	30,822,159.72	5.75
Sinochem International Logistics Co., Ltd.	29,474,358.78	5.50
LEEBOCC TIANJIN HYDRAULICS EQUIPMENT CO.,LTD.	28,654,458.87	5.35
Chongqing Bige Technological Development Co., Ltd.	18,496,317.17	3.45
<b>Total</b>	141,381,051.07	26.38

#### 38. Taxes and Surcharges

Item	Amount in the Current Period	Amount in the Previous Period
Business Tax	0.00	130,319.93
Urban Maintenance and Construction Tax	1,038,682.66	1,284,716.29
Educational Surtax	653,937.12	562,430.39
Local Educational Surtax	114,963.54	374,953.59
Property Tax	2,768,452.43	0.00
Land Use Tax	884,721.95	0.00
Vehicle and Vessel Use Tax	2,783.30	0.00
Riverway Management Charge	19,822.75	0.00
Stamp Duty	536,004.23	0.00
Security Funds for the Disabled	650,000.00	0.00
Flood Prevention Tax	78,196.99	0.00
Customs Duties	46,993.24	0.00
<b>Total</b>	<b>6,794,558.21</b>	2,352,420.20

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 39. Selling Expenses

Item	Amount in the Current Period	Amount in the Previous Period
Employees' Compensation	11,101,702.03	12,374,079.66
Operational Funds	1,959,344.16	1,780,222.32
Transportation Expenses	5,408,811.12	10,353,609.64
Warehousing and Maintenance Fees	705,686.74	627,337.07
Exhibition Fees	459,145.59	176,138.28
After-sales Service Charges	555,767.13	461,942.43
Repair Charge	80,261.06	183,516.85
Office Fees	284,618.59	212,289.76
Traveling Expenses	1,760,233.83	2,535,401.05
Other	3,107,497.22	1,539,560.10
Insurance Premium	61,144.44	90,698.93
<b>Total</b>	<b>25,484,211.91</b>	<b>30,334,796.09</b>

#### 40. Administrative Expenses

Item	Amount in the Current Period	Amount in the Previous Period
Tax	85,998.11	4,747,044.74
Office Fees	1,637,898.06	1,519,143.10
Traveling Expenses	393,605.82	472,333.80
Energy Bills	378,911.99	402,258.40
Repair Charges	459,198.67	374,467.19
Depreciation Fees	1,115,254.20	4,120,580.76
Employees' Compensation	27,724,653.34	35,704,298.56
Vehicle Fees	1,099,861.29	808,964.57
R&D Expenditures	5,830,781.93	5,232,563.66
Publicity Expenses	669,679.03	622,280.99
Business Entertainment Fees	381,959.73	352,593.98
Amortization of Intangible Assets	1,685,610.07	2,012,484.46
Fees for Employing Intermediation	963,097.91	1,347,031.14
Other	2,531,739.66	3,636,687.45
Conference Expenses	339,880.00	15,000.00
Insurance Premium	550,612.52	856,074.78
Lease Expenses	492,518.02	724,366.60
Labor Protection Fees	227,809.12	496,149.65
Material Consumption	915,686.99	932,722.25
<b>Total</b>	<b>47,484,756.46</b>	<b>64,377,046.08</b>

#### 41. Financial Expenses

##### (1) Breakdown of Financial Expenses

Item	Amount in the Current Period	Amount in the Previous Period
Interest Expenses	9,956,300.37	9,494,582.49
Less: Interest Incomes	105,090.07	248,792.32
Plus: Exchange Losses	1,314,387.06	-1,083,555.65
Plus: Fees	255,797.69	272,054.90
Plus: Other Expenditures	0.00	242,303.83
<b>Total</b>	<b>11,421,395.05</b>	<b>8,676,593.25</b>

## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 41. Financial Expenses (Continued)

##### (2) Breakdown of Interest Expenses

Item	Amount in the Current Period	Amount in the Previous Period
Bank Loans and Overdraft Interests	5,847,002.56	8,340,693.60
Other Interests	4,109,297.81	1,153,888.89
Other Loan interests that shall be due and repaid within five years	2,783,001.64	1,153,888.89
Other Loan interests that shall be due and repaid after five years	0.00	0.00
Interest of Long-Term Employee Benefits Payable Withdrawn		
Effective Interest Rate	1,326,296.17	0.00
Subtotal	9,956,300.37	9,494,582.49
Less: Capitalized Interests	0.00	0.00
<b>Total</b>	<b>9,956,300.37</b>	<b>9,494,582.49</b>

##### (3) Breakdown of Interest Incomes

Item	Amount in the Current Period	Amount in the Previous Period
Income from Bank Deposit Interests	105,090.07	248,792.32
Interest Incomes from Receivables	0.00	0.00
Interest Incomes Withdrawn at the Effective Interest Rate	0.00	0.00
Interest Incomes from Amount of Financial Lease	0.00	0.00
Interest Incomes from Financial Assets that Have been Impaired	0.00	0.00
<b>Total</b>	<b>105,090.07</b>	<b>248,792.32</b>

#### 42. Assets Impairment Losses

Item	Amount in the Current Period	Amount in the Previous Period
Losses on Bad Debts	10,718,176.89	6,952,903.74
Inventory Falling Price Losses	6,958,276.47	5,689,110.44
<b>Total</b>	<b>17,676,453.36</b>	<b>12,642,014.18</b>

#### 43. Investment Incomes

Item	Amount in the Current Period	Amount in the Previous Period
Long-term Equity Investment Incomes Calculated at Equity Method	-2,506,578.34	2,414,445.17

The investment incomes in the current period are all from non-listed investments.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Non-Operating Incomes

#### (1) Breakdown of Non-Operating Incomes

Item	Amount in the Current Period	Amount in the Previous Period	Amount Included into Current Non-Recurring Profits and Losses
Gains from Disposal of Non-Current Assets	813,871.18	598,517.22	813,871.18
Including: Gains from Disposal of Fixed Assets	813,871.18	598,517.22	813,871.18
Gains from Debt Restructuring	1,026,696.07	1,181,656.21	1,026,696.07
Government Subsidies	2,550,972.00	5,904,284.00	2,550,972.00
Other	652,055.21	2,322,764.77	652,055.21
<b>Total</b>	<b>5,043,594.46</b>	<b>10,007,222.20</b>	<b>5,043,594.46</b>

RMB 5,043,594.46 is included in non-recurring profit and loss in the current period (previous period: RMB 10,007,222.20).

