



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)

2018
INTERIM REPORT



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. All directors of the Company have attended the meetings of the Board.
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
For details, please refer to Section 4 Part II(2).
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 2017 Annual General Meeting convened on 12 June 2018
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 2018 to 30 June 2018
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
Index to changes during the Reporting Period	www.jingchenggf.com.cn;www.sse.com.cn; www.hkexnews.hk ("Announcement on Cancellation of the Delisting Risk Warning on the A Shares of the Company" dated 3 April 2018)

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
Index to changes during the Reporting Period	Nil

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	京城股份	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 of the accounting firm engaged by the Company (domestic financial reporting and audit)	Name	ShineWing Certified Public Accountants LLP (Special General Partnership)
	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 accounting firm engaged by the Company (domestic internal control reporting and audit)	Name	Da Hua Certified Public Accountants (Special General Partnership)
	Office address	8/F, Xihai International Center, Building 1, No.99 Courtyard, Beisanhuan West Road, Haidian District, Beijing City
	Names of signing accountant	Liu Guoqing, Gu Qian
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

Unit: Yuan Currency: RMB

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 (%)
Operation income	474,972,512.03	535,806,085.23	-11.35
Net profit attributable to shareholders of listed company	-28,682,450.33	-44,049,991.70	-
Net profit attributable to shareholders of listed company after extraordinary items	-30,049,827.55	-46,841,842.65	-
Net cash flow from operating activities	27,405,511.86	-62,482,402.26	-
	As at the end of the reporting period	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	559,974,735.81	588,375,286.55	-4.83
Total assets	1,967,484,247.06	1,925,062,021.12	2.20

(2) Key financial indicators

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 (%)
Basic earnings per share (RMB/share)	-0.07	-0.10	N/A
Diluted earnings per share (RMB/share)	-0.07	-0.10	N/A
Basic earnings per share after extraordinary items (RMB/share)	-0.07	-0.11	N/A
Return on net assets on weighted average basis (%)	-5.12	-8.46	Increased by 3.34 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-5.37	-9.00	Increased by 3.63 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

<u>Extraordinary items</u>	<u>Amount</u>	<u>Note (Where applicable)</u>
Gain or loss on disposal of non-current assets	-42,610.67	
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	1,816,557.00	
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	423,181.50	
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	-38,843.71	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-348,433.17	
Effect of income tax	-442,473.73	
<u>Total</u>	<u>1,367,377.22</u>	

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'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

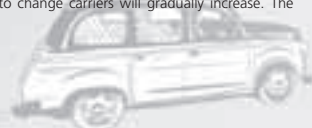
(1) Industrial fire safety market

The industry gas industry of China has made excellent progress over the past decade, however, as compared to those of developed countries, the per capita industry gas consumption in China remained at a comparatively low level, which represented the great potential for future development, and is expected to maintain a steady rise in 2018. However, industrial gas cylinders are increasingly competitive at low cost in the PRC. In addition, the transportation and storage methods of industrial gas gradually shifted to the mode of low-temperature liquefied, and this resulted in the continuously increased market demand for low temperature tank and cryogenic tanks.

Average annual sales growth rate of fire safety market in China has reached 17% during the past five years. It is expected that the fire safety industry will continue to show a rapid growth trend in the next few years, with an annual growth rate of 15%-20%. With the improvement of fire safety laws and regulations, the increasingly stringent fire safety supervision and the attention paid by each level of governments and regulatory departments to the fire safety industry, it will promote the healthy and rapid development of the fire safety industry in China, the reform of fire administrative examination and approval will further improve the marketization level of fire protection industry in China, and will create a good growth environment and competition environment for brand enterprises.

(2) Natural gas market

"The Guiding Opinions on Energy Tasks for 2018" published by the National Energy Administration mentioned that, the proportion of natural gas consumption in the primary energy consumption structure increased to 7.5% in 2018. China will promote the construction of a natural gas production, supply and marketing system. The National Energy Administration predicted that, natural gas production of China in 2018 was about 160 billion cubic meters, achieving rapid growth. However, the contradiction between supply and demand is still prominent. The National Development and Reform Commission mentioned that it will establish a peak regulation mechanism of approximately 200 million square meters to stabilize the natural gas supply and reserves in the PRC. The sustained growth of demand for LNG peak infrastructure in various regions will stimulate the growth of demand for large LNG storage tanks. In terms of natural gas vehicles, there are currently two major policies which promote the development of natural gas heavy trucks: one policy is the "13th Five-Year for Natural Gas", the plan clearly points out that by 2020, there will be approximately 10,000,000 natural gas vehicles, the purpose of this plan is to promote the demand for natural gas heavy trucks. Another policy is the "Opinions on Accelerating the Promotion of Natural Gas Utilisation" jointly developed by 13 ministries and commissions including the National Development and Reform Commission, the Ministry of Transport, and the Ministry of Industry and Information Technology. The opinion pointed out those natural gas vehicles shall focus on the development of bus rental, long-distance heavy trucks, as well as sanitation, field, port areas, scenic spots and other operations and ferry vehicles, and accelerate the promotion of heavy-duty natural gas vehicles to replace heavy-duty diesel vehicles. In the next few years, although the demand for natural gas heavy trucks is not high, the proportion of the overall heavy truck market has increased year by year. This is mainly due to the decline in demand for the overall heavy truck market, while the demand for natural gas heavy trucks continues to show an upward trend. Along with the price of LNG continues to fall in the future, fuel prices continue to rise, the economics of LNG powerboats will show up again, and the willingness of ship operators to change carriers will gradually increase. The



SECTION 3 BUSINESS SUMMARY OF THE COMPANY

core components such as marine gas cylinders in the industrial chain, LNG filling stations, barges, inland rivers and offshore LNG transportation supply vessels will become the key link in the development of the combustion-supporting industry and fully share the high-speed growth of the industry. In the future, with the increase in demand for imported natural gas, it will promote the increase in demand for LNG marine transportation and drive the development of LNG shipping business to provide opportunities for LNG tank container transportation market.

(3) Hydrogen energy market

As an important direction of the transformation and upgrading of automobile power systems and the strategy of new energy vehicles, the Chinese government has attached great importance to the development of hydrogen fuel cell vehicles at the macro level and introduced a series of support and encouragement policies. During the visit to Japan in May 2018, Premier Li Keqiang visited Toyota fuel cell vehicle "Mirai Future". During the past two months, local supporting policies emerged frequently. On 14 June 2018, Guangdong Province's "Opinions on Accelerating the Innovation and Development of New Energy Vehicle Industry" proposed that 30% of the provincial financial subsidy funds for the promotion and application of new energy vehicles should be used to support hydrogen fuel cell vehicles. Following the development plan implemented in September 2017, Shanghai issued a financial subsidy program in May 2018; Hainan and Henan issued subsidy rules on 1 June and 5 June respectively. The development of the fuel cell vehicle industry has initially formed four hydrogen energy and fuel cell vehicle industry agglomeration areas in Beijing, Tianjin and Hebei, East China, South China and Central China. According to the 21st Century Economic report, from hydrogen stations, fuel cell systems to vehicle manufacturing, there are more than 30 listed companies laid out the fuel cell car industry. Among them, there are many state-owned enterprises such as Sinopec, PetroChina and CRRC Group, as well as leaders in car industry such as Zhongtong Bus, Yutong-branded bus, SAIC Group, and companies from energy and materials fields. On 28 May 2018, at the Beijing Road Transportation Industry Exhibition, 49 Foton AUVs and 25 hydrogen fuel cell buses were delivered. They will all be used to serve the Zhangjiakou citizens during the 2022 Jing Zhang Winter Olympics. This is called the largest order for national hydrogen fuel cell buses. It is expected that the hydrogen energy industry will enter an outbreak period in the next three to five years.

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

Applicable Not applicable

On 11 May 2018, the Company disclosed the early dissolution and liquidation of Langfang Tianhai High Pressure Containers Co., Ltd. ("Langfang Tianhai") and the authorization to the board of directors of Langfang Tianhai to determine the subsequent matters of dissolution and liquidation in Announcement on the Resolutions Passed at the Fourth Extraordinary Meeting of the Ninth Session of the Board of Directors (announcement no.: Lin 2018-015). On 18 May 2018, the Company disclosed the Supplementary Announcement in relation to Early Dissolution and Liquidation of Langfang Tianhai (announcement no.: Lin 2018-019). As the transaction of the transfer of real estate assets by Langfang Tianhai has been completed (disclosed in announcements dated 21 July 2017 and 29 December 2017 respectively, announcement no.: Lin 2017-031 and Lin 2017-046), according to the Company's strategic deployment, it is proposed to launch the dissolution and liquidation of Langfang Tianhai. At present, all work has been carried out in an orderly manner. If there is any significant progress in the dissolution and liquidation, the Company will announce it in due course.

Of which: overseas assets amounted to RMB0, representing 0% of the total assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

1. Scale and Brand Advantages

The Company is a group company consisted of 9 production bases manufacturing of professional gas storage and transportation equipment (including Beijing Tianhai, Minghui Tianhai, Tianhai Low Temperature, Tianjin Tianhai, Shanghai Tianhai, Langfang Tianhai, Kuancheng Tianhai, Shandong Tianhai and Jiangsu Tianhai), a vehicle chassis reassembled base (Beijing Pioneer Up Lifter Co., Ltd.) and an American Company. With 20 years' operation development, the Company has established a corporate image of fine technology basis and product stability and reliability and the brand Tianhai has become one of the well-known brand.

2. Technology advantage

Relied on continuously technology research and development, 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.

At the same time, 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.

SECTION 3 BUSINESS SUMMARY OF THE COMPANY

3. Sales network advantage

The Company has established a complete sales network equipped with over 30 distribution offices scattering across the country, realizing a full geographical coverage nationwide, and is capable of offering spare parts to largest-scaled automobile manufacturer of national automobile among the supply chain of spare parts for domestic mainstream automobile manufacturers. The Company has also set up eight overseas sales offices mainly located in the United States, Singapore, Korea, India, Australia and other countries. Its products have been accepted by seven out of the world's top eight gas companies. 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.

Leveraging on advanced technology, outstanding management, reliable products and completed aftersales services system, the Company is keeping its pace of becoming a global leading manufacturing and service enterprise of energy gas storage devices.

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 aimed to retain talents with our strong prospects, competitive remuneration and loyalty. 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 MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

Under the influence of various adverse factors, such as the normalization of the economic downturn, the fluctuation of the natural gas market and overcapacity etc., the workload of the gas storage and transportation industry has also been fluctuated. During the first half of 2018, fiction of China-US trade has been continuously escalating, export markets faced significant uncertainty risks. Faced with complex and changing market situation and arduous development task, the Company paid concerted efforts to overcome difficulties and advanced the work in an orderly manner. In terms of principal business of the Company, we always adhere to market orientation, speed up research and development of new products, actively seize market share and accelerate adjustment of product structure and spatial layout. In terms of non-principal business, the Company should look at the whole picture and properly revitalize and utilize land resources so as to lay solid foundation for its sustainable and healthy development. In terms of capital operation, the Company pays close attention to the trends of capital market, studies the feasibility of capital operation through multiple channels, actively seeks and carefully judges the target of cooperation target, and makes good resource for the Company to implement capital operation in the next step.

During the reporting period, the Company realized operating income of RMB475,000,000, representing a decrease of 11.35% as compared with the corresponding period of last year. Net profits attributable to shareholders of the listed Company was approximately RMB-28,680,000, representing a loss of approximately RMB15,370,000 as compared with the corresponding period of last year.

During Reporting Period, the Company had focused on the following work:

1. In the face of unfavorable market conditions, intensely cultivate the principal business of gas storage and transportation equipment business

In the field of industrial gas cylinders, the industrial gas market remained stable, the competition of low cost has become increasingly fierce. Based on product quality and brand advantages, the Company actively implemented sales policy of agency plus direct sales to maintain market share. In the field of natural gas, during the first half of 2018, the market for wrapping bottle modification has warmed up. Facing the unfavorable situation of fierce price competition, in order to guarantee the market would not decline, through weight reduction measures and precise marketing measures for major customers, the Company gradually opened up the market in key areas and business income increased steadily. Due to the "gas shortage" in winter, the LNG heavy truck market caused the supply and price of LNG to fluctuate drastically. In the first half of 2018, the loading volume dropped in a clifflike manner. The Company opened up market in face of adversity, seized opportunities and actively developed customers and laid a foundation for the market recovery for the second half of year. In the field of hydrogen energy, the Company has been keeping up with new markets and new business formats, actively explored the target customer market, actively occupied market share in the field of new energy fuel cell vehicles and hydrogen infrastructure construction; and cooperated with OEMs and a number of hydrogen supply system for new vehicle models were completed, which ensured the subsequent application of new development products.