#### (2) Government Subsidies Included in the Current Profits and Losses

Item	Amount in the Current Period	Amount in the Previous Period	Source and Basis	Assets Related/ Income Related
Government Subsidies for "Dual-autonomous" Enterprises	230,443.00	3,843,410.00	Government Subsidies for "Dual-autonomous" Enterprises	Income Related
Energy Audit Reward Provided by Beijing Energy Conservation and Environmental Protection Center	0.00	430,000.00	Energy Audit Reward Provided by Beijing Energy Conservation and Environmental Protection Center	Related to incomes
Subsidies for Patent Rights in Chaoyang District	0.00	1,485,396.00	Provisional Measures on Post Allowances to Beijing Employers for Employing the Disabled	Income Related
Subsidies for Leading the Energy-saving Development in Chaoyang District	0.00	25,850.00	Subsidies for Leading the Energy-saving Development in Chaoyang District	Related to incomes
Governmental Subsidies for Anti-dumping and Anti-subsidy	0.00	96,788.00	Beijing Municipal Commission of Commerce	Income Related
Funds for Supporting Short-term Export Credit Insurance Premiums	14,629.00	0.00	Funds for Supporting Short-term Export Credit Insurance Premiums Provided by Beijing Municipal Commission of Commerce	Income Related
Others	0.00	22,840.00	Tax Relief Application Form	Income Related
Subsidies for Updating and Eliminating Old Vehicles from Beijing Municipal Environmental Protection Bureau	85,500.00	0.00	Schemes of Beijing for Further Promoting the Elimination and Update of Old Motor Vehicles	Income Related
Subsidies for Technical Standards from the Science Technology Commission Of Chaoyang District, Beijing, China	54,000.00	0.00	Chaoyang District Incentives for the Formulation (Revision) of Technical Standards	Income Related
Allowance for the Production Suspension of Enterprises from Langfang Development Zone	1,383,800.00	0.00	Fund Allowance for Enterprises Related to Industrial Pollution from Government of Langfang Economic and Technical Development Zone	Income Related
Outstanding Contribution Award on Solving Employment of Labor Force	50,000.00	0.00	Beijing Tongzhou Economic and Technical Development Zone South District Regulatory Commission	Income Related
Allowance for Stable Employment from Tianjin Municipal Human Resources and Social Security Bureau	507,600.00	0.00	Allowance for Stable Employment from Tianjin Municipal Human Resources and Social Security Bureau	Income Related
Allowance for Work Safety Standardization From Regulatory Commission and Administration of Work Safety	25,000.00	0.00	Allowance for Work Safety Standardization From Regulatory Commission and Administration of Work Safety	Income Related
Bonus for 2016 Outstanding Contribution	200,000.00	0.00	Decision of the CPC Working Committee of Langfang Development Zone and Regulatory Commission of Langfang Development Zone on Awarding 2016 Enterprises Making Outstanding Contribution to Economic Development And Teams Making Scientific and Technological Innovation (LKG [2017] No.13)	Income Related
<b>Total</b>	<b>2,550,972.00</b>	<b>5,904,284.00</b>	—	—



## SECTION 10 FINANCIAL REPORT

### VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45. Non-operating Expenses

Item	Amount in the Current Period	Amount in the Previous Period	Amount Included into Non-Recurring Profits and Losses in the Current Year
Losses from Disposal of Non-current Assets	119,797.02	68,525.43	119,797.02
Including: Losses from Disposal of Fixed Assets	119,797.02	68,525.43	119,797.02
Others	2,035,298.46	17,611.36	2,035,298.46
<b>Total</b>	<b>2,155,095.48</b>	<b>86,136.79</b>	<b>2,155,095.48</b>

RMB 2,155,095.48 is included in non-recurring profit and loss in this period (previous period: RMB 86,136.79).

#### 46. Income Tax Expenses

##### (1) Income Tax Expenses

Item	Amount in the Current Period	Amount in the Previous Period
Income Tax Expense for the Current Period-Corporate Income	2,089,336.25	1,304,937.38
1. China	624,293.33	566,119.88
2. Hong Kong	0.00	0.00
3. Other Regions (USA)	1,465,042.92	738,817.50
4. Over-measurement in the Previous Years (Under-measurement)	0.00	0.00
Deferred Income Tax Expenses	1,070.39	37,296.88
<b>Total</b>	<b>2,090,406.64</b>	<b>1,342,234.26</b>

##### (2) Adjustment of Accounting Profits and Income Tax Expense

Item	Amount in the Current Period	Amount in the Previous Period
Total Profits from Consolidation in the Current Year	-46,252,291.11	-79,935,183.45
Income Taxes Expense Calculated at Legal or Applicable Tax Rate	-11,563,072.78	-19,983,795.86
Effect from Application of Different Tax Rate to Subsidiaries	3,942,303.56	3,299,600.86
Effect from Adjustment of Income Tax in the Previous Period	19,570.77	2,450.00
Effect from Costs, Expenses and Losses that cannot be Deducted	3,524,797.74	32,065.36
Effect from Using the Deductible Losses of Unrecognized Deferred Income Tax Assets	-3,447,871.82	0.00
Deductible from Deductible Temporary Balance or Deductible Losses of Unrecognized Deferred Income Tax Assets	9,614,679.17	17,991,913.90
<b>Total</b>	<b>2,090,406.64</b>	<b>1,342,234.26</b>

#### 47. Other Comprehensive Incomes

Refer to "Note VI.31 Other Comprehensive Incomes" for details.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Depreciation and Amortization

The depreciation/amortization recognized in the incomestatement in the current year is RMB 40,078,567.18 in the current period (previous period: RMB 41,920,014.09).

### 49. Expenditures for Operating Lease

The expenditure for operating lease in the current year is RMB 1,087,231.89 (previous period: RMB 10,534,931.76), without expenditures for rents for industrial equipment and machinery.

### 50. Rental Income

There is no rental income from lands and buildings in the current period.

### 51. Items of Cash Flow Statement

#### (1) Other cashes received/paid concerning operating, investing and financing activities

##### 1) Other cash receipts related to operating activities

Item	Amount in the Current Period	Amount in the Previous Period
Margins and Pretty Cash Recovered	1,444,852.11	6,620,000.00
Interest Incomes	105,090.07	248,792.32
Government Subsidies	2,550,972.00	5,723,450.00
Intercourse Funds	1,750,302.74	1,575,936.31
Other	2,429,106.09	3,846,313.08
<b>Total</b>	<b>8,280,323.01</b>	<b>18,014,491.71</b>

##### 2) Other cash payments related to operating activities

Item	Amount in the Current Period	Amount in the Previous Period
General Expenses	23,559,254.84	39,594,893.42
Cash Deposit	1,382,000.00	5,417,850.00
Intercourse Funds	957,897.55	564,823.65
Other	1,985,298.46	1,256,382.30
<b>Total</b>	<b>27,884,450.85</b>	<b>46,833,949.37</b>

##### 3) Other cash payments related to financing activities

Item	Amount in the Current Period	Amount in the Previous Period
Loans from Jingcheng Holding, etc.	1,200,000.00	2,500,000.00

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51. Items of Cash Flow Statement (Continued)

#### (2) Materials Supplementary to Consolidated Cash Flow Statement

Item	Amount in the Current Period	Amount in the Previous Period
<b>1. Reconciliation from Net Profit to Cash Flows from Operating Activities:</b>		
Net Profits	-48,342,697.75	-81,277,417.71
Plus: Provision for assets impairment	17,676,453.36	12,642,014.18
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of bearer biological assets	36,399,268.21	39,603,806.69
Amortization of Intangible Assets	2,006,977.89	2,248,881.52
Amortization of Long-term Deferred Expenses	1,672,321.08	67,325.88
Loss from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (with "-" for profit)	-694,074.16	-529,991.79
Losses on Retirement of Fixed Assets (with "-" for profits)	0.00	0.00
Losses on Variation of Fair Value (with "-" for profits)	0.00	0.00
Financial Expenses (with "-" for profits)	10,749,633.81	8,411,026.84
Losses on Investment (with "-" for profits)	2,506,578.34	-2,414,445.17
Decrease on Deferred Income Tax Asset (with "-" for increases)	1,070.39	37,296.88
Increase in Deferred Income Tax Liabilities (with "-" for decreases)	0.00	0.00
Decreases on Inventory (with "-" for increases)	-38,931,134.33	57,878,620.97
Decreases on Operating Receivables (with "-" for increases)	-68,917,561.61	-56,150,860.00
Increase on Operating Payables (with "-" for decreases)	23,390,762.51	17,603,900.28
Other	0.00	0.00
Net Cash Flows from Operating Activities	-62,482,402.26	-1,879,841.43
<b>2. Significant Investing and Financing Activities That Do Not Involve Cash Receipts and Payments:</b>		
Translation of Debt into Capital	0.00	0.00
Convertible Corporate Bonds Due Within One Year	0.00	0.00
Fixed Assets under Financial Lease	0.00	0.00
<b>3. Net Change in Cash and Cash Equivalents:</b>		
Closing Balance of Cash	61,447,232.57	100,529,898.38
Less: Opening Balance of Cash	102,580,611.77	175,776,574.47
Plus: Closing Balance of Cash Equivalents	0.00	0.00
Less: Opening Balance of Cash Equivalents	0.00	0.00
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-41,133,379.20</b>	<b>-75,246,676.09</b>