2. Improve management system and assessment mechanism, and enhance management level through multiple measures

The Company established and revised a number of internal management systems in accordance with the "Articles of Association" and regulations of the PRC and combined with the actual situation of the Company to ensure that all aspects of the Company's work were carried out efficiently and orderly and relevant decisions were made based on evidence.

During the reporting period, a number of remuneration management measures, such as the "Management Measures on the Efficiency Assessment of Senior Management" were formulated and revised to enable the salary distribution and performance appraisal of all levels of management to be combined with the performance of the Company and shareholder's value, so as to establish a better incentive and constraint mechanism work platform for enterprise operators, and improve the construction of incentive system of the Company.

By improving systems such as the "Legal Affairs Management System" and the "Legal Disputes Management Measures", the Company established a legal affairs management system to prevent and control legal risks; promoted subsidiaries to establish a sound internal control systems, strengthened internal control management, improved audit systems, conducted internal audits, and strengthened audit supervision to ensure the orderly operation and management of the Company.

3. Improve financial management and secure fund security

During the first half of the year, in the face of complex situations such as staff placement during the Company's reform and adjustment and equipment depreciation, the Company strengthened overall budget management and strictly controlled the increase in expenditures; through measures such as collection situation analysis and the improvement of the credit rating system for customers and agents, reduced the risk of receivables from the source, notes receivable decreased by approximately RMB20,600,000 and account receivables decreased by approximately RMB72,040,000, representing a decrease of approximately RMB92,640,000 in total as compared with the beginning of the year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

4. Reform and adjustment progressed smoothly and achieved remarkable results

On 11 May 2018, the Company disclosed the early dissolution and liquidation of Langfang Tianhai High Pressure Containers Co., Ltd. ("Langfang Tianhai") and the authorization to the board of directors of Langfang Tianhai to determine the subsequent matters of dissolution and liquidation in Announcement on the Resolutions Passed at the Fourth Extraordinary Meeting of the Ninth Session of the Board of Directors (announcement no.: Lin 2018-015). On 15 May 2018, the Company disclosed the Supplementary Announcement in relation to Early Dissolution and Liquidation of Langfang Tianhai (announcement no.: Lin 2018-019). At present, Langfang Tianhai has entered the liquidation stage, and the work is progressing smoothly. The Company will disclose the progress in a timely manner in accordance with relevant regulations. The Company actively promotes the Wufangqiao Plant Development Project, determined the development plan as soon as possible, and timely promoted the project implementation to realize the effective use of resources.

5. New product development and certification

During the first half of the year, the Company made every effort to promote the construction of the four-type bottle production line. The four-type bottle products are classified as clean energy and new energy, and are high value-added products. Following the AQSIG project, it will be one of development directions of the Company in the future; Kuancheng Tianhai passed the DOT audit and obtained the DOT certificate; Beijing Tianhai, Minghui Tianhai, Tianjin Tianhai completed the IATF16949:2016 revision work and obtained the certificate.

During the second half of the year, the Company will focus on the following work:

1. Focus on the principal business of gas storage and transportation equipment, and actively explore the market

For international market, we will continue to explore potential customers, implement accurate marketing of large customers, and expand the proportion of overseas business of multinational gas companies to ensure the continued growth of sales; pay attention to the national policy of "One Belt, One Road" and market investment in countries along the route, vigorously carry out international cooperation and expand the development space of overseas markets. For field of industrial fire protection, aiming at the mid-to-high-end market, the Company will maintain stable and established channels for large customers; maintain the leading position of fire-fighting bottles in the market, moderately increase the scale and improving profitability. For natural gas market, the Company will further maintain the weight loss advantage of CNG wrapped cylinders, meeting the existing market demand, and stabilize market share and profit level. Based on large-diameter and lightweight system solutions, we will gradually expand the market share of automotive cylinder products; vigorously develop ultra-large natural gas tank storage business while also actively expanding marine tanks market. For hydrogen energy market, the Company will extend its cooperation with automobile manufacturers and system integrators based on the "high-tech" industrial development planning of the capital city and perform well on cultivating new products and form economies of scale as soon as possible. At the same time, we will integrate the gas, bottle and station into the industrial chain based on the existing hydrogen bottle and hydrogen system, seek better business cooperation model, establish industry chain strategic cooperation relationship, open up product sales channel.

2. Perform well on deepening reform, resolving and adjusting, resolve and adjust tough battle

Fully promote the development project of the Wufangqiao Plant development project, realize the plan as soon as possible; devote every effort to perform liquidation work of Langfang Tianhai, and carry out relevant work in a solid manner to ensure that the disclosure obligations of the Company are fulfilled in compliance with laws and regulations.

3. Develop financing methods and guarantee working capital

Optimize the mode of fund management and promote efficient operation of funds. In addition to making use of bank loans and bank acceptance drafts, develop new financial instruments and expand financing methods. At the same time, it is necessary to perform well on fund income and expenditure plan management, strengthen the inspection, analysis and examination of the implementation of the income and expenditure plan; strengthen the management of accounts receivable, to establish and improve the receivables management system, and to ensure that the measures for the accounts receivable management are implemented; constantly optimize tax planning, realize the effective integration of enterprise economic activities and tax administration, reduce taxes and save taxes according to law, and strive to reduce the tax burden of enterprises.

4. Strengthen legal risk prevention and establish a sound internal control system

Continue to implement 100% of "three parts of review", promote the effective work of the legal affairs management organization system of the Company, and guard against legal risks; continue to perform well on internal audit work in accordance with the 2018 internal audit plan.



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

5. Strengthen the construction of professional talents and enhance the capital operation ability

On the one hand, the Company should pay attention to the training of internal personnel and cultivate professional talents; on the other hand, the Company should also make full use of the extensive contacts between various resources and capital markets, and actively introduce relevant professional talents, thereby improving the Company's capital operation capability and enhances the Company's value.

(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	474,972,512.03	535,806,085.23	-11.35
Operating cost	412,718,486.70	473,578,921.99	-12.85
Sales expense	23,603,845.45	25,484,211.91	-7.38
Management expense	49,780,676.47	41,653,974.53	19.51
Financial expense	12,012,276.65	11,421,395.05	5.17
Net cash flows from operating activities	27,405,511.86	-62,482,402.26	-
Net cash flows from investment activities	-30,892,011.27	-3,923,639.17	-
Net cash flows from financing activities	36,800,588.87	26,065,995.67	41.18
R&D expenditure	1,486,494.42	5,830,781.93	-74.51

Reasons for the change in the operating income: decrease of 11.35% as compared with the corresponding period of last year, attributable to income from principal businesses decreased affected by unfavorable market conditions;

Reasons for the change in operating cost: decrease of 12.85% as compared with the corresponding period of last year, attributable to decrease in the income from the principal business;

Reasons for the change in sales expense: decrease of 7.38% as compared with the corresponding period of last year, attributable to the decrease in sales income, thus leads to decrease in sales expense;

Reasons for the change in management expense: increase of 19.51% as compared with the corresponding period of last year, attributable to increase in severance benefits;

Reasons for the change in financial expense: increase of 5.17% as compared with the corresponding period of last year, attributable to increase in financial costs;

Reasons for the change in net cash flows from operating activities: increase of RMB 89,887,900 as compared with the corresponding period of last year, attributable to the cash received from operating activities increased significantly, and decrease in the cash paid for operating activities;

Reasons for the change in net cash flows from investment activities: decrease of RMB 26,968,400 as compared with the corresponding period of last year, attributable to the increase in cash payment for purchase of fixed assets;

Reasons for the change in net cash flows from financing activities: increase of RMB 10,734,600 as compared with the corresponding period of last year, attributable to the borrowings increased in the current period as compared to the corresponding period of last year;

Reasons for the change in R&D expenditure: decrease of 74.51% as compared with the corresponding period of last year, attributable to the payment of subsidies of the 70MPa hydrogen cylinder development project during the current period.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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
Investment income	3,195,881.57	-2,506,578.34	-	Mainly due to the substantial increase in net profits of subsidiaries, joint ventures and associates during the Period
Income from disposal of assets	-	813,871.18	-	Mainly due to the impact of disposal of fixed assets during the corresponding period of last year
Non-operating income	2,472,503.68	4,229,723.28	-41.54	Government subsidy decreased during the current period
Non-operating expenses	314,219.56	2,155,095.48	-85.42	Mainly due to the compensation paid for the damaged assets by a subsidiary of a subsidiary according to the settlement agreement during the corresponding period of last year
Net profit attributable to the parent company's shareholders	-28,682,450.33	-44,049,991.70	-	Mainly due to the increase in profitability for the Period as compared with corresponding period of last year
Non-controlling interests	-12,442,054.75	-4,292,706.05	189.84	Profit of subsidiaries with minority shareholders decreased during the Period
Other net comprehensive income after tax	546,273.29	-976,481.27	-	Mainly due to the effect of the translation balance in the financial statements of foreign currency

(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 4 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 at the end of current period over the previous period (%)	Description
Monetary funds	127,045,463.00	6.46	78,367,503.16	4.07	62.11	Mainly due to the substantial increase in cash inflow from operating activities during the current period
Prepayments	74,012,334.05	3.76	49,912,905.26	2.59	48.28	Mainly due to the increase in prepayments as a result of the payment policy of steel suppliers during the current period
Construction in progress	13,207,195.59	0.67	68,468,558.01	3.56	-80.71	Mainly due to the transfer of construction in progress to fixed assets upon completion
Contract liabilities	67,583,309.84	3.44	45,878,250.70	2.38	47.31	Mainly due to the increase in customer prepayments received in the current period
Employee benefits payable	22,412,833.54	1.14	36,862,542.56	1.91	-39.20	Mainly due to the decrease in employee benefits payable at the end of the year
Taxes payable	6,905,084.45	0.35	16,683,209.97	0.87	-58.61	Mainly due to the decrease in the unpaid taxes payables
Other current liabilities	201,563.70	0.01	5,380,893.08	0.28	-96.25	Mainly due to the decrease in pending changeover VAT on sales
Long-term borrowings	18,000,000.00	0.91	5,060,000.00	0.26	255.73	Mainly due to the increase in long-term borrowings by Kuancheng Tianhai, a subsidiary of the Company
Deferred income	851,166.94	0.04	2,000,000.00	0.10	-57.44	Mainly due to payment of R&D subsidies of the 70MPa hydrogen cylinder development project during the current period
Other descriptions						
Nil						

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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	18,000,000.00	Bill margin
Fixed assets	245,616,255.04	Pledged to secure bank borrowings
Intangible assets	116,584,562.28	Pledged to secure bank borrowings
Total	380,200,817.32	—

3. Other descriptions

Applicable Not Applicable

(IV) Analysis of investments

1. General analysis of external equity investments

Applicable Not Applicable

(1) Material equity investments

Applicable Not Applicable

(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

(VI) Analysis of major subsidiaries and associates

Applicable Not Applicable

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	1,969,789,718.63	623,051,612.51	-35,210,237.55
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	159,044,068.21	153,796,188.47	896,297.85

(VII) Structured entities under the control of the Company

Applicable Not Applicable



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

- (1) **Industry risk**

Due to the fluctuation of international oil prices, the subsidy policy of new energy vehicles and the increasingly strict environmental protection policies, the demand for natural gas storage and transportation industry fluctuated significantly, which had a great impact on the Company's principal business. Therefore, the Company's operations in 2018 are under greater pressure.

- (2) **Raw material price fluctuation risk**

The Company's major raw materials are stainless steel etc. The price of steel is affected by factors such as economic situations and environmental protection policies etc., and is under great fluctuations. At present, steel mills generally require the delivery of goods by cash on delivery or even cash on production, which bring greater pressure to the Company with insufficient cash flow.

- (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	50.00%	46.79%
(2) Quick ratio	68.08%	77.08%
(3) Liquidity ratio	123.68%	128.80%

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 RMB333,985,200, representing an increase of 17.19% as compared with the beginning of the year. Long-term loan amounted to RMB18,000,000, representing an increase of 255.73% as compared with the beginning of the year.

3. **Foreign exchange risk management**

Foreign exchange risk refers to the risk of loss due to exchange rate changes. 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 2018, 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.

SECTION 4 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 RMB524,136,100, while cash outflow amounted to RMB496,730,600. Net cash flow during the reporting period from operating activities amounted to RMB27,405,500.

(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 RMB30,892,000, 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-30,892,000.

(3) Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB219,088,100, which was mainly derived from bank loans. Cash outflow to fundraising activities during the reporting period amounted to RMB182,287,500. Net cash flow from fund-raising activities for the reporting period amounted to RMB36,800,600.

Net cash flow from operating activities during the current period increased by RMB89,887,900 compared with the corresponding period last year, which was mainly due to the cash received from operating activities increased significantly and the cash paid for operating activities decreased. Net cash flow generated from the investment being decreased by RMB26,968,400 compared with the corresponding period last year was mainly attributable to the increase in cash payment for purchase of fixed assets for the current period. Net cash flow generated from fundraising activities increased by RMB10,734,600 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 RMB27,405,500. Net profit for the current period was RMB-41,124,500, 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 RMB983,764,100, of which, minority interests amounted to RMB423,789,300, and total liabilities amounted to RMB983,720,200. Total assets amounted to RMB1,967,484,200. As at the end of the Reporting Period, the Company's gearing ratio was 50.00%.

Capital structure by liquidity

Total current liabilities	RMB823,036,700	Accounting for 41.83% of assets
Total equity interest attributable to shareholders	RMB983,764,100	Accounting for 50.00% of assets
Of which: minority shareholders interests	RMB432,789,300	Accounting for 21.54% of assets

6. Contingent liabilities

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

7. Details of the Company's charge on assets

Item	Book value at the end of period	Reason for restriction
Monetary funds	18,000,000.00	Bill margin
Fixed assets	245,616,255.04	Pledged to secure bank borrowings
Intangible assets	116,584,562.28	Pledged to secure bank borrowings
Total	380,200,817.32	-



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

8. Government subsidies

Item	Amount for the current period	Source
Government subsidies for “double independent” enterprises	905,895.00	Government subsidies for “double independent” enterprises
Supporting fund for short-term export credit insurance	35,282.00	Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Energy saving target assessment incentive grant by Development and Reform Committee of Chaoyang District of Beijing	200,000.00	“The Development of Chaoyang District Energy Saving Guide Funds Management Measures”
Technical standard funds of Science and Technology Committee of Chaoyang of Beijing	22,500.00	Notice in relation to the publication of “2018 Incentives for Establishment (Amendment) of Technical Standard of Chaoyang District”
Patent award by Science and Technology Commission of Chaoyang District of Beijing	4,880.00	Chao Zhi Wen [2016] No. 7: “Chaoyang District Patent Funding and Incentive Measures Implementation Rules”
Subsidies for addressing overcapacity of steel enterprises and providing positions for their employees	648,000.00	Jin Ren She Ju Fa [2016] No. 80 (津人社局發[2016]80號)
Total	1,816,557.00	-

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 1,716.

(2) Remunerations:

Remunerations during the reporting period: RMB19,367,100.

(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 91 training programs were completed in the first half of 2018 with training of 1,476 staff members, number of training hours per staff reached 12.66 hours. According to the Company’s annual training plan, the Company organized continuing education, internal control training, construction of the Party’s working style and its clean and honest administration, position and quality enhancement, safety production training, emergency plan training, fire safety training, product and process knowledge training for team leaders, financial and statisticians.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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 2018 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 2018.
- (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 5 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
2017 Annual General Meeting	12 June 2018	Website of the Shanghai Stock Exchange (http://www.sse.com.cn) and HKexnews website of the Stock Exchange (http://www.hkexnews.hk)	13 June 2018

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

Whether to distribute profit or convert capital reserve	No
Relevant explanation on profit distribution plan or plan to convert capital reserve into share capital	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 5 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	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. 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. 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."	Long term	Yes	Yes		
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	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."	Long term	Yes	Yes		



SECTION 5 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 5 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

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

V. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable



SECTION 5 IMPORTANT MATTERS

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

During the reporting period, the Company and its controlling shareholders were in good faith.

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

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

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

SECTION 5 IMPORTANT MATTERS

- (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
 - 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
 - 4. **Results which are relating to result agreements and shall be disclosed for the Reporting Period**
 Applicable Not Applicable
- (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



SECTION 5 IMPORTANT MATTERS

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	10,625,105.09	-2,287,061.28	8,338,043.81	1,580,792.28	-1,580,792.28	0.00
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	13,664,365.94	-5,086,320.12	8,578,045.82	5,191,239.08	-5,001,004.08	190,235.00
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company				1,202,227.27	-300,000.00	902,227.27
Jingcheng Holdings	Controlling shareholder				164,900,000.00		164,900,000.00
Beijing No. 1 Machine Tool Plant	Wholly-owned subsidiary of parent company				395,000.00	22,359.09	417,359.09
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party		1,962,622.83	1,962,622.83	4,060,722.44	-4,060,722.44	0.00
Tianjin Seamless Investment Co. Ltd.	Other related party				1,745,879.83	2,590,165.89	4,336,045.72
Total		24,289,471.03	-5,410,758.57	18,878,712.46	179,075,860.90	-8,329,993.82	170,745,867.08
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						

(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

SECTION 5 IMPORTANT MATTERS

XIII. CONVERTIBLE BONDS

Applicable Not Applicable

XIV. ENVIRONMENTAL INFORMATION

(I) Description on the environment protection of the Company and its major subsidiaries falling under key sewage emission entities announced by the environment protection authorities of the PRC

Applicable Not Applicable

(II) Environmental information of companies other than those falling under key sewage emission entities

Applicable Not Applicable

1. Industrial sewage:

Names of major pollutants and characteristic pollutants: chemical oxygen demand of approximately 9.61 tons, ammonia nitrogen of approximately 0.46 tons, suspended solids of approximately 0.90 tons, PH value of 6.64-7.56, total phosphorus of approximately 0.05 tons, animal and vegetable oil of approximately 0.01 tons, anionic surfactant of approximately 0.48 tons, mineral oil of approximately 0.02 tons; a total of 3 discharges, all meet the discharge standard.

2. Exhaust gas emissions:

Names of major pollutants and characteristic pollutants: nitrogen oxides of approximately 1,590 kg, sulfur dioxide of approximately 134 kg, benzene of approximately 15.51 Kg, benzene series of approximately 48.62 kg, non-methane total hydrocarbon of approximately 600.8 kg, particulate matter of approximately 76 kg; a total of 18 discharges, all meet the discharge standard.

3. Solid waste: Total amount of waste generated was approximately 1,343.45 tons, of which total amount of hazardous waste generated was approximately 14.27 tons (excluding storage), total amount of hazardous waste disposed was approximately 11.27 tons, and the storage capacity was approximately 18 tons; the wastes were disposed by companies which possess hazardous waste treatment qualifications.

4. Construction and operation of pollution prevention & treatment facilities: Beijing Minghui Tianhai added 66 welding dust treatment nozzles, 6 grinding and cleaning heads, and 32 new welding dust treatment nozzles in Tianhai low temperature equipment. The treatment facilities are regularly maintained and in good condition. Automatic sewage detection system were installed Beijing area.

5. Environmental impact assessment of construction project and other administrative licenses regarding environmental protection: The Company's new construction project carried out environmental impact assessment first, and commenced work after approval was obtained in respect of environmental protection. At present, two projects are undergoing environmental impact assessment.

6. Environmental Emergency Response Plan: The Company formulated the "Emission Response Plan for Radiation Safety Accidents QSD/EH12-01-07", "Emergency Plan for Sudden Environmental Pollution Incidents QSD/EH12-01-08", "Beijing Tianhai Industry Co., Ltd.'s Emergency Plan for Heavy Air Pollution" to respond to sudden environmental problem.

7. Environmental self-monitoring scheme: The Company accepts and cooperates with the local environmental protection bureau to supervise the inspection, and arranges third party to self-monitor according to the requirements of the Company's ISO14001:2015 "Environmental Management System Requirements and Usage Guidelines".

(III) Explanation of reasons for non-disclosure of environmental information of companies other than those falling under key sewage emission entities

Applicable Not Applicable

(IV) Description of the follow-up progress or changes in the disclosure of environmental information during the reporting period

Applicable Not Applicable



SECTION 5 IMPORTANT MATTERS

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

The Ministry of Finance revised and issued Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement (Cai Kuai [2017] No. 7), Accounting Standard for Business Enterprises No. 23-Transfer of Financial Assets (Cai Kuai [2017] No. 8), Accounting Standard for Business Enterprises No. 37-Presentation of Financial Instruments (Cai Kuai [2017] No. 14) and Accounting Standard for Business Enterprises No. 24 – Hedging (Cai Kuai [2017] No. 9) in 2017, and was effective from 1 January 2018. The Ministry of Finance revised Accounting Standard for Business Enterprises No. 14 – Revenue (Cai Kuai [2017] No. 22) in July 2017. The Group is listed on both the domestic and overseas markets, and adopted such standards since 1 January 2018. In accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15) promulgated by the Ministry of Finance, which revised the presentation format of financial statements of general enterprises in respect of the implementation of the new financial standards or new income standards by stages since 1 January 2018. The Group has adopted the new Accounting Standard for Business Enterprises as required and adjusted the comparative financial statements in accordance with the convergence requirements of the new standards. The impact of adopting the new standards on the comparative financial statements is as follows:

Affected items as at the end of 2017/from January to June 2017	Amount not considering adopting new standard	Effect of adopting new standard	Reporting amount
Advances from customers	45,878,250.70	-45,878,250.70	0.00
Contract liabilities	00.00	45,878,250.70	45,878,250.70
Management expense	47,484,756.46	-5,830,781.93	41,653,974.52
R&D expenditure		5,830,781.93	5,830,781.93
Impairment loss on assets	17,676,453.36	-10,718,176.89	6,958,276.47
Credit impairment loss		10,718,176.89	10,718,176.89

- (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 6 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	15,694
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	12,000	99,243,200	23.52%	0	Unknown	-	Unknown
Tsinghua Unigroup Co., Ltd.	-583,899	3,738,095	0.89%	0	Unknown	-	Unknown
Dou Jinhua	0	2,613,252	0.62%	0	Unknown	-	Unknown
Liao Lunwan	1,366,274	2,506,274	0.59%	0	Unknown	-	Unknown
He Yong	-200,600	1,982,300	0.47%	0	Unknown	-	Unknown
Cheng Hao	1,801,000	1,801,000	0.43%	0	Unknown	-	Unknown
Yang Qing	1,409,500	1,409,500	0.33%	0	Unknown	-	Unknown
Xin Xiangdong	532,000	1,382,300	0.33%	0	Unknown	-	Unknown
Huang Zhixiong	379,471	1,265,312	0.30%	0	Unknown	-	Unknown



SECTION 6 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	99,243,200	Overseas listed foreign shares		99,243,200
Tsinghua Unigroup Co., Ltd.	3,738,095	Ordinary shares denominated in RMB		3,738,095
Dou Jinhua	2,613,252	Ordinary shares denominated in RMB		2,613,252
Liao Lunwan	2,506,274	Ordinary shares denominated in RMB		2,506,274
He Yong	1,982,300	Ordinary shares denominated in RMB		1,982,300
Cheng Hao	1,801,000	Ordinary shares denominated in RMB		1,801,000
Yang Qing	1,409,500	Ordinary shares denominated in RMB		1,409,500
Xin Xiangdong	1,382,300	Ordinary shares denominated in RMB		1,382,300
Huang Zhixiong	1,265,312	Ordinary shares denominated in RMB		1,265,312
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 2018, 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 2018, 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 7 INFORMATION ABOUT PREFERENCE SHARE

Applicable Not Applicable



SECTION 8 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

Change of Directors, Supervisors and Senior Management of the Company

Applicable Not Applicable

III. OTHER INFORMATION

Applicable Not Applicable

SECTION 9 CORPORATE BONDS

Applicable Not Applicable



SECTION 10 FINANCIAL REPORT

I. AUDIT REPORT

Applicable Not applicable

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

June 30, 2018

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		127,045,463.00	78,367,503.16
Settlement reserve			
Loans to banks and other financial institutions			
Trading financial assets			
Derivative financial assets			
Notes receivable and account receivables		290,107,878.31	382,745,366.93
Advances to suppliers		74,012,334.05	49,912,905.26
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Other receivables		12,644,056.01	12,891,300.46
Financial assets purchased under agreements to resell			
Inventories		457,571,563.05	389,219,002.78
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other Current Assets		56,555,232.01	56,240,621.78
Total current assets		1,017,936,526.43	969,376,700.37
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments		74,890,364.04	71,694,482.47
Other equity instruments investment			
Other non-current financial assets			
Investment properties			
Fixed assets		707,020,606.84	657,289,324.75
Construction in progress		13,207,195.59	68,468,558.01
Bearer biological assets			
Oil and gas assets			
Intangible assets		137,598,830.17	139,749,967.30
Development expenditures			
Goodwill		3,679,654.40	3,679,654.40
Long-term Deferred Expenses		12,862,492.27	14,514,756.50
Deferred income tax assets		288,577.32	288,577.32
Other non-current assets			
Total non-current assets		949,547,720.63	955,685,320.75
Total assets		1,967,484,247.06	1,925,062,021.12