#### (3) Cash and Cash Equivalents

Item	Closing Balance	Opening Balance
Cash	61,447,232.57	102,580,611.77
Including: Cash on Hand	87,534.23	81,483.39
Deposit in Bank Available for Payment at Any Time	61,359,698.34	102,499,128.38
Other Monetary Funds Available for Payment at Any Time	0.00	0.00
Cash Equivalents	0.00	0.00
Including: Bond Investment Due Within Three Months	0.00	0.00
Closing Balance of Cash and Cash Equivalents	61,447,232.57	102,580,611.77
Including: Cash and Cash Equivalents That Parent Company or Subsidiaries of the Group Are Limited to Use	0.00	0.00

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52. Assets with Ownership or Use Right Restricted

Item	Closing Book Value	Reasons of Limitations
Cash at Bank and on Hand	16,219,392.00	Note Margins, L/C Guarantee
Fixed Assets	95,720,999.35	Pledge for Obtaining Loans and Notes from Bank
Intangible assets	17,807,844.08	Pledge for Obtaining Loans and Notes from Bank
<b>Total</b>	<b>129,748,235.43</b>	—

### 53. Foreign Currency Monetary Item

#### (1) Foreign Currency Monetary Item

Item	Closing Balance of Foreign Currency	Rate of Translation	Closing Converted RMB Balance
Cash at Bank and on Hand	—	16,196,372.92	—
Including: USD	2,383,663.52	6.7744	16,147,890.15
EUR	4,501.38	7.7496	34,883.89
HKD	15,668.72	0.8679	13,598.88
Accounts Receivables	—	41,919,991.76	—
Including: USD	5,473,401.39	6.7744	37,079,010.38
EUR	624,675.00	7.7496	4,840,981.38
Accounts Payable	—	7,384,718.24	—
Including: USD	923,263.21	6.7744	6,254,554.29
EUR	51,355.38	7.7496	397,983.65
GBP	83,066.38	8.8144	732,180.30
Interests Payable	—	13,773.71	—
Including: USD	2,033.20	6.7744	13,773.71
Other Payables	48,488.43	328,480.02	—
Including: USD	48,488.43	6.7744	328,480.02

#### (2) Oversea Business Entity

BTIC AMERICA CORPORATION, the subsidiary of the Company was registered in Houston, USA, with USD as the recording currency. Jingcheng Holding (Hong Kong) Co., Ltd, the subsidiary of the Company was registered in Hong Kong, with USD as the recording currency.

## VII. CHANGES OF CONSOLIDATION SCOPE

### 1. Business Merger under the Different Control

There is no business merger under the different control in the current period.

### 2. Business Merger under the Common Control

There is no business merger under the common control in the current period.

### 3. Change in Consolidation Scope due to Other Reasons

Kuancheng Tianhai Pressure Container Co., Ltd, owned by the company, was established on April 7, 2017 with a registered capital of RMB 81,584,000 among which a capital of RMB 49,847,800, 61.10% of the registered capital was subscribed by the Beijing Tianhai Industry Co., Ltd. (the manners of capital contribution: currencies and use rights of technologies) and Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd. subscribed RMB 31,736,200, accounting for 38.90% of the registered capital (the manners of capital contribution: lands, houses, structures and equipment). As of June 30, 2017, Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd. has actually subscribed RMB 30,787,100 in manners of lands, houses and structures and Beijing Tianhai Industry Co., Ltd. has actually subscribed RMB 4,000,000 in a manner of currencies.

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in the Subsidiaries

#### (1) Composition of Enterprises Group

Name of Subsidiary	Prime Business Place	Registration Place	Registered Capital	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	Beijing Chaoyang District	Beijing Chaoyang District	USD 61,401,800	100.00	0.00	Business Merger under Common Control
Langfang Tianhai High Pressure Container Co., Ltd.	Hebei Province Langfang City	Hebei Province Langfang City	RMB 301,410,000	0.00	82.08	Business Merger under Common Control
Tianjin Tianhai High Pressure Container Co., Ltd.	Tianjin Port Free Trade Zone	Tianjin Port Free Trade Zone	RMB 225,578,400	0.00	55.00	Establishment
Shanghai Tianhai Composite Cylinders Co., Ltd.	Shanghai Songjiang District	Shanghai Songjiang District	USD 3,017,400	0.00	87.84	Business Merger under Common Control
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Beijing Daxing District	Beijing Daxing District	RMB 40,000,000	0.00	75.00	Establishment
Beijing Pioneer Up Lifter Co., Ltd.	Beijing Tongzhou District	Beijing Tongzhou District	RMB 20,000,000	0.00	100.00	Business Merger under Common Control
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	Beijing Tongzhou District	Beijing Tongzhou District	RMB 545,225,228	0.00	38.51	Establishment
BTIC AMERICA CORPORATION	USA Houston	USA Houston	1,200 shares	0.00	51.00	Business Merger under Different Control
Jingcheng Holdings (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	HKD 1,000	100.00	0.00	Business Merger under Common Control
Kuancheng Tianhai Pressure Container Co., Ltd.	Kuancheng Manchu Autonomous County of Hebei Province	Kuancheng Manchu Autonomous County of Hebei Province	RMB 81,584,000	0.00	61.10	Establishment

Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. (hereinafter referred to as "Minghui Tianhai") was established on November 27, 2012, with a registered capital of RMB 10 million wholly contributed by Beijing Tianhai Industry Co., Ltd. (Tianhai Industry). After twice capital increases, as of June 30, 2017, the registered capital of Minghui Tianhai has been increased to RMB 545,225,200, including RMB 210,000,000.00 (38.51%) contributed by Tianhai Industry, RMB 170,412,703.00 (31.26%) by Beijing Jingguofa Equity Investment Fund (Limited Partnership) and RMB 164,812,525.00 (30.23%) by Beijing Bashi Media Co., Ltd.

According to Articles of Association of Minghui Tianhai, it has 5 directors in the Board of Directors, of which Tianhai Industry nominates 3 and Beijing Jingguofa Equity Investment Fund (Limited Partnership) and Beijing Bashi Media Co., Ltd. nominate 1 respectively. Apart from major matters such as selling all assets of the company that should be subject to approval of two-thirds vote of the Board of Directors, matters such as approving business plan and investment plan of the company and determining setting of internal management departments of the company must be approved by more than half of all the directors. The management shall also be assigned by Tianhai Industry. Tianhai Industry can exert control over Minghui Tianhai and, thus, include it in the scope of consolidated financial statements.