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2018

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		333,985,181.37	285,000,000.00
Borrowings from the central bank			
Deposits and placements from other financial institutions			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable and accounts payable		277,277,114.74	260,850,663.86
Advances from customers			
Contractual liabilities		67,583,309.84	45,878,250.70
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Employee benefits payable		22,412,833.54	36,862,542.56
Taxes payable		6,905,084.45	16,683,209.97
Other payables		103,671,639.16	90,988,717.35
Reinsurance amounts payable			
Reserve of insurance contract			
Securities brokering			
Securities underwriting			
Held-for-sale liabilities			
Current portion of non-current liabilities		11,000,000.00	11,000,000.00
Other current liabilities		201,563.70	5,380,893.08
Total current liabilities		823,036,726.80	752,644,277.52
Non-current liabilities:			
Long-term borrowings		18,000,000.00	5,060,000.00
Bonds payable			
Including: preferred shares			
Perpetual bond			
Long-term payables		103,900,000.00	103,900,000.00
Long-term employee benefits payable		33,688,734.45	32,871,892.94
Provisions		4,243,554.25	4,243,554.25
Deferred incomes		851,166.94	2,000,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Total current liabilities		160,683,455.64	148,075,447.19
Total liabilities		983,720,182.44	900,719,724.71
Owner's equity:			
Share capital		422,000,000.00	422,000,000.00
Other equity instruments		-	-
Including: preferred shares		-	-
Perpetual bond		-	-
Capital reserves		687,349,089.60	687,349,089.60
Less: treasury stocks		-	-
Other comprehensive incomes		1,435,974.46	1,154,074.87
Special reserves		-	-
Surplus reserves		45,665,647.68	45,665,647.68
Provisions for general risk		-	-
Undistributed profits		-596,475,975.93	-567,793,525.60
Total shareholders' equity attributable to parent company		559,974,735.81	588,375,286.55
Non-controlling interests		423,789,328.81	435,967,009.86
Total stockholders' equity		983,764,064.62	1,024,342,296.41
Total liabilities and stockholders' equity		1,967,484,247.06	1,925,062,021.12

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF PARENT COMPANY

June 30, 2018

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		745,318.98	2,638,253.33
Trading financial assets			
Derivative financial assets			
Notes receivable and account receivables			
Advances to suppliers			280.00
Other receivables		417,352,312.83	417,945,979.50
Inventories			
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other Current Assets		11,740.57	
Total current assets		418,109,372.38	420,584,512.83
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments		694,842,724.41	694,842,724.41
Other equity instruments investment			
Other non-current financial assets			
Investment properties			
Fixed assets		25,498.89	28,160.43
Construction in progress			
Bearer biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term Deferred Expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		694,868,223.30	694,870,884.84
Total assets		1,112,977,595.68	1,115,455,397.67

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF PARENT COMPANY (CONTINUED)

June 30, 2018

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		50,000,000.00	50,000,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable and accounts payable			
Advances from customers			
Contractual liabilities			
Employee benefits payable		429,967.31	1,352,402.33
Taxes payable		21,820.02	206,481.13
Other payables		2,607,063.70	2,243,356.96
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		201,563.70	279,193.41
Total current liabilities		53,260,414.73	54,081,433.83
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
including: preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities			
Total current liabilities			
Total liabilities		53,260,414.73	54,081,433.83
Owners' equity			
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 profits		-66,994,089.14	-65,337,306.25
Total stockholders' equity		1,059,717,180.95	1,061,373,963.84
Total liabilities and stockholders' equity		1,112,977,595.68	1,115,455,397.67

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Total operating revenue		474,972,512.03	535,806,085.23
Including: operating revenues		474,972,512.03	535,806,085.23
Interest incomes			
Earned premiums			
Fees and commissions incomes			
II. Total operating cost		518,777,898.89	582,440,296.98
Including: operating cost		412,718,486.70	473,578,921.99
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Amortized reinsurance expenditures			
Taxes and surcharges		6,374,803.05	6,794,558.21
Selling expenses		23,603,845.45	25,484,211.91
Administrative expenses		49,780,676.47	41,653,974.53
R&D costs		1,486,494.42	5,830,781.93
Financial expenses		12,012,276.65	11,421,395.05
Including: interest expense		12,465,065.58	9,956,300.37
Including: Interest incomes		1,022,640.84	100,579.17
Asset impairment losses		5,153,782.49	6,958,276.47
Credit impairment losses		7,647,533.66	10,718,176.89
Add: other incomes			
Investment incomes (with "-" for losses)		3,195,881.57	-2,506,578.34
Including: investment incomes from related enterprise and joint venture		3,195,881.57	-2,506,578.34
Exchange gains (with "-" for losses)			
Income of assets disposal (with "-" for losses)			813,871.18
III. Operating profit (with "-" for losses)		-40,609,505.29	-48,326,918.91
Add: non-operating income		2,472,503.68	4,229,723.28
Less: non-operating expenses		314,219.56	2,155,095.48
IV. Total profits (with "-" for total losses)		-38,451,221.17	-46,252,291.11
Less: income tax expenses		2,673,283.91	2,090,406.64
V. Net profits (with "-" for net losses)		-41,124,505.08	-48,342,697.75
(I) Classified according to operating continuity			
1. Net profit from continuing operations (with "-" for net losses)		-41,124,505.08	-48,342,697.75
2. Net profit from discontinuing operations (with "-" for net losses)		-41,124,505.08	-48,342,697.75
(II) Classified according to attribution of the ownership			
1. Net profits attributable to parent company		-28,682,450.33	-44,049,991.70
2. Non-controlling interests		-12,442,054.75	-4,292,706.05

Legal representative: Mr. Wang Jun Principal in charge of accounting: Ms. Jiang Chi Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Note	Amount in the current period	Amount in the previous period
VI. Other net comprehensive incomes after-tax		546,273.29	-976,481.27
Other comprehensive incomes after-tax attributable to owners of the parent company		281,899.59	-497,064.16
I. Other comprehensive income that cannot be reclassified through profit or loss			
1. Changes arising from re-measurement of the defined benefit plan.			
2. Other comprehensive incomes that cannot be reclassified into profits or losses under the equity method			
(II) Other comprehensive incomes that will be re-classified into profits or losses		281,899.59	-497,064.16
1. Other comprehensive incomes that can be reclassified into profits or losses under the equity method			
2. Changes in fair value of other debt investment			
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		281,899.59	-497,064.16
6. Others			
Other comprehensive incomes after-tax attributable to minority shareholders		264,373.70	-479,417.11
VII. Total comprehensive incomes		-40,578,231.79	-49,319,179.02
Total comprehensive incomes attributable to shareholders of the parent company		-28,400,550.74	-44,547,055.86
Total comprehensive incomes attributable to minority shareholders		-12,177,681.05	-4,772,123.16
VIII. Earnings per share:			
(I) Basic earnings per share		-0.07	-0.10
(II) Diluted earnings per share		-0.07	-0.10

Legal representative: Mr. Wang Jun Principal in charge of accounting: Ms. Jiang Chi Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

INCOME STATEMENT OF PARENT COMPANY

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Operating revenues			786,556.61
Less: operating costs			
Taxes and surcharges		11,354.62	
Selling expenses			
Administrative expenses		2,362,210.00	2,093,390.84
R&D costs			
Financial expenses		-716,781.73	-11,509.77
Including: interest expense		1,343,062.52	
Including: Interest incomes		2,062,394.19	13,666.86
Asset impairment losses			
Credit impairment losses			
Add: gains from changes of fair value (with "-" for losses)			
Investment incomes (with "-" for losses)			
Including: investment incomes from related enterprise and joint venture			
Income of assets disposal (with "-" for losses)			
Other incomes			
II. Operating profits (with "-" for losses)		-1,656,782.89	-1,295,324.46
Add: non-operating income			
Less: non-operating expenses			
III. Total profits (with "-" for total losses)		-1,656,782.89	-1,295,324.46
Less: income tax expenses			
IV. Net profits (with "-" for net losses)		-1,656,782.89	-1,295,324.46
(I) Net profit from continuing operations (with "-" for net losses)		-1,656,782.89	-1,295,324.46
(II) Net profit from discontinuing operations (with "-" for net losses)			
V. Other comprehensive incomes after-tax			
I. Other comprehensive income that cannot be reclassified through profit or loss			
1. Changes arising from re-measurement of the defined benefit plan.			
2. Other comprehensive incomes that cannot be reclassified into profits or losses under the equity method			
(II) Other comprehensive incomes that will be re-classified into profits or losses			
1. Other comprehensive incomes that can be reclassified into profits or losses under the equity method			
2. Changes in fair value of other debt investment			
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			
VI. Total comprehensive incomes		-1,656,782.89	-1,295,324.46
VII. Earnings per share			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative: Mr. Wang Jun Principal in charge of accounting: Ms. Jiang Chi Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Note	Amount in the Current Period	Amount in the Previous Period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		510,815,869.11	417,007,169.45
Net increase in deposits and placements from financial institutions			
Net increase in borrowings due to central banks			
Net increase in loans from banks and 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		7,878,451.79	16,745,281.95
Other cash receipts related to operating activities		5,441,760.38	8,280,323.01
Subtotal of cash inflows from operating activities		524,136,081.28	442,032,774.41
Cash paid for goods and services		328,194,485.55	350,394,790.39
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		111,936,126.94	101,079,477.44
Taxes and surcharges cash payments		35,588,157.62	25,156,457.99
Other cash payments related to operating activities		21,011,799.31	27,884,450.85
Subtotal of cash outflows from operating activities		496,730,569.42	504,515,176.67
Net cash flows from operating activities		27,405,511.86	-62,482,402.26
II. Cash flows from investing activities:			
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			
Subtotal of cash inflows from investing activities			
Cash paid for purchasing fixed assets, intangible assets and other long-term assets		30,892,011.27	3,923,639.17
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			
Subtotal of cash outflows from investing activities		30,892,011.27	3,923,639.17
Net cash flows from investing activities		-30,892,011.27	-3,923,639.17



SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Note	Amount in the Current Period	Amount in the Previous Period
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Including: cash received from minority shareholder investment by subsidiaries			
Cash received from borrowings		219,088,104.00	181,877,073.31
Cash received from issuing bonds			
Other cash received concerning financing activities			
Subtotal of cash inflows from financing activities		219,088,104.00	181,877,073.31
Cash paid for repayments of debts			
Cash paid for allocation of dividends, profits or interest repayment		157,230,244.00	146,948,504.30
Including: dividends and profits paid to minority shareholders by subsidiaries		7,057,271.13	7,662,573.34
Other cash paid concerning financing activities		18,000,000.00	1,200,000.00
Subtotal of cash outflows from financing activities		182,287,515.13	155,811,077.64
Net cash flows from financing activities		36,800,588.87	26,065,995.67
IV. Effects from change of exchange rate to cash and cash equivalents			
		-1,136,129.62	-793,333.44
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		32,177,959.84	-41,133,379.20
		76,867,503.16	102,580,611.77
VI. Closing balance of cash and cash equivalents		109,045,463.00	61,447,232.57

Legal representative: Mr. Wang Jun Principal in charge of accounting: Ms. Jiang Chi Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

CASH FLOW STATEMENT OF PARENT COMPANY

January ~ June 2018

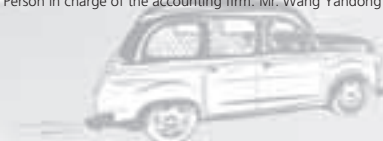
Unit: Yuan Currency: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services			
Taxes and surcharges refunds			
Other cash receipts related to operating activities		2,421,945.06	545,601.60
Subtotal of cash inflows from operating activities		2,421,945.06	545,601.60
Cash paid for goods and services			
Cash paid to and for employees		2,013,229.17	2,225,875.75
Taxes and surcharges cash payments		968,450.97	531,934.74
Other cash payments related to operating activities		2,674,220.09	2,926,308.31
Subtotal of cash outflows from operating activities		5,655,900.23	5,684,118.80
Net cash flows from operating activities		-3,233,955.17	-5,138,517.20
II. Cash flows from investing activities:			
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		2,770,479.17	4,000,000.00
Subtotal of cash inflows from investing activities		2,770,479.17	4,000,000.00
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			
Subtotal of cash outflows from investing activities			
Net cash flows from investing activities		2,770,479.17	4,000,000.00
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash received concerning financing activities			
Subtotal of cash inflows from financing activities			
Cash paid for repayment of debts			
Cash paid for allocation of dividends, profits or interest repayment		1,429,458.35	
Other cash paid concerning financing activities			
Subtotal of cash outflows from financing activities		1,429,458.35	
Net cash flows from financing activities		-1,429,458.35	
IV. Effects from change of exchange rate to cash and cash equivalents			
Net increase in cash and cash equivalents		-1,892,934.35	-1,138,517.20
Add: Opening balance of cash and cash equivalents		2,638,253.33	3,764,017.52
VI. Closing balance of cash and cash equivalents		745,318.98	2,625,500.32

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Current 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 profits	Non-controlling interests	Total owners' equity
Preferred shares		Perpetual bond	Others										
I. Closing balance of previous period	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		567,793,525.60	435,967,009.86	1,024,342,296.41
Add: changes in accounting policies													
Corrections of early errors													
Business merger under common control													
Others													
II. Opening balance of current period	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		567,793,525.60	435,967,009.86	1,024,342,296.41
III. Increases and decreases in the current period													
(with "+" for decrease)													
(I) Total comprehensive income							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
(II) Capital input and reduced by owners							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
1. Common shares input by shareholders													
2. Input capital by other equity instrument owners													
3. Amount of share-based payment recognized as shareholder's interest													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation to provision for general risk													
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. Transfer from surplus reserves to paid-in capital													
3. Surplus reserves to recover loss													
4. Others													
(V) Special reserves													
1. Appropriation in current period													
2. Use in current period													
(VI) Others													
IV. Closing balance in current period	422,000,000.00				687,349,089.60		1,435,974.46		45,665,647.68		-596,475,975.93	423,789,328.81	983,764,064.62

Legal representative: Mr. Wang Jun Principal in charge of accounting: Ms. Jiang Chi Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Equity attributable to shareholders of the parent company									Total owners' equity		
	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Provisions for general risk		Undistributed profits	Non-controlling interests
	Share capital	Preferred shares	Perpetual bond									
I. Closing balance of previous period	422,000,000.00			683,883,181.69		2,390,915.53		45,665,647.68		588,661,889.61	436,687,468.04	971,885,323.33
Add: changes in accounting policies												
Corrections of early errors												
Business merger under common control												
Others												
II. Opening balance of current period	422,000,000.00			683,883,181.69		2,390,915.53		45,665,647.68		588,661,889.61	436,687,468.04	971,885,323.33
III. Increases and decreases in the current period												
(with "+" for decrease)						-497,064.16				-44,049,991.70	26,014,976.84	-18,532,079.02
(I) Total comprehensive income						-497,064.16				-44,049,991.70	-4,772,123.16	-48,319,178.02
(II) Capital input and reduced by owners											30,787,100.00	30,787,100.00
1. Common shares input by shareholders											30,787,100.00	30,787,100.00
2. Input capital by other equity instrument owners												
3. Amount of share-based payment recognized as shareholder's interest												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Appropriation to provision for general risk												
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. Transfer from surplus reserves to paid-in capital												
3. Surplus reserves to recover loss												
4. Others												
(V) Special reserves												
1. Appropriation in current period												
2. Use in current period												
(VI) Others												
IV. Closing balance in current period	422,000,000.00			683,883,181.69		1,893,851.37		45,665,647.68		632,711,889.31	462,702,444.88	953,353,244.31

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNER'S EQUITY

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Current period										Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	
		Preferred shares	Perpetual bond	Others							
I. Closing balance of previous period	422,000,000.00				666,639,987.85				38,071,282.24	465,337,306.25	1,061,373,963.84
Add: changes in accounting policies											
Correctors of early errors											
Others											
II. Opening balance of current period	422,000,000.00				666,639,987.85				38,071,282.24	465,337,306.25	1,061,373,963.84
III. Increases and decreases in the current period (with "+" for decrease)											
(i) Total comprehensive income										-1,656,782.89	-1,656,782.89
										-1,656,782.89	-1,656,782.89
(ii) Capital input and reduced by owners											
1. Common shares input by shareholders											
2. Input capital by other equity instrument owners											
3. Amount of share-based payment recognized as shareholder's interest											
4. Others											
(iii) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to the shareholders											
3. Others											
(iv) Internal carry-over in shareholders' equity											
1. Share capital increased from transfer of capital reserves											
2. Transfer from surplus reserves to paid-in capital											
3. Surplus reserves to recover loss											
4. Others											
(v) Special reserves											
1. Appropriation in current period											
2. Use in current period											
(vi) Others											
IV. Closing balance in current period	422,000,000.00				666,639,987.85				38,071,282.24	466,994,083.14	1,059,717,180.95

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong

SECTION 10 FINANCIAL REPORT

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNER'S EQUITY (CONTINUED)

January ~ June 2018

Unit: Yuan Currency: RMB

Item	Previous period									Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves		Undistributed profits
		Preferred shares	Perpetual bond	Others							
I. Closing balance of previous period	422,000,000.00				666,639,987.85				38,071,282.24	-73,295,626.87	1,653,415,443.22
Add: changes in accounting policies											
Correctors of early errors											
Others											
II. Opening balance of current period	422,000,000.00				666,639,987.85				38,071,282.24	-73,295,626.87	1,653,415,443.22
III. Increases and decreases in the current period (with "+" for decrease)											
(I) Total comprehensive income										-1,295,324.46	-1,295,324.46
(II) Capital input and reduced by owners										-1,295,324.46	-1,295,324.46
1. Common shares input by shareholders											
2. Input capital by other equity instrument owners											
3. Amount of share-based payment recognized as shareholder's interest											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to the shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Share capital increased from transfer of capital reserves											
2. Transfer from surplus reserves to paid-in capital											
3. Surplus reserves to recover loss											
4. Others											
(V) Special reserves											
1. Appropriation in current period											
2. Use in current period											
(VI) Others											
IV. Closing balance in current period	422,000,000.00				666,639,987.85				38,071,282.24	-74,591,151.33	1,652,120,118.76

Legal representative: Mr. Wang Jun

Principal in charge of accounting: Ms. Jiang Chi

Person in charge of the accounting firm: Mr. Wang Yandong



SECTION 10 FINANCIAL REPORT

III. BASIC INFORMATION OF THE COMPANY

1. Information of the Company

Applicable Not applicable

Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the Company, collectively referred to as the Group if it includes subsidiaries) 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 Document Z.J.F.X.Z. [2002] No. 133 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 RMB1 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 RMB1 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, the proposed traded-in property was 88.50% equity of Beijing Tianhai Industry Co., Ltd., 100% equity of Jingcheng Holding (Hong Kong) Co., Ltd. and 100% equity of Beijing Jingcheng Compressor Co., Ltd. with its environmental protection business stripped, and all the three are held by Jingcheng Holding.

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 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. After the increase in holding, Jingcheng Holding held 182,735,052 A-shares of the Company's unrestricted shares, accounting for 43.30% of the total share capital of the Company.

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.

SECTION 10 FINANCIAL REPORT

III. BASIC INFORMATION OF THE COMPANY (CONTINUED)

1. Information of the Company (Continued)

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.

2. Scope of Consolidated Financial Statements

Applicable Not applicable

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., Kuancheng Tainhai Pressure Container Co., Ltd. and BTIC AMERICA CORPORATION.

IV. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation basis

The Group prepared the financial statements on the basis of going concern, 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 V. Significant Accounting Policies and Accounting Estimates".

(2) Going concern

Applicable Not applicable

The Group has evaluated the going concern ability within 12 months since June 30, 2018 and has not found any event and condition causing substantial doubt about the going concern ability. Therefore, these financial statements were prepared on the basis of the going concern assumption.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates indication:

Applicable Not applicable

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. Statement of compliance with Accounting Standards for Business Enterprises (ASBE)

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

2. Accounting period

An accounting period of the Group is from January 01 to December 31 of each calendar year.

3. Business cycle

Applicable Not applicable

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.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment method for business merger under common control and different control

Applicable Not applicable

The assets and liabilities acquired by the Group, as the combination party, from business combination under common control should be measured based on the book value in the ultimate holding party consolidated statements of the combination party on the combination date. 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 revenue.

6. Preparation methods of consolidated financial statements

Applicable Not applicable

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.

Under the circumstance that the equity of the investee is obtained under the common 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 reporting period for 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 the investee 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 reporting 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.

SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation methods of consolidated financial statements (Continued)

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 investee 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.

7. Classification of joint arrangements and accounting treatment method for joint operations

Applicable Not applicable

The Group's joint 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. Criteria for determining cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, easily converted to known amounts of cash and having low value change risk.

9. Foreign currency transactions and translation of foreign currency financial statements

Applicable Not applicable

(1) Foreign currency transaction

The amount of transactions in foreign currency shall be translated into that in RMB at the spot exchange rate on the transaction date. 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. Amount affected by change in exchange rate on cash shall be listed in the cash flow statement separately.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

√ Applicable Not applicable

The Group will recognize an item of financial asset or financial liability at the time when it becomes one party to the contract of the financial instruments.

(1) Classification of financial assets

The Group classifies financial assets as follows:

- 1) **Financial assets at fair value (including those through other comprehensive incomes and those through profit or loss); and**
- 2) **Financial assets measured at amortized costs;**

Classification depends on the business model in which an entity manages financial assets and the terms and conditions of the cash flow stipulated in the contract.

Changes in financial assets measured at fair value shall be recorded in current profits or losses or other comprehensive income. Where changes in debt instruments are recorded in depends on the business model in which the Group holds the investment. Where changes in equity instruments are recorded in depends on whether the Group has made an irrevocable choice to measure them at fair value when making initial recognition and their changes are recorded in other comprehensive income.

The Group will only reclassify investments in debt instruments when changing the business model of changes in financial assets.

(2) Recognition and measurement of financial assets

At the time of initial recognition, the Group measures financial assets at fair value. When a change in the fair value of a financial asset is not included in profit or loss, the transaction costs directly attributable to the purchase of the financial asset shall also be added. The transaction fee of financial assets at fair value through profit or loss shall be presented as cost in the income statement.

When determining whether the cash flow of financial assets with embedded derivatives only pays the principal and interest, the whole financial assets shall be considered.

1) Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model of managing the asset and the cash flow characteristics of the asset. The Group classifies debt instruments in the following three measurement methods:

Measurement at amortized cost: they are held for collecting the contract cash flow, and the assets in the cash flow that are only used for paying the principal and interest are classified as financial assets measured at amortized cost. The profits or losses from debt investments that are subsequently measured at amortized cost and are not in a hedging relationship are recognized in the income statement when the assets are derecognized or impaired. The interest income of these financial assets is calculated by using the effective interest method and included in current profits or losses.

Measurement at fair value with their changes included in other comprehensive income: they are held for collecting the contract cash flow and selling the financial assets, and the assets in the cash flow that are only used for paying the principal and interest are classified as financial assets measured at fair value with their changes included in other comprehensive income. In addition to the recognition of changes in book value of financial assets resulting from impairment profits or losses, interest income and exchange profits or losses, other changes are included in other comprehensive income. When the financial assets are derecognized, the accumulated profits or losses previously included in other comprehensive income are transferred from other comprehensive income and included in current profits or losses. The interest income of these financial assets is calculated by using the effective interest method and included in current profits or losses.

Measurement at fair value with their changes included in current profits or losses: the assets that are not measured at amortized cost or measured at fair value with their changes included in other comprehensive income are classified as financial assets measured at fair value with their changes included in current profits or losses. The profits or losses from debt investments that are subsequently measured at fair value with their changes included in current profits or losses and are not in a hedging relationship are recognized in the profit or loss and presented with the net amount in the income statement. The interest income of such financial assets is included in current profits or losses.

SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Recognition and measurement of financial assets (Continued)

2) *Equity instrument*

All equity instruments of the Group are subsequently measured at fair value. If the management of the Group selects to include the profits or losses from changes in the fair value of equity instruments in other comprehensive income, the profits or losses from changes in the fair value may no longer be reclassified to include in current profits or losses. When the Group obtains the income right of equity instruments, the dividend of such investment will continue to be recognized in the income statement.