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in the Subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

(Con't)

Name of Subsidiary	Type of Enterprise	Business Nature	Legal Representative	Organization Code
Beijing Tianhai Industry Co., Ltd.	Limited Liability Company	Production	Wang Jun	911100006000036940
Langfang Tianhai High Pressure Container Co., Ltd.	Sino-foreign Joint Venture	Production	Zhang Jiheng	91131000799569483H
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Limited Liability Company	Production	Wang Wenbo	91120116746652398J
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	Sino-foreign joint venture	Production	Zhang Jiheng	91310000607422234E
Beijing Tianhai Low Temperature Equipment Co., Ltd.	Limited Liability Company	Production	Li Junjie	110000011024148
Beijing Pioneer Up Lifter Co., Ltd.	Limited Liability Company	Production	Zhang Jiheng	91110112102485061D
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	Limited Liability Company	Production	Yao Xin	91110112057330019H
BTIC AMERICA CORPORATION	Overseas Enterprise	Sales	Li Junjie	
Jingcheng Holdings (Hong Kong) Co., Ltd.	Limited Liability Company	Trading, Investment	Li Junjie	
Kuancheng Tianhai Pressure Container Co., Ltd.	Limited Liability Company	Production	Yuan Wenping	91130827MA08DB38X3

#### (2) Important Non-wholly-owned Subsidiaries

Name of Subsidiary	Minority Shareholders' Shareholding Ratio (%)	Profits and Losses Attributable to Minority Shareholders in the Current Period	Dividends Distributed to Minority Shareholders in the Current Period	Closing Minority Interest Balance of Equity
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-2,788,543.16	0.00	-430,040.54
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	4,086,720.97	0.00	94,177,324.54
Shanghai Tianhai Composite Cylinders Co., Ltd.	12.16	218,208.95	0.00	5,152,438.09
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	-1,629,053.41	0.00	402,724.56
BTIC AMERICA CORPORATION	49.00	1,358,215.54	0.00	20,644,998.68
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	61.49	-5,510,777.77	0.00	281,995,376.72
Kuancheng Tianhai Pressure Container Co., Ltd.	38.90	-27,477.17	0.00	30,759,622.83
<b>Total</b>	—	-4,292,706.05	0.00	432,702,444.88

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in the Subsidiaries (Continued)

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

Name of subsidiary	Closing Balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	191,448,487.70	192,103,396.16	383,551,883.86	173,605,785.26	0.00	173,605,785.26
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	23,344,740.96	17,840,902.54	41,185,643.50	2,199,033.45	0.00	2,199,033.45
Langfang Tianhai High Pressure Container Co., Ltd.	60,480,119.28	192,128,544.93	252,608,664.21	185,616,308.86	0.00	185,616,308.86
Beijing Tianhai Low Temperature Equipment Co., Ltd.	120,878,422.73	6,073,144.33	126,951,567.06	125,255,752.37	0.00	125,255,752.37
BTC AMERICA CORPORATION	49,689,664.85	282,866.57	49,972,531.42	7,839,881.01	0.00	7,839,881.01
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	163,299,820.44	504,623,397.78	667,923,218.22	209,091,262.78	3,129,430.00	212,220,692.78
Kuancheng Tianhai Pressure Container Co., Ltd.	2,719,680.61	32,036,984.00	34,756,664.61	40,200.00	0.00	40,200.00

(Continued from Table 1)

Name of subsidiary	Opening Balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	144,688,914.67	199,195,973.55	343,884,888.22	143,020,391.77	0.00	143,020,391.77
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	21,723,593.35	18,345,379.59	40,068,972.94	2,876,844.41	0.00	2,876,844.41
Langfang Tianhai High Pressure Container Co., Ltd.	49,262,438.67	203,492,714.04	252,755,152.71	170,201,730.62	0.00	170,201,730.62
Beijing Tianhai Low Temperature Equipment Co., Ltd.	72,628,518.04	6,782,818.44	79,411,336.48	71,199,308.16	0.00	71,199,308.16
BTC AMERICA CORPORATION	45,773,948.71	329,370.01	46,103,318.72	5,764,134.49	0.00	5,764,134.49
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	162,893,356.19	520,305,628.48	683,198,984.67	215,404,957.73	3,129,430.00	218,534,387.73
Kuancheng Tianhai Pressure Container Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00

(Continued from Table 2)

Name of subsidiary	Amount in the current period			Cash flow generated from operating activities
	Operating Income	Net profit	Total comprehensive incomes	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	234,040,181.64	9,081,602.15	9,081,602.15	-25,044,272.23
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	22,882,772.20	1,794,481.52	1,794,481.52	-561,016.38
Langfang Tianhai High Pressure Container Co., Ltd.	119,149,839.91	-15,561,066.74	-15,561,066.74	312,048.31
Beijing Tianhai Low Temperature Equipment Co., Ltd.	67,173,840.46	-6,516,213.63	-6,516,213.63	534,815.11
BTC AMERICA CORPORATION	101,619,771.65	2,771,868.44	1,793,466.18	-874,917.56
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	62,496,857.21	-8,962,071.50	-8,962,071.50	-86,022.66
Kuancheng Tianhai Pressure Container Co., Ltd.	0.00	-70,635.39	-70,635.39	-1,094,707.39

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in the Subsidiaries (Continued)

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

(Continued from Table 3)

Name of subsidiary	Amount in the previous period			
	Operating Income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	146,951,701.52	-1,157,630.74	-1,157,630.74	42,779,635.45
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	21,604,347.93	1,810,250.30	1,810,250.30	355,994.70
Langfang Tianhai High Pressure Container Co., Ltd.	125,770,243.46	-12,869,749.77	-12,869,749.77	5,154,411.16
Beijing Tianhai Low Temperature Equipment Co., Ltd.	24,253,892.87	-18,603,138.76	-18,603,138.76	-5,377,420.21
BTC AMERICA CORPORATION	72,558,134.96	1,503,731.56	4,306,641.72	11,630,041.13
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	39,657,281.89	-20,119,551.28	-20,119,551.28	29,082,298.04
Kuancheng Tianhai Pressure Container Co., Ltd.	0.00	0.00	0.00	0.00

### 2. Equity in Associated Enterprises or Joint Ventures

#### (1) Key Associated Enterprises or Joint Ventures

Name	Principal Place of Business	Registration Place	Nature of Business	Shareholding Ratio (%)		Accounting treatment method of joint ventures or associated enterprises
				Direct	Indirect	
Shandong Tianhai High Pressure Container Co., Ltd.	Shandong Province Linyi City	Shandong Province Linyi City	Production	51		Equity method
Jiangsu Tianhai Special Equipment Co., Ltd.	Zhenjiang, Jiangsu Province	Zhenjiang, Jiangsu Province	Production	35		Equity method

Shandong Tianhai High Pressure Container Co., Ltd. was established on June 12, 2014, with a registered capital of RMB 30 million. Beijing Tianhai Industry Co., Ltd. Contributed RMB 15.3 million (51%) and Shandong Yong'an Heli Steel Cylinder Co., Ltd. contributed RMB 14.7 million (49%). After capital increments, the registered capital of Shandong Tianhai High Pressure Container Co., Ltd. was increased to RMB 114.55 million, including RMB 58,420,500 (51%) and RMB 56,129,500 (49%) contributed by Beijing Tianhai Industry Co., Ltd. and Shandong Yong'an Heli Steel Cylinder Co., Ltd. respectively. According to the Articles of Association of Shandong Tianhai High Pressure Container Co., Ltd., the Board of Directors consists of 5 directors, and 3 directors are nominated by Beijing Tianhai Industry Co., Ltd. while 2 directors are nominated by Shandong Yong'an Heli Cylinder Co., Ltd.. Decisions of the Board of Directors on all proposals will be valid only after being approved by more than four-fifths of directors. The daily management of Shandong Tianhai High Pressure Container Co., Ltd. is performed by personnel deployed by Shandong Yong'an Heli Cylinder Co., Ltd., so Beijing Tianhai Industry Co., Ltd. will not control Shandong Tianhai High Pressure Container Co., Ltd. and include it into the scope of consolidated statements, but to calculate in an equity method.



# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 2. Equity in Associated Enterprises or Joint Ventures (Continued)

#### (2) Main Financial Information of Important Associated Enterprises or Joint Ventures

##### 1) Shandong Tianhai (Joint Venture)

Item	Closing Balance/ Amount in the Current Period	Opening Balance/ Amount in the Previous Period
Current Assets	117,629,095.79	101,720,186.45
Including: Cash and Cash Equivalents	16,676,977.34	1,488,481.67
Non-current Assets	127,952,389.64	127,737,223.67
Total Assets	245,581,485.43	229,457,410.12
Current Liabilities	138,163,334.50	98,686,031.30
Non-current Liabilities	0.00	0.00
Total Liabilities	138,163,334.50	98,686,031.30
Non-controlling Interests	0.00	0.00
Shareholders' Equity Attributable to Parent Company	107,418,150.93	130,771,378.82
Net Assets Share Calculated at Shareholding Ratio	54,783,256.97	66,693,403.20
Adjustment	-3,043,679.45	-3,531,595.84
- Goodwill	0.00	0.00
- Profits Unrealized of Internal Transaction	-3,043,679.45	-3,531,595.84
- Others	0.00	0.00
Book Value of Equity Investment to Associated Enterprise	51,739,577.52	63,161,807.36
Fair Value of Associated Enterprise Equity Investments with Public Offer	0.00	0.00
Operating Revenue	357,876,918.05	320,711,629.92
Financial Expenses	551,854.96	613,337.55
Income Taxes Expense	0.00	2,223,753.50
Net Profits	-5,226,197.54	4,799,777.10
Net Profits from Termination of Operation	0.00	0.00
Other Comprehensive Incomes	0.00	0.00
Total Comprehensive Incomes	-5,226,197.54	4,799,777.10
Dividends Obtained from Associated Enterprise of This Year	0.00	0.00

##### 2) Jiangsu Tianhai (Associated Enterprise)

Item	Closing Balance/ Amount in the Current Period	Opening Balance/ Amount in the Previous Period
Current Assets	21,539,298.44	14,118,211.58
Including: Cash and Cash Equivalents	6,582,551.07	181,274.33
Non-current Assets	67,489,193.83	65,828,325.67
Total Assets	89,028,492.27	79,946,537.25
Current Liabilities	18,091,593.40	10,049,303.14
Non-current Liabilities	540,000.00	0.00
Total Liabilities	18,631,593.40	10,049,303.14
Non-controlling Interests	0.00	0.00
Shareholders' Equity Attributable to Parent Company	70,396,898.87	69,897,234.11
Net Assets Share Calculated at Shareholding Ratio	24,638,914.60	24,464,031.94
Adjustment	-12,118,086.97	-12,444,157.72
- Goodwill	0.00	0.00
- Profits Unrealized of Internal Transaction	-5,867,645.48	-6,193,716.23
- Others	-6,250,441.49	-6,250,441.49
Book Value of Equity Investment to Associated Enterprise	12,520,827.63	12,019,874.22
Fair Value of Associated Enterprise Equity Investments with Public Offer	0.00	0.00
Operating Revenue	28,590,643.46	20,194,982.93
Financial Expenses	53,188.61	2,588.94
Income Taxes Expense	0.00	0.00
Net Profits	157,493.76	-1,002,756.14
Net Profits from Termination of Operation	0.00	0.00
Other Comprehensive Incomes	0.00	0.00
Total Comprehensive Incomes	157,493.76	-1,002,756.14
Dividends Obtained from Associated Enterprise of This Year	0.00	0.00

Jiangsu Tianhai Special Equipment Co., Ltd. was registered on April 27, 2015, with the registered capital of RMB 80 million; wherein, Beijing Tianhai Industry Co., Ltd. contributed RMB 28 million with fixed assets and intangible assets, accounting for 35%; while Nanjing Bibo Trade and Industry Co., Ltd. contributed RMB 52 million with monetary capital, accounting for 65%. As of June 30, 2017, the funds contributed by Nanjing Bibo Trade and Industry Co., Ltd. by installments have been in place; and contribution made by Beijing Tianhai Industry Co., Ltd. with intangible assets has been in place, with a contribution of fixed assets worth of RMB 342,171.00; and both parties enjoy the equity as per the contribution proportion.

# SECTION 10 FINANCIAL REPORT

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Group include loans, receivables, payables, etc; refer to Note VI for detailed information of all financial instruments. Risks related to these financial instruments and risk management policies adopted for reducing these risks by the Group are described as follows. The Management of the Group manages and supervises these risk exposures to ensure that the above risks are controlled in the limited scope.

### 1. Objectives and Policies of Management of Various Risks

The objective of the Group to engage in risk management is to obtain suitable balance between risk and profit, to minimize the negative influence from the risk to the business performance of the Group and to maximize the interests of shareholders and other equity investors. Based on the objective of risk management, the basic strategy of risk management of the Group is to determine and analyze all risks the Group faces and to set up suitable bottom line of risk standing and to manage risks, as well as to timely and reliably supervise all risks and control the risk into the limited scope.

#### (1) Market Risk

##### 1) Foreign Exchange Risk

Foreign exchange risk refers to risk of loss caused by change of exchange rate. Foreign exchange risks assumed by the Group are mainly related to USD. Apart from BTIC AMERICA CORPORATION, the subsidiary of the Company that uses USD to purchase and sell, other prime business activities of the Group are priced and settled in RMB. On June 30, 2017, expect balances expressed at USD, EUR, KHD and GBP of the assets and liabilities mentioned below, the balances of assets and liabilities of the Group are expressed at RMB. Foreign exchange risk of assets and liabilities of such foreign currency balances might influence the business performance of the Group.

Item	Closing Amount		Opening Amount	
	Original Currency	Equivalent to RMB	Original Currency	Equivalent to RMB
<b>Cash at Bank and on Hand</b>				
USD	–	16,196,372.92	–	28,056,898.81
EUR	2,383,663.52	16,147,890.15	4,039,897.83	28,024,771.25
HKD	4,501.38	34,883.89	2,478.75	18,111.73
	15,668.72	13,598.88	15,668.72	14,015.83
<b>Accounts Receivable</b>				
USD	–	41,919,991.76	–	27,487,157.09
EUR	5,473,401.39	37,079,010.38	3,796,980.45	26,339,653.38
	624,675.00	4,840,981.38	157,046.00	1,147,503.71
<b>Accounts Payable</b>				
USD	–	7,384,718.24	–	7,622,827.09
EUR	923,263.21	6,254,554.29	913,447.32	6,336,584.08
GBP	51,355.38	397,983.65	49,456.45	361,368.36
	83,066.38	732,180.30	108,688.59	924,874.65
<b>Interests Payable</b>				
USD	–	13,773.71	–	0.00
	2,033.20	13,773.71	0.00	0.00
<b>Other Payables</b>				
USD	–	328,480.02	–	380,414.19
	48,488.43	328,480.02	54,838.43	380,414.19

The Group pays close attention to the influence from change of foreign exchange to the Group.

##### 2) Interest Rate Risk

Loans of the Group are all with fixed interest rate.

##### 3) Price Risk

The Group sells products at market price; therefore, it will be influenced by fluctuation of the price.

# SECTION 10 FINANCIAL REPORT

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Objectives and Policies of Management of Various Risks (Continued)

#### (2) Credit Risk

At the end of the year, the greatest credit risk exposure causing the financial loss of the Group is mainly from loss of the financial assets of the Group due to that one party of the contract failed to perform obligations.

In order to reduce credit risk, the Company organized a group to control credit line, conduct credit approval and other supervision procedures to ensure to adopt necessary measures to recover overdue creditor's rights. Besides, the Group will review the recovery of each single receivable on each balance sheet date, to ensure that Bad Debt Provision can be fully withdrawn for the receivables that cannot be recovered. Therefore, the management of the Company considers that credit risks assumed by the Group have been greatly reduced.

Current funds of the Group are deposited at the bank with higher credit grading, therefore, the credit risk of the current funds is relatively low.