The profits or losses from changes in the fair value of financial assets measured at fair value with their changes included in current profits or losses are presented in the income statement for the period during which they are incurred. The impairment losses (and transfer-in) of equity investments measured at fair value with their changes included in other comprehensive income are not presented separately from other changes in the fair value.

(3) Impairment of financial assets

Based on the expectations, the Group assesses the expected credit losses of assets measured at amortized cost and financial assets measured at fair value with their changes included in other comprehensive income. The impairment method adopted depends on whether the credit risk increases significantly.

(4) Financial liabilities

1) *Classification, recognition basis and measurement method of financial liabilities*

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

The financial liability measured at fair value with the variation included in 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 in 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 in the current profits and losses.

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

2) *Derecognition conditions of financial liabilities*

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. 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 derecognized and consideration paid shall be included in current profits and losses.

(5) Determination methods for fair values 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 there is 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.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. 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 the allowance method; and conducts impairment test separately or by combination at end of the year, with bad debt provision made and included in 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 appropriated bad debt provision.

(1) Accounts receivables with significant single amount and bad debt provision made individually

Applicable Not applicable

Judgment basis or amount standard for significant single amount

The Group considers the receivables with the single amount exceeding RMB5,000,000.00 as the significant receivables.

Method of bad debt provision made individually for receivables with significant single amount

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

(2) Receivables with bad debt provision made as per portfolio of credit risk features

Applicable Not applicable

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics (Aging analysis, percentage of balance, other methods)

Aging portfolio

Withdrawing of Bad Debt Provision by aging analysis method

In portfolio, receivable with provision for bad debts drawn by aging analysis

Applicable Not applicable

Aging	Provision proportion of receivables (%)	Provision proportion of other receivables (%)
Within 1 year (including 1 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

In portfolio, receivable with provision for bad debts drawn by percentage of balance

Applicable Not applicable

In portfolio, receivable with provision for bad debts drawn by other methods

Applicable Not applicable

(3) Receivables with insignificant single amount but the bad debt provision is made individually:

Applicable Not applicable

Reason for individual bad debt provision

Receivables with insignificant single amount and bad debt provision made by portfolio not reflecting risk features of the receivables

Method of bad debt provision

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

SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventories

Applicable Not applicable

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 is adopted for inventories. Inventories are valued based on their actual cost when obtained. Their actual costs are determined with the weighted mean method when acquired or sent; low-value consumables and packages are amortized by 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. Held-for-sale assets

Applicable Not applicable

14. Long-term equity investments

Applicable Not applicable

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 that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has significant influence on the investee. When the Group holds less than 20% voting right of the investee, 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 investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Group has significant influence to the investee.

The investee under the control of the Group shall be deemed as a subsidiary 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 an investee is obtained under the common control through multiple transactions step by step, which results in business merger, supplementary disclosure to treatment methods of long-term equity investments in the parent company's financial statements shall be made in the reporting period for acquiring the control. For instance, as to equity of the investee under common control acquired step-by-step through multiple transactions and business merger finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. 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 an investee is obtained under different control through multiple transactions step by step, which results in business merger, supplementary disclosure to cost treatment methods of long-term equity investments in the parent company's financial statements shall be made in the reporting period for acquiring the control. For instance, as to equity of the investee under different control acquired step-by-step through multiple transactions and business merger finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control power. 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 investee 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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

Apart from aforementioned long-term equity investments acquired through merger of corporations, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as the investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost; if the Company has long-term equity investment acquired through debt restructuring and exchange of non-monetary assets, the method of determining investment cost shall be disclosed as per relevant accounting rules of enterprises and considering actual conditions 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 investee 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 investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee 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 investee 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 investee 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 investee 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 joint control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per the available-for-sale financial assets, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in 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 Company loses the control over the investee 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 investee, with the balance between the book value of equity to be disposed and consideration of disposal included in the investment profits. While the remaining shares after disposal do not have joint control or significant impacts on investee 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 in current losses and profits.

Various transactions of the Group from step-by-step equity disposal to loss of controlling power do not belong to the package deal, and every transaction is separately subject to accounting treatment. 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

(1) If measured at cost model is applied:

Depreciation and Amortization methods

Investment properties of the Group include the use rights of land rented, the use rights of land held for transfer after appreciation and plant & buildings rented. The investment properties of the Group shall be subject to subsequent measurement on a cost basis.

The Group's investment properties shall be depreciated or amortized by the straight-line method. The estimated service life, net residuals rate and annual rate of depreciation (amortization) of various investment properties are 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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Fixed assets

(1) Conditions for confirmation

Applicable Not applicable

The fixed assets of the Group feature the following characteristics: tangible assets held for the sake of producing goods, rendering services, renting or operating management, with a service life in excess of 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 buildings, machinery equipment, transportation equipment, office equipment and other equipment.

(2) Depreciation method

Applicable Not applicable

Category	Depreciation Method	Depreciation life (year)	Residuals rate (%)	Annual depreciation rate (%)
Plant & buildings	Straight-line method	40	5	2.375
Machinery equipment	Straight-line method	10	5-10	9-9.5
Electrical equipment	Straight-line method	5-10	5-10	9-19
Transportation equipment	Straight-line method	5	5-10	18-19
Office equipment and others	Straight-line method	5	5-10	18-19

The Group will review the estimated service life, estimated net residual 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.

(3) Identification basis, pricing and depreciation method for fixed assets acquired under finance leases

Applicable Not applicable

The Company 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 financing lease. The balance between the entry value and the minimum lease payment shall be deemed as unrecognized financing cost.

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

Applicable Not applicable

Construction in progress ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

18. Borrowing costs

Applicable Not applicable

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

19. Biological assets

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Oil and gas assets

Applicable Not applicable

21. Intangible assets

(1) Measurement method, useful life and impairment test

Applicable Not applicable

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 in 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.

(2) Accounting policy regarding the expenditure on the internal research and development

Applicable Not applicable

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 in 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.

22. Impairment of long-term assets

Applicable Not applicable

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 made 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. The 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 assets 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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Long-term deferred expenses

Applicable Not applicable

Long-term deferred expenses of the Group include turnover fees and property insurance fees. Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss.

24. Employee compensation

Employee compensation of the Group includes short-term compensation, post-employment welfare, dismissal welfare and other long-term welfares.

(1) Accounting method of short-term compensation

Applicable Not applicable

Short-term compensation includes employee salary, employee benefit, medical insurance, etc.; the Group shall recognize the short-term compensation 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.

(2) Accounting method of post-employment welfare

Applicable Not applicable

Post-employment welfare 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 in 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.

(3) Accounting method of dismissal welfare

Applicable Not applicable

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.

(4) Accounting method of other long-term welfare

Applicable Not applicable

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

25. Provisions

Applicable Not applicable

Where the business related to foreign guarantee, trade acceptance discount, pending litigations or arbitrations, product quality assurance, etc. meets the following conditions, the Group will recognize it as liabilities: current obligation borne by the Group; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Provisions are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. 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.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Share-based payment

Applicable Not applicable

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.

27. Other financial instruments such as preferred stocks, perpetual bonds etc.

Applicable Not applicable

28. Revenue

Applicable Not applicable

The Group measures its income based on the fair value of the receivables for goods sold and services provided in its daily operations. The income shall be presented upon discount deducting as well as offsetting of the inter-company sales in the Group. Income should be recognized when it can be measured reliably or when future economic benefits may flow into the Group or the activities of the Group as described below meet certain standards.

(1) Sales of goods

Revenue is recognized when control of the asset is transferred to the customer. Whether the control of assets is transferred within a certain period of time or at a certain point depends on the provisions of the contract and the legal provisions applicable to the contract. The control of asset is transferred over a period of time when the group meets either of the following conditions:

- 1) where the customer receives and consumes the economic benefits brought about by the performance of the Group at the same time during the performance of the Group; or
- 2) where the group creates and enhances assets controlled by customers; or
- 3) where the goods output by the Group during the performance of the contract have irreplaceable uses, and the Group has an enforceable claim for payment of the part of the performance accumulated to date that is enforceable throughout the life of the contract.

If the control of the asset is transferred within a certain period of time, the Group will recognize the income based on the progress of the fulfillment for the performance obligations throughout the life of the contract. Otherwise, the income will be recognized at a certain point when the customer gains control of the asset.

At the reporting date, the Group recognized the income in respect of contracts from which income types were recognized over a period of time, based on progress in fulfilling performance obligations. The progress of the completed performance obligation is measured by the expenditure or inputs incurred by the Group to complete the performance obligation. The progress is calculated based on the proportion of the cost incurred by each contract as of the end of the report period to the budgeted cost.

For sales contracts that transfer control of goods at a certain point in time, the income is recognized when the customer acquires physical ownership and the Group has obtained the current claim for payment and is likely to recover the consideration.

In determining the transaction price of a contract, the Group will adjust the consideration promised in the contract in accordance with the financing component of the contract, if the financing component accounts for a larger proportion.

SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(2) 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.

29. Government subsidy

Government subsidies include asset-related government subsidy and revenue-related government subsidy. The asset-related government subsidies refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtaining of such assets by other forms. The revenue-related government subsidies refer to those other than the asset-related government subsidies. If no assistance object is specified in the government documents, the Group shall determine it based on the above identifying principles. For those hard to be identified, classify them totally in the revenue-related government subsidy.

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 (RMB1).

(1) Judgment basis and accounting method of the government grants related to the assets

Applicable Not applicable

Asset-related government subsidies shall be recognized as deferred incomes, and they shall be distributed with a reasonable and systematic method within the service life of related assets and included in current profits and losses.

When the related assets are sold, assigned, scrapped or damaged before the end of service life, all the undistributed deferred incomes shall be transferred to the profit or loss of the current period of assets disposal.

(2) Judgment basis and accounting method of the government grants related to the revenue

Applicable Not applicable

The revenue-related government subsidies used to compensate for the incurred related charges or losses shall be included in the current profits or losses or offset relevant costs; while those used to compensate for the related charges or losses during future periods shall be recognized as the deferred incomes and shall be included in the current profits or losses during the period when they are recognized. The government subsidies related to daily activities shall be included in other incomes based on the substance of business transactions. The government subsidies not related to daily activities shall be included in the non-operating revenue and expenses.

For repayment of government subsidies already recognized, if there is related deferred income balance, balance is included in current profit or loss after the offset of the carrying amount of the deferred income. In other cases, the government subsidies are directly included in current profit or loss.

30. Deferred income tax assets/deferred income tax liabilities

Applicable Not applicable

Deferred tax assets and deferred tax liabilities of the Group shall be calculated and recognized according to the difference (temporary difference) between the tax base and the carrying amount thereof. 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 for 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. Deferred tax assets and deferred tax liabilities shall be measured on the balance sheet date at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities.

The deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease

(1) Accounting method of operating leases

Applicable Not applicable

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.

(2) Accounting method of finance leases

Applicable Not applicable

At the commencement of the lease term, as the Lessee for finance lease, the Group shall deem the lower of the fair value of the leased asset and the present value of the minimum lease payments as the entry value of fixed assets acquired by finance lease and the minimum lease payment as the entry value of long-term payable. The difference between two entry values is deemed as unrecognized financing cost.

32. Other significant accounting policies and accounting estimates

Applicable Not applicable

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. 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.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

In 2017, the Ministry of Finance successively revised and issued the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* (CK [2017] No. 7), *Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets* (CK [2017] No. 8), *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* (CK [2017] No. 14) and *Accounting Standards for Enterprises No. 24 – Hedge Accounting* (CK [2017] No. 9), which came into effect on January 01, 2018. The Ministry of Finance revised and issued the *Accounting Standards for Enterprises No. 14 – Revenues* (CK [2017] No. 22) in July 2017, which the Group implements as of January 01, 2018 for it being an enterprise listed both at home and abroad. According to the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (CK [2018] No. 15), the format of financial statements of general enterprise has been revised according to the relevant situation of implementing the new financial standard or the new income standard in stages starting January 01, 2018. The Group has implemented the new accounting standards for business enterprises as required and adjusted the comparative financial statements in accordance with the convergence provisions of the new standards. The impact of implementing the new standards on comparative financial statements is as follows:

Applicable Not applicable

Details and reasons for the changes in accounting policies

Approval process

Notes (Financial statement items and amounts materially affected)

The Ministry of Finance revised and issued Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement (Cai Kuai [2017] No. 7), Accounting Standard for Business Enterprises No. 23-Transfer of Financial Assets (Cai Kuai [2017] No. 8), Accounting Standard for Business Enterprises No. 37-Presentation of Financial Instruments (Cai Kuai [2017] No. 14) and Accounting Standard for Business Enterprises No. 24 – Hedging (Cai Kuai [2017] No. 9) in 2017, and was effective from 1 January 2018. The Ministry of Finance revised Accounting Standard for Business Enterprises No. 14 – Revenue (Cai Kuai [2017] No. 22) in July 2017. The Group is listed on both the domestic and overseas markets, and adopted such standards since 1 January 2018, and made adjustments to the comparative financial statements accordingly.