Since the risk exposure of the Group is distributed at multiple contract parties and multiple customers, 5.64% (3.92% for the previous period) and 17.78% (16.61% for the previous period) balances of receivables of the Group are respectively from the top one customer and the top five customers of the Group, therefore, the Group has no significant credit-concentrated risks.

The top five receivables total to RMB 55,591,679.13.

#### (3) Liquidity Risk

The Group has managed the liquidity risk in a way by ensuring sufficient financial liquidity to perform due debts, so as to avoid causing unacceptable loss or causing damage to enterprise reputation. The Group has analyzed the liability structure and duration on a regular basis, so as to ensure sufficient fund. The Management of the Group supervises the usage of the bank loans and ensures to obey the loan agreement. Meanwhile, the Group has made financing negotiation with financial institutions, so as to maintain certain credit line and reduce liquidity risk.

The Group takes bank loans as the main sources of funds. As at June 30, 2017, the unused bank loan limit of the Group was RMB 33,800,000, (On January 1, 2017, RMB 98,800,000) and was all the limit of short-term borrowings.

Financial assets and financial liabilities held by the Group are analyzed as follows as per the expiration of undiscounted remaining contractual obligations:

Amount as at June 30, 2017:

Item	Within one year	One to two years	Two to five years	More than five years	Total
<b>Financial Assets</b>					
Cash at Bank and on Hand	77,666,624.57				77,666,624.57
Notes Receivable	11,102,994.10				11,102,994.10
Accounts Receivable	312,552,283.60				312,552,283.60
Other Receivables	8,097,905.68				8,097,905.68
<b>Financial Liabilities</b>					
Short-term Borrowings	225,000,000.00				225,000,000.00
Notes Payable	15,000,000.00				15,000,000.00
Accounts Payable	319,836,920.07				319,836,920.07
Interests Payable	557,523.71				557,523.71
Other Payables	161,329,258.84				161,329,258.84
Employee Benefits Payable	18,255,105.84				18,255,105.84
Non-current Liabilities Due Within					
One Year	11,000,000.00				11,000,000.00
Special Payables	103,900,000.00				103,900,000.00

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTY AND RELATED TRANSACTIONS

### (I) Related Party Relationships

#### 1) Controlling Shareholder and Ultimate Controlling Party

##### (1) Controlling Shareholder and Ultimate Controlling Party

Name of Controlling Shareholder and Ultimate Controlling Party	Registration Place	Business Nature	Registered Capital	Shareholding Ratio (%) to the Company	Proportion (%) of Voting Right to the Company
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Chaoyang District, Beijing	State-owned Capital	RMB 2,044,687,100	43.30	43.30

##### (2) Registered Capital of Controlling Shareholder and the Changes (Unit: RMB 10,000)

Controlling Shareholder	Opening Balance	Increase in the Current Year	Decrease in the Current Year	Closing Balance
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	201,098.71	3,370.00	0.00	204,468.71

##### (3) Shareholding or Equity of Controlling Shareholder and the Changes (Unit: RMB 10,000)

Controlling Shareholder	Amount of Shareholding		Shareholding Ratio (%)	
	Closing Balance	Opening Balance	Closing Ratio	Opening Ratio
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	18,273.5052	18,273.5052	43.30	43.30

#### 2) Subsidiary

For detailed information of subsidiary, refer to relevant content of "Note VIII.1. (1) Composition of the Enterprises Group".

#### 3) Associated Enterprises and Joint Ventures

For detailed information of the Company's important joint ventures or associated enterprises, refer to "Note VIII. 2. (1) Important Joint Ventures or Associated Enterprises" related content. The information of other joint ventures or associated enterprises which produced balance for conducting related-party transaction with the Company in this year or in the earlier stage is shown as follows:

Name of Associated Enterprises or Joint Ventures	Relationship with the Company
Shandong Tianhai High Pressure Container Co., Ltd.	Joint Venture
Jiangsu Tianhai Special Equipment Co., Ltd.	Associated Enterprise

#### 4) Other Related Parties

Name of Other Related Parties	Relationship with the Company
Beijing Jingcheng Mechanical and Electronic Assets Management Co., Ltd.	Other Enterprises under the Control of the Same Controlling Shareholder and Final Controller
Beijing No. 1 Machine Tool Plant	Other Enterprises under the Control of the Same Controlling Shareholder and Final Controller
Beijing Jingcheng Industrial Logistics Co., Ltd.	Other Enterprises under the Control of the Same Controlling Shareholder and Final Controller
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Related Party of Minority Shareholders of Subsidiary
Tianjin Dawufeng Investment Co., Ltd.	Minority Shareholders of the Subsidiary

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTY AND RELATED TRANSACTIONS (CONTINUED)

### (II) Related Transaction

#### 1) Related Transaction of Sales of Commodities, Rendering and Receiving of Labor Services

##### (1) Purchase of Commodities/Receiving of Labor Services

Related Party	Contents of Related Transaction	Amount in the Current Period	Amount in the Previous Period
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Raw Materials	75,089,287.88	31,072,110.65
Shandong Tianhai High Pressure Container Co., Ltd.	Purchasing Goods	5,379,200.81	30,741,600.60
Jiangsu Tianhai Special Equipment Co., Ltd.	Purchasing Goods	1,825,111.92	0.00
<b>Total</b>	–	<b>82,293,600.61</b>	<b>61,813,711.25</b>

##### (2) Sales of Commodities and Rendering of Labor Services

Related Party	Contents of Related Transaction	Amount in the Current Period	Amount in the Previous Period
Jiangsu Tianhai Special Equipment Co., Ltd.	Sales of Goods	2,875,921.18	0.00
Shandong Tianhai High Pressure Container Co., Ltd.	Sales of Goods	578,366.21	369,761.15
<b>Total</b>	–	<b>3,454,287.39</b>	<b>369,761.15</b>

#### 2) Information of Related Lease

##### (1) Information of Accepting Lease

Name of Lessor	Name of Lessee	Category of Leased Assets	Rental Expenses Recognized in Current Period	Rental Expenses Recognized in the Previous Period
Beijing No. 1 Machine Tool Plant	Beijing Pioneer Up Lifter Co., Ltd.	Houses	25,000.00	95,000.00
Beijing Jingcheng Mechanical and Electronic Assets Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Houses	607,809.52	680,000.00

#### 3) Information of Related Guarantee

Name of Guarantor	Name of the Guaranteed	Guaranteed Amount	Start Date	Due Date	Whether the guarantee has been completed
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	1/16/2017	1/16/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	25,000,000.00	4/12/2017	4/12/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	50,000,000.00	5/16/2017	5/16/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	12/29/2016	12/29/2019	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	1/11/2017	7/10/2019	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	5/11/2017	5/10/2020	No

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTY AND RELATED TRANSACTIONS (CONTINUED)

### (II) Related Transaction (Continued)

#### 4) Fund Lending of Related Parties

Name of Related Party	Borrowing/Lending	Amount of Borrowing	Start Date	Due Date	Remarks
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	50,000,000.00	11/8/2016	5/8/2017	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Langfang Tianhai High Pressure Container Co., Ltd.	81,800,000.00	9/11/2016	9/10/2017	-

#### 5) Interest Expenses/Interest Incomes of Related Party

Name of Related Party	Amount in the Current Period	Amount in the Previous Period
Jingcheng Holding (Interest Expenses)	2,783,001.64	2,043,102.78

### (III) Balance of Exchange among Related Parties

#### 1) Receivable Items

Item	Related Party	Closing Balance		Opening Balance	
		Book Balance	Bad Debt Reserves	Book Balance	Bad Debt Reserves
Accounts Receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	9,600,516.61	96,005.17	8,765,614.27	87,656.14
Other Receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	593,237.11	40,336.96	382,273.18	5,096.13
	Shandong Tianhai High Pressure Container Co., Ltd.	2,196,302.00	21,963.02	21,180.00	211.80
Advances to Suppliers	Shandong Tianhai High Pressure Container Co., Ltd.	780.00	0.00	1,423,876.73	0.00
	Jiangsu Tianhai Special Equipment Co., Ltd.	187,512.00	0.00	0.00	0.00

#### 2) Payable Items

Item	Related Party	Closing Balance	Opening Balance
Accounts payable	Beijing Jingcheng Industrial Logistics Co., Ltd.	1,202,227.27	1,202,227.27
	Shandong Tianhai High Pressure Container Co., Ltd.	1,312,677.77	0.00
	Tianjin Steel Pipe & Steel Trading Co., Ltd.	18,103,871.40	21,452,293.35
Advances from Customers	Shandong Tianhai High Pressure Container Co., Ltd.	13,978.35	3,340.00
Other payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	131,800,000.00	133,000,000.00
	Tianjin Dawufeng Investment Co., Ltd.	1,745,879.83	1,704,203.53
Special Payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	114,900,000.00	114,900,000.00

### (IV) Compensation of Management

Name of Related Party	Amount in the Current Period	Amount in the Previous Period
Total Compensations	3,350,212.26	2,048,440.12

## SECTION 10 FINANCIAL REPORT

### X. RELATED PARTY AND RELATED TRANSACTIONS (CONTINUED)

#### (V) Compensation of Directors, Supervisors and Employees

##### 1) The detailed compensation of directors and supervisors is shown as follows

Item	Salary and Allowance	Social Insurance, Housing Fund and Retired Pension	Bonus	Stock Payment	Total
<b>Amount in the Current Period</b>					
<b>Executive Director</b>					
Wang Jun	140,035.00	28,333.92	336,732.00		505,100.92
Chen Changge	85,000.00	18,889.28	56,668.00		160,557.28
Du Yuexi	97,992.00	28,333.92	379,939.00		506,264.92
Li Junjie	119,000.00	28,333.92	68,030.00		215,363.92
<b>Non-executive Director</b>					
Xia Zhonghua	142,847.00	28,333.92	108,000.00		279,180.92
Fu Hongquan	188,079.00	27,213.36	54,000.00		269,292.36
Jin Chunyu	132,278.00	28,333.92	93,771.00		254,382.92
<b>Independent Non-executive Director</b>					
Wu Yan					
Liu Ning					
Yang Xiaohui					
Fan Yong					
<b>Supervisor</b>					
Chang Yun	141,303.00	28,333.92	54,000.00		223,636.92
Liu Zhe	91,800.00	28,333.92	82,559.00		202,692.92
Wang Yiqing	80,898.75	28,333.92	73,678.75		182,911.42
<b>Total</b>	<b>1,219,232.75</b>	<b>272,774.00</b>	<b>1,307,377.75</b>	<b>-</b>	<b>2,799,384.50</b>
<b>Amount in the Previous Period</b>					
<b>Executive Director</b>					
Wang Jun	103,859.36	9,306.72			113,166.08
Chen Changge	144,039.36	9,306.72	54,567.59		207,913.67
Li Junjie	131,289.36	9,306.72	53,333.00		193,929.08
Jiang Chi	118,539.36	9,306.72	43,565.99		171,412.07
Du Yuexi	114,531.36	9,306.72			123,838.08
<b>Non-executive Director</b>					
Xia Zhonghua	193,664.36	9,306.72			202,971.08
Jin Chunyu	162,460.36	9,306.72			171,767.08
Fu Hongquan	167,056.36	9,306.72			176,363.08
<b>Independent Non-executive Director</b>					
Wu Yan					
Liu Ning					
Yang Xiaohui					
Fan Yong					
<b>Supervisor</b>					
Chang Yun	147,304.07	9,306.72			156,610.79
Wang Yiqing	96,864.36	9,306.72	58,697.18		164,868.26
Liu Zhe	108,339.36	9,306.72	67,977.70		185,623.78
<b>Total</b>	<b>1,487,947.67</b>	<b>102,373.92</b>	<b>278,141.46</b>		<b>1,868,463.05</b>

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTY AND RELATED TRANSACTIONS (CONTINUED)

### (V) Compensation of Directors, Supervisors and Employees (Continued)

#### 2) Five Persons with the Highest Compensation

Of five persons (five persons for the previous period) with the highest compensation for the current period, five persons are directors and supervisors, and their compensation is recorded in the Note "X.(iv). (1)".

#### Scope of Compensation:

Item	Number of people for the Current Period	Number of people for the Previous Period
Within HKD1,000,000	5	5
HKD1,000,001 to HKD1,500,000		
HKD1,500,001 to HKD2,000,000		
HKD2,000,001 to HKD2,500,000		

- 3) At the track record period, there has been no director who gives up or agrees to give up any compensation. At the track record period, the Company has not paid any compensation to any director, supervisor or five persons with the highest compensation as the reward for attracting them to join in the Company or reward for them when joining in or as the separation allowance.

#### 4) Compensation for Key Managers

Compensation for key managers (including the amount which has been paid and shall be paid to directors, supervisors and senior management) is shown as follows:

Item	Amount in the Current Period	Amount in the Previous Period
Salary and Allowance	1,525,232.75	1,606,487.03
Social Insurance, Housing Fund and Relevant Pension Costs	357,775.76	111,680.64
Bonus	1,467,203.75	330,272.45
<b>Total</b>	<b>3,350,212.26</b>	<b>2,048,440.12</b>

## XI. STOCK PAYMENT

The Group has no stock payment as of June 30, 2017.

## XII. CONTINGENCIES

As of June 30, 2017, the Group has no significant contingency that needs to be disclosed.

## XIII. COMMITMENTS

### 1. Significant Commitments

The signed leasing contracts of which the implementation is under way or in ready, and financial influence of the leasing contracts

As at June 30, 2017, the Group, as the lessee, shall bear the summarized minimum rent payable in future in the following duration required for the irrevocable operating lease of the forest plant project, etc.:

Period	Amount in the Current Period	Amount in the Previous Period
Within 1 Year T+1 Years	1,886,860.00	1,886,860.00
1 to 2 Years T+2 Years	1,886,860.00	1,886,860.00
2 to 3 Years T+3 Years	1,886,860.00	1,886,860.00
After T+3 years	18,574,075.00	18,868,600.00
<b>Total</b>	<b>24,234,655.00</b>	<b>24,529,180.00</b>

2. Except for the aforesaid commitments, as at June 30, 2017, the Group has no other significant commitments



## SECTION 10 FINANCIAL REPORT

### XIV. EVENTS AFTER BALANCE SHEET DATE

Until the date of approval on the financial statements, there are no events after the balance sheet date for the Group to disclose.

### XV. OTHER IMPORTANT MATTERS

- To adapt to Beijing's dispersal of non-capital core functionality and accelerate the industrial restructuring of Beijing area, Beijing Tianhai Industry Co., Ltd.- subsidiary of the Company signed the Letter of Intent for Strategic Cooperation with Landgent Senior Living Co., Ltd. on December 29, 2016; Landgent Senior Living Co., Ltd. assisted the upgrading, reconstruction and industrial transformation of Wufangqiao old industrial plant held by Beijing Tianhai Industry Co., Ltd. and jointly built pension service project by relying on its professional advantages. Beijing Tianhai Industrial Co., Ltd. and Landgent Investment signed the *Agreement on the Release of the Letter of Intent for Strategic Cooperation* on June 27, 2017. The Parties agreed that the *Letter of Intent for Strategic Cooperation* signed on December 29, 2016 was terminated on the date of signing the release agreement, and after that date, the Parties shall no longer discuss the cooperation matters and the Parties also agreed to terminate the performance of the unfulfilled parts of the letter of intent and shall not be responsible and be held responsible for any liability for each other. The Board of Directors believes that the termination of the said letter of intent do not cause any significant influence to the current business operation and financial position of the Company and further believes that the termination of clauses in the letter of intent is executed according to general business clauses and the relevant contents of the termination are fair and reasonable and conform to the overall interests of the Company and its shareholders.
- Apart from the above matters, the Group has no other significant matters.

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Other Receivables

##### (1) Classification of Other Receivables

Category	Closing Balance				
	Book Balance		Bad Debt Reserves		Book Value
	Amount	Proportion (%)	Amount	Proportion of Withdrawing (%)	
Other receivables which single amount is significant with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
Other receivables which bad debts are provided by combination of credit risk features	345,100,000.00	100.00	0.00	0.00	345,100,000.00
Combination of related parties within the scope of combination	345,100,000.00	100.00	0.00	0.00	345,100,000.00
Other receivables which single amount is insignificant but with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>345,100,000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>345,100,000.00</b>

(Con't)

Category	Opening Balance				
	Book Balance		Bad Debt Reserves		Book Value
	Amount	Proportion (%)	Amount	Proportion of Withdrawing (%)	
Other receivables which single amount is significant with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
Other receivables which bad debts are provided by combination of credit risk features	345,100,000.00	100.00	0.00	0.00	345,100,000.00
Combination of related parties within the scope of combination	345,100,000.00	100.00	0.00	0.00	345,100,000.00
Other receivables which single amount is insignificant but with single bad debt reserve	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>345,100,000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>345,100,000.00</b>

Receivables which bad debts are provided by combination of credit risk features in combination

Name of Company	Closing Balance		
	Other Receivables	Bad Debt Reserves	Proportion of Withdrawing (%)
Beijing Tianhai Industry Co., Ltd.	345,100,000.00	0.00	0.00

## SECTION 10 FINANCIAL REPORT

### XVI. NOTES TO MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Other Receivables (Continued)

(2) The category of other receivables as per the nature of amount

Nature of Amount	Closing Book Balance	Opening Book Balance
Concerned Borrowings	340,000,000.00	340,000,000.00
Concerned Intercourse Funds	5,100,000.00	5,100,000.00
<b>Total</b>	<b>345,100,000.00</b>	<b>345,100,000.00</b>

(3) Other receivables collected as per the debtors

Name of Company	Nature of Amount	Closing Balance	Aging	Proportion to Total Amount of Closing Balance of Other Receivable (%)	Closing Balance of Bad Debt Reserves
Beijing Tianhai Industry Co., Ltd.	Borrowings	340,000,000.00	Three to four years	98.52	0.00
Beijing Tianhai Industry Co., Ltd.	Concerned Intercourse Funds	5,100,000.00	One to three years	1.48	0.00
<b>Total</b>	-	<b>345,100,000.00</b>	-	<b>100.00</b>	<b>0.00</b>

2. Long-term Equity Investment

(1) Classification of Long-term Equity Investments

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment to Subsidiaries	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41

(2) Investment to Subsidiaries

Invested Entity	Opening Balance	Increase in the Current Year	Decrease in the Current Year	Closing Balance	Provision for Impairment in the Current Year	Closing Balance of Impairment Provisions
Beijing Tianhai Industry Co., Ltd.	552,798,696.31	0.00	0.00	552,798,696.31	0.00	0.00
Jingcheng Holdings (Hong Kong) Co., Ltd.	142,044,028.10	0.00	0.00	142,044,028.10	0.00	0.00
<b>Total</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>0.00</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>0.00</b>

(3) Operating Income and Operating Cost

Item	Amount in the Current Period		Amount in the Previous Period	
	Incomes	Costs	Incomes	Costs
Other Businesses	786,556.61	0.00	708,789.32	0.00

### XVII. APPROVAL ON FINANCIAL STATEMENTS

The financial statements will be approved by the board of directors of the Company on August 11, 2017.

# SECTION 10 FINANCIAL REPORT

## VIII.SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

### 1. Breakdown of Non-Recurring Profit and Loss for the Current Year

- (1) In accordance with the China Securities Regulatory Commission on Information Disclosure Regulations's *Explanatory Announcement No. 1 of for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss (2008)*, the Group's extraordinary profit and loss in 2016 is shown as follows:

Item	Amount in the Current Period	Remarks
Profits and losses from disposal of non-current assets	694,074.16	VI. 44 and 45
Government subsidies included into the current profits and losses	2,550,972.00	VI. 44
Profits or losses from debt restructuring	1,026,696.07	VI. 44
Other non-operating incomes and expenditures apart from the aforesaid items	-1,383,243.25	VI. 44 and 45
Other profits and losses items in line with the definition of non-recurring profits and losses	0.00	
Subtotal	2,888,498.98	
Influenced Amount of Income Tax	0.00	
Influenced Amount of Minority Equity (After-Tax)	96,648.03	
<b>Total</b>	<b>2,791,850.95</b>	

### 2. Return on Equity and Earnings Per Share

Profits for the Report Period	Weighted Mean Return on Equity (%)		Earnings per Share			
	January-June 2017	January-June 2016	Basic EPS January-June 2017	Basic EPS January-June 2016	Diluted EPS January-June 2017	Diluted EPS January-June 2016
Net profits attributable to shareholders of parent company	-8.46	-9.11	-0.10	-0.15	-0.10	-0.15
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	-9.00	-10.31	-0.11	-0.17	-0.11	-0.17

### 3. Other information that needs to be disclosed

#### (1) Turnover

The turnover shall include the received and receivable net sales value of different types of cryogenic storage-transport vessels and spare parts and net value of service provision, and their analysis is shown as follows:

Item	Amount in the Current Period	Amount in the Previous Period
Seamless Steel Gas Cylinder	130,823,394.15	244,377,340.98
Full-wrapped Cylinder	99,773,930.42	53,738,322.28
Cryogenic Cylinder	141,166,345.91	96,996,900.42
Cryogenic Storage and Transportation Equipment	63,047,862.80	22,243,581.30
Other	83,852,594.65	43,801,011.83
Gross Sales	518,664,127.93	461,157,156.81
Less: Sales Tax and Other Additional Charges	6,794,558.21	2,352,420.20
<b>Total</b>	<b>511,869,569.72</b>	<b>458,804,736.61</b>

#### (2) Taxes

Item	Amount in the Current Period	Amount in the Previous Period
Corporate Income Tax in the Current Year	2,089,336.25	1,304,937.38
Deferred Income Taxes	1,070.39	37,296.88
<b>Total</b>	<b>2,090,406.64</b>	<b>1,342,234.26</b>

#### (3) Stock Dividend

No dividend paid or declared from January to June of 2017. No dividend is declared during this reporting period (January to June 2016: none).

Beijing Jingcheng Machinery Electric Co., Ltd.  
August 11, 2017

## SECTION 11 CORPORATE BONDS

Applicable  Not Applicable

## SECTION 12 DOCUMENTS AVAILABLE FOR INSPECTION

- Documents available for inspection
1. Original copy of the interim report signed by the Chairman.
  2. The financial statements signed and sealed by the legal representative, the Accounting Director and the Accounting Manager of the Company.
  3. Original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, the website of Shanghai Stock Exchange and the website “HKExnews” of the Hong Kong Stock Exchange.
  4. The Articles of Association of the Company.
  5. The above documents are available for inspection at the office of the Board of Directors of the Company, whose address is No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC.

Chairman: Wang Jun

Date of approval by the Board: 11 August 2017

### AMENDMENTS

Applicable  Not Applicable