Advances from customers –45,878,250.70

In accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15) promulgated by the Ministry of Finance, which revised the presentation format of financial statements of general enterprises in respect of the implementation of the new financial standards or new income standards by stages since 1 January 2018.

Contract liabilities	45,878,250.70
Management expense	-5,830,781.93
R&D expenditure	5,830,781.93
Impairment loss on assets	-10,718,176.89
Credit impairment loss	10,718,176.89

Nil

(2) Change of Significant Accounting Estimate

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Others

Applicable Not applicable

Held-for-sale

- (1) The Group classifies the non-current assets or disposal groups meeting the following conditions as the held-for-sale assets: (1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups; (2) the sales are very likely to occur, i.e., a resolution has been taken on a sales plan and a definitive purchase commitment has been obtained, and the sales are expected to be completed within one year. Relevant regulations require that the relevant approval needs to be obtained for those available for sale after approval by relevant authorities or regulators. Before the non-current assets or disposal groups are classified as the held-for-sale assets for the first time, the Group shall measure the book value of each asset and liability in the non-current assets or disposal groups in accordance with the relevant accounting standards. When the non-current assets or disposal groups held for sale are measured initially or re-measured on the balance sheet date, if the book value is higher than the net amount obtained by deducting the selling expenses from the fair value, the book value shall be reduced to the net amount obtained by deducting the selling expenses from the fair value, and the write-down amount shall be recognized as the asset impairment losses and shall be included in the current profits or losses and the impairment provision of held-for-sale assets shall be made at the same time.
- (2) The Group classifies the non-current assets or disposal groups that are acquired exclusively for resale, meet the conditions of "the sales are expected to be completed within one year" on the acquisition date and are likely to meet other conditions for held-for-sale assets in a short time (usually three months) as the held-for-sale assets on the acquisition date. In the initial measurement, the initial measurement amount assuming they are not classified as the held-for-sale assets and the net amount obtained by deducting the selling expenses from the fair value are compared, whichever is less. Except for the non-current assets or disposal groups acquired in the business merger, the difference arising from the net amount obtained by deducting the selling expenses from the fair value in the non-current assets or disposal groups as the initial measurement amount shall be included in the current profits or losses.
- (3) If the Group loses control over its subsidiaries due to the sales of investment in subsidiaries and other reasons, whether the Group reserves some of its equity investments after the sales or not, when the investment in subsidiaries to be sold meets the conditions for the held-for-sale assets, the investment in subsidiaries will be classified as the held-for-sale assets as a whole in the individual financial statements of the parent company and all the assets and liabilities of subsidiaries will be classified as the held-for-sale assets in the consolidated financial statements
- (4) If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.
- (5) For the asset impairment losses recognized in the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then the book value shall be deducted proportionately based on the proportion of the book value of each non-current asset.

If the net amount obtained by deducting the selling expenses from the fair value of disposal groups held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized in the non-current assets applicable to the relevant measurement rules after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The book value of goodwill deducted and the asset impairment losses recognized in the non-current assets before being classified as the held-for-sale assets shall not be reversed.

For the subsequently reversed amount of asset impairment losses recognized in the disposal group held for sale, the book value shall be increased proportionately based on the proportion of the book value of each non-current asset other than the goodwill in the disposal group.

- (6) No depreciation or amortization is provided for non-current assets held for sale or non-current assets in the disposal group. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized continuously.
- (7) When the non-current assets or disposal groups held for sale are not further classified as the held-for-sale assets or the non-current assets are removed from the disposal groups held for sale due to failure to meet the conditions for the held-for-sale assets, the measurement shall be conducted based on the lower of the following two: (1) book value before being classified as the held-for-sale assets based on the amount of depreciation, amortization or impairment after adjustment that should be recognized in the case that assuming they are not classified as the held-for-sale assets; (2) recoverable amount.

When the non-current assets or disposal groups held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits or losses.

The Group presents the non-current assets held for sale or the assets in disposal groups held for sale as the "held-for-sale assets" and presents the liabilities in disposal groups held for sale as the "held-for-sale liabilities" in the balance sheet.



SECTION 10 FINANCIAL REPORT

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Others (Continued)

Termination of operation

Discontinued operation refers to a constituent part which has been disposed by the Group or is classified as the one held for sale by the Group and can be separately distinguished, and meets one of the following conditions: (1) such constituent part represents an independent main business or a separate main operation region; (2) such constituent part is a part of an associated plan to dispose an independent main business or a separate main operation region; (3) such constituent part is a subsidiary acquired exclusively for resale.

The Group presents the profits or losses from continuing operations and discontinued operations in the income statement. For noncurrent assets or disposal groups held for sale that do not meet the definition of discontinued operation, the impairment losses and reversed amounts as well as profits or losses of disposal shall be presented as the profits or losses from continuing operations. The profits or losses from discontinued operations such as impairment losses and reversed amounts, and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations.

The disposal groups that are intended to be ended rather than sold and meet the conditions of relevant constituent parts in the definition of discontinued operation shall be presented as the discontinued operations from the date of their end of use.

For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again. If the discontinued operation does not meet the conditions for classification of held-for-sale assets, the information originally presented as the profits or losses from discontinued operations in the current financial statements shall be presented as the profits or losses from continuing operations during comparable accounting periods again.

Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

SECTION 10 FINANCIAL REPORT

VI. TAXES

1. Main taxes and tax rates

Applicable Not Applicable

Tax category	Taxation basis	Tax rate
Value-added tax	Taxable added value	17%, 6%, 5%, 0%
Consumption tax		
Business Tax		
City maintenance and construction tax	VAT payable	5%, 7%
Education surcharge	VAT payable	3%
Local education surcharge	VAT payable	2%
Property tax	70%-80% of the original house property value and income from house property leasing	1.2% and 12%
Corporate income tax	Taxable income	25%
Hong Kong profits tax	Taxable income	16.50%
Corporate income tax (USA)	Taxable income	Excess progressive of tax rate

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

Applicable Not Applicable

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%
Kuancheng Tianhai Pressure Container Co., Ltd.	25%
BTIC AMERICA CORPORATION	
Jingcheng Holding (Hong Kong) Co., Ltd.	16.50%

BTIC 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

Applicable Not Applicable

Beijing Tianhai Industry Co., Ltd, a subsidiary of the Company, has obtained the High-tech Enterprise Certificate on December 22, 2016 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, Beijing Municipal Office of 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 January to June 2018.

Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, has obtained the High-tech Enterprise Certificate on December 22, 2016 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, Beijing Municipal Office of 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 January to June 2018.

3. Others

Applicable Not Applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	165,320.18	123,064.28
Cash in bank	108,880,142.82	76,744,438.88
Other cash at bank and on hand	18,000,000.00	1,500,000.00
Total	127,045,463.00	78,367,503.16
Including: total amount deposited abroad	2,331,669.26	6,204,233.42

Other descriptions:

Other cashes at bank and on hand is the deposits of bank acceptance notes with limited use.

2. Financial assets at fair value through profit or loss

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable and Accounts receivables

Item	Closing balance	Opening balance
Notes Receivable	7,217,217.50	27,812,323.12
Accounts Receivables	282,890,660.81	354,933,043.81
Total	290,107,878.31	382,745,366.93

4.1 Notes receivable

Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	7,217,217.50	27,812,323.12

(1) Presentation of notes receivable

Applicable Not applicable

(2) Receivable note the Company has pledged at the end of the period.

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.1 Notes receivable (Continued)

Category of notes receivable (Continued)

(3) Notes receivable that the Company have been endorsed or discounted but not yet expired on the balance sheet date:

Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Closing derecognized amount	Closing non-derecognized amount
Bank acceptance notes	157,701,542.18	0.00
Trade acceptance notes		
Total	157,701,542.18	0.00

(4) Notes that the Company transferred into accounts receivables due to the drawer's failure of performance at the end of the period.

Applicable Not applicable

(5) Other descriptions

Applicable Not Applicable

The closing receivable notes mentioned above are aged within 180 days

4.2 Accounts receivable

(1) Disclosure of accounts receivable

Applicable Not Applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Accounts receivable with significant single amount and bad debt provision made individually	56,147,310.00	17.39			56,147,310.00					
Accounts receivable with bad debt provision made by portfolio of credit risk features	266,779,333.35	82.61	40,035,982.54	15.01	226,743,350.81	387,475,754.82	100.00	32,542,721.01	8.40	354,933,043.81
Accounts receivable with insignificant single amount but bad debt provision made individually										
	322,926,643.35	/	40,035,982.54	/	282,890,660.81	387,475,754.82	/	32,542,721.01	/	354,933,043.81

Accounts receivable with significant single amount and bad debt provision made individually at the end of the period

Applicable Not Applicable

Receivable (by entity)	Closing balance				Reason for provision
	Accounts receivable	Bad debt provision	Provision proportion (%)	Reason for provision	
Sinochem International Logistics Co., Ltd.	56,147,310.00	0.00	0.00	Amount received after reporting date	
Total	56,147,310.00	/	/		



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.2 Accounts receivable (Continued)

(1) Disclosure of accounts receivable (Continued)

In portfolio, accounts receivable with provision for bad debts drawn by aging analysis

Applicable Not Applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Within one year	175,152,938.22	1,751,529.35	1.00
Sub-total of within one year	175,152,938.22	1,751,529.35	1.00
One to two years	25,101,962.92	2,510,196.30	10.00
Two to three years	28,833,899.92	5,766,779.99	20.00
Over three years			
Three to four years	6,730,991.48	3,365,495.74	50.00
Four to five years	21,587,798.24	17,270,238.59	80.00
More than five years	9,371,742.57	9,371,742.57	100.00
Total	266,779,333.35	40,035,982.54	-

Explanations of the basis for determination of the portfolio:

See notes

In portfolio, accounts receivable with provision for bad debts drawn by percentage of balance:

Applicable Not applicable

In portfolio, accounts receivable with provision for bad debts drawn by other methods:

Applicable Not applicable

(2) Provision, recovery or reversal of the provision for bad debts during the period:

The amount of the bad debt provision this period is RMB 7,490,901.84; bad debt provision recovered or reversed this period is RMB0. Foreign currency translation effect this period is RMB2,359.69.

Significant amounts of provision for bad debt recovered or reversed for this period:

Applicable Not applicable

Accounts receivable actually written off this period

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.2 Accounts receivable (Continued)

(4) Accounts receivable with top five closing balances collected as per the borrowers:

Applicable Not Applicable

Name of entity	Closing balance	Aging	Proportion in total closing balance of accounts receivable (%)	Bad debt provision closing balance
Sinochem International Logistics Co., Ltd.	87,417,383.94	Within 1 year	27.07	312,700.74
Hubei Juxi Automotive Technology Co., Ltd.	17,328,339.64	Within 1 year	5.37	173,283.40
Tyco Safety Equipment (Shanghai) Co., Ltd.	13,306,939.05	Within 1 year	4.12	133,069.39
Jiangsu Tianhai Special Equipment Co., Ltd.	7,581,812.18	Within 2 years	2.35	110,623.36
Zhengzhou Yutong Bus Co., Ltd.	7,173,637.89	Within 2 years	2.22	163,948.86
Total	132,808,112.70	-	41.13	893,625.75

(5) Account receivables that were derecognized due to the transfer of financial assets:

Applicable Not applicable

(6) Amount of assets or liabilities for which accounts receivable is transferred but involvement continues:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

5. Prepayments

(1) Presentation of prepayments by aging analysis

Applicable Not Applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	71,599,297.56	96.74	47,016,931.65	94.20
One to two years	1,207,222.69	1.63	1,505,372.45	3.02
Two to three years	426,357.52	0.58	431,489.18	0.86
Over three years	779,456.28	1.05	959,111.98	1.92
Total	74,012,334.05	100.00	49,912,905.26	100.00

Notes to reasons of significant prepayments over 1 year and not settled in time:

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (Continued)

(2) Advances to suppliers from top five prepaid parties classified based on the closing balance:

Applicable Not Applicable

Name of entity	Closing balance	Aging	Proportion in total closing balance of payments (%)
Tianjin Runde Zhongtian Electromechanical Equipment Co., Ltd.	10,452,810.00	Within 1 year	14.12
Huai'an Zhenda Steel Tube Manufacturing Co., Ltd.	7,150,874.51	Within 1 year	9.66
Tianjin RunDeZhongTian Pipe Co., Ltd.	3,588,626.03	Within 1 year	4.85
Chengde Ruifeng Sheng Industry Construction Group Co., Ltd.	2,109,718.55	Within 1 year	2.85
Tianjin Steel Pipe & Steel Trading Co., Ltd.	1,962,622.83	Within 1 year	2.65
Total	25,264,651.92	–	34.13

Other descriptions:

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Interest receivables

(1) Classification of interest receivables

Applicable Not applicable

(2) Significant overdue interest

Applicable Not applicable

Other descriptions:

Applicable Not applicable

7. Dividends receivable

(1) Dividends receivable

Applicable Not applicable

(2) Significant dividends receivable aging over 1 year:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

8. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	6,075,169.12	8,756,869.09
Other receivables	6,568,886.89	4,134,431.37
Total	12,644,056.01	12,891,300.46

8.1 Other receivables

(1) Disclosure of other receivables

Applicable Not Applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Other receivables with significant single amount and bad debt provision made individually										
Other receivables with bad debt provision made by portfolio of credit risk features	9,285,562.79	100.00	2,716,675.90	29.26	6,568,886.89	6,694,475.45	100.00	2,560,044.08	38.24	4,134,431.37
Other receivables with insignificant single amount but bad debt provision made individually										
Total	9,285,562.79	/	2,716,675.90	/	6,568,886.89	6,694,475.45	/	2,560,044.08	/	4,134,431.37



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

8.1 Other receivables (Continued)

(1) Disclosure of other receivables (Continued)

Other receivables with significant single amount and bad debt provision made individually at the end of the period

Applicable Not applicable

In portfolio, other receivables with provision for bad debts drawn by aging analysis:

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		
	Other receivables	Bad debt provision	Provision proportion (%)
Within one year	4,716,999.78	47,169.99	1.00
Sub-total of within one year	4,716,999.78	47,169.99	1.00
One to two years	1,760,476.18	176,047.62	10.00
Two to three years	392,273.18	78,454.64	20.00
Over three years			
Three to four years	1,620.00	810.00	50.00
Four to five years	0.00	0.00	80.00
Over five years	2,414,193.65	2,414,193.65	100.00
Total	9,285,562.79	2,716,675.90	-

Explanations of the basis for determination of the portfolio:

See notes

In portfolio, other receivables with provision for bad debts drawn by percentage of balance:

Applicable Not applicable

In portfolio, other receivables with provision for bad debts drawn by other methods:

Applicable Not applicable

(2) Provision, recovery or reversal of the provision for bad debts during the period:

The amount of the bad debt provision this period is RMB156,631.82; bad debt provision recovered or reversed this period is RMB0.

Significant amounts of provision for bad debt recovered or reversed for this period:

Applicable Not applicable

(3) Other receivables actually written off this period

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

8.1 Other receivables (Continued)

(4) Other receivables classified by the nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Petty cash	2,481,814.59	1,112,823.74
Deposit, security, etc.	569,279.62	294,383.70
Advances to suppliers more than five years	2,344,255.77	2,311,236.94
Intercourse funds	3,890,212.81	2,976,031.07
Total	9,285,562.79	6,694,475.45

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of entity	Nature of amount	Closing balance	Aging	Proportion to total amount of closing balance of other receivable (%)	Closing balance of bad debt provision
Shandong Tianhai High Pressure Container Co., Ltd.	Intercourse funds	1,780,333.00	Within 2 years	19.17	148,305.40
Jiangsu Tianhai Special Equipment Co., Ltd.	Intercourse funds	996,233.64	Within 3 years	10.73	101,580.99
Tianjin Tianbao Energy Co., Ltd.	Intercourse funds	498,420.55	Within 1 year	5.37	4,984.21
Baotou Steel Union Sales Co., Ltd.	Prepayments of more than five years	400,648.84	Over 5 years	4.31	400,648.84
Beijing Tengda Municipal Engineering Co., Ltd.	Prepayments of more than five years	365,000.00	Over 5 years	3.93	365,000.00
Total	/	4,040,636.03	/	43.51	1,020,519.44

(6) Receivables involving government subsidy:

Applicable Not applicable

(7) Other receivables derecognised due to transfer of financial assets:

Applicable Not applicable

(8) Amounts of assets or liabilities incurred by its continuous involvement of transferring other receivables:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

There is no staff borrowing receivable of the Company at the end of the period.

8.2 Dividends receivable

Investee	Closing Balance	Opening balance
Shandong Tianhai High Pressure Containers Co., Ltd.	6,075,169.12	8,756,869.09



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories

(1) Classification of inventories

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing amount			Opening Amount		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw materials	161,674,278.25	5,402,606.18	156,271,672.07	146,599,571.05	7,080,229.22	139,519,341.83
Products in process	167,352,844.46	9,803,478.06	157,549,366.40	137,763,343.67	11,823,314.36	125,940,029.31
Finished goods	155,888,843.02	12,298,318.44	143,590,524.58	126,346,708.87	11,333,135.71	115,013,573.16
Turnover materials						
Consumable biological assets						
Completed but unsettled assets formed through construction contracts						
Goods shipped	274,318.18	114,318.18	160,000.00	9,000,034.25	253,975.77	8,746,058.48
Total	485,190,283.91	27,618,720.86	457,571,563.05	419,709,657.84	30,490,655.06	389,219,002.78

(2) Provisions for decline in value of inventories

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current year		Decrease in the current year		Closing balance
		Provision	Others	Reversal or write-off	Other	
Raw materials	7,080,229.22	0.00	0.00	0.00	1,677,623.04	5,402,606.18
Products in process	11,823,314.36	0.00	0.00	0.00	2,019,836.30	9,803,478.06
Finished goods	11,333,135.71	5,153,782.49	0.00	0.00	4,188,599.76	12,298,318.44
Turnover materials						
Consumable biological assets						
Completed but unsettled assets formed through construction contracts						
Goods shipped	253,975.77	0.00	0.00	0.00	139,657.59	114,318.18
Total	30,490,655.06	5,153,782.49	0.00	0.00	8,025,716.69	27,618,720.86

3) Capitalized amount of borrowing costs that is included in the closing balance of the inventory:

Applicable Not applicable

(4) Completed but unsettled assets formed through construction contracts at the end of the period:

Applicable Not applicable

Other descriptions

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Held-for-sale assets

Applicable Not applicable

11. Non-current assets due within one year

Applicable Not applicable

12. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Overpaid VAT	55,303,013.91	56,000,889.10
Input tax to be verified	1,252,218.10	0.00
Enterprise income tax prepaid	0.00	239,732.68
Total	56,555,232.01	56,240,621.78

Other descriptions

Nil

13. Available-for-sale financial assets

(1) Available-for-sale financial assets

Applicable Not applicable

(2) Available-for-sale financial assets at fair value at the end of the period

Applicable Not applicable

(3) Available-for-sale financial assets at cost at the end of the period

Applicable Not applicable

(4) Situation of changes of provision for impairment of available-for-sale financial assets during reporting period

Applicable Not applicable

(5) Explanations on serious or non-temporary decline in fair value of available-for-sale equity instruments without provision for impairment at the end of the period:

Applicable Not applicable

Other descriptions

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Held-to-maturity investment

(1) Held-to-maturity investment

Applicable Not applicable

(2) Significant held-to-maturity investment at end of the period:

Applicable Not applicable

(3) Reclassified held-to-maturity investment for the current period:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

15. Long-term receivables

(1) Long-term receivables:

Applicable Not applicable

(2) Long-term receivables derecognised due to transfer of financial assets

Applicable Not applicable

(3) Amounts of assets or liabilities incurred by its continuous involvement of transferring long-term receivables:

Applicable Not applicable

Other descriptions

Applicable Not applicable

16. Long-term equity investments

(1) Classification

Applicable Not applicable

Unit: Yuan Currency: RMB

Investee	Opening balance	Added investment	Decrease in investment	Increase/decrease in the current period				Closing balance	Closing balance of impairment provisions
				Investment profits and losses recognized under equity method	Adjustment to other comprehensive incomes	Other changes in equity	Distribution of cash dividend or profit declared		
I. Joint Ventures									
Shandong Tianhai High Pressure Container Co., Ltd.	50,065,320.33	0.00	0.00	1,335,066.69	0.00	0.00	0.00	0.00	51,400,387.02
Subtotal	50,065,320.33	0.00	0.00	1,335,066.69	0.00	0.00	0.00	0.00	51,400,387.02
II. Associated enterprises									
Jiangsu Tianhai Special Equipment Co., Ltd.	21,629,162.14	0.00	0.00	1,860,814.88	0.00	0.00	0.00	0.00	23,489,977.02
Subtotal	21,629,162.14	0.00	0.00	1,860,814.88	0.00	0.00	0.00	0.00	23,489,977.02
Total	71,694,482.47			3,195,881.57					74,890,364.04

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Fixed assets

✓ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Plant & buildings	Machinery equipment	Transportation equipment	Office equipment	Electrical equipment	Total
I. Original carrying amount						
1. Opening balance	528,556,947.34	671,493,269.46	24,182,264.43	12,501,580.46	22,594,750.19	1,259,328,811.88
2. Increase in the current period	20,841,528.48	59,141,624.80	415,447.20	23,455.74	0.00	80,422,056.22
(1) Purchase	0.00	304,254.93	415,447.20	13,934.75	0.00	733,636.88
(2) Transferred from construction in progress	20,841,528.48	58,837,369.87	0.00	0.00	0.00	79,678,898.35
(3) Addition from business combinations						
(4) Exchange rate movement	0.00	0.00	0.00	9,520.99	0.00	9,520.99
3. Decrease in the current period	0.00	11,325,284.51	1,001,870.09	193,020.68	0.00	12,520,175.28
(1) Disposal or scrapping	0.00	152,377.56	211,870.09	61,859.00	0.00	426,106.65
(2) Transferred to construction in progress	0.00	11,172,906.95	790,000.00	131,161.68	0.00	12,094,068.63
4. Closing balance	549,398,475.82	719,309,609.75	23,595,841.54	12,332,015.52	22,594,750.19	1,327,230,692.82
II. Accumulated depreciation						
1. Opening balance	117,787,290.17	404,161,374.55	20,777,493.73	8,733,736.14	15,381,982.86	566,841,877.45
2. Increase in the current period	5,707,761.35	20,178,181.29	369,822.90	439,436.39	476,633.68	27,171,835.61
(1) Provision	5,707,761.35	20,178,181.29	369,822.90	439,436.39	476,633.68	27,171,835.61
3. Decrease in the current period	0.00	7,434,199.53	904,456.62	239,579.37	0.00	8,578,235.52
(1) Disposal or scrapping	0.00	137,139.80	190,683.08	55,673.10	0.00	383,495.98
(2) Transferred to construction in progress	0.00	7,297,059.73	713,773.54	183,906.27	0.00	8,194,739.54
4. Closing balance	123,495,051.52	416,905,356.31	20,242,860.01	8,933,593.16	15,858,616.54	585,435,477.54
III. Impairment provision						
1. Opening balance	0.00	32,057,756.41	0.00	0.00	3,139,853.27	35,197,609.68
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period	0.00	423,001.24	0.00	0.00	0.00	423,001.24
(1) Disposal or scrapping	0.00	0.00	0.00	0.00	0.00	0.00
(2) Transferred to construction in progress	0.00	423,001.24	0.00	0.00	0.00	423,001.24
4. Closing balance	0.00	31,634,755.17	0.00	0.00	3,139,853.27	34,774,608.44
IV. Book value						
1. Closing book value	425,903,424.30	270,769,498.27	3,352,981.53	3,398,422.36	3,596,280.38	707,020,606.84
2. Opening book value	410,769,657.17	235,274,138.50	3,404,770.70	3,767,844.32	4,072,914.06	657,289,324.75

The depreciation of the fixed assets recognized to be profits is RMB27,171,835.61 in the current period (the previous period: RMB36,399,268.21)

Increase of fixed assets of the current period includes RMB79,678,898.35 transferred from construction in progress.

The gain from sale of fixed assets in the current period is RMB0.00.

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 RMB110,130,000 of the assessed value. The land is located on No. 268 Jinbin Road, Tianjin Port Free Trade Zone, with the area of 50,378.4 square meters. The mortgage contract No. is TJ06 (GD 2 No. 20170123), with the maximum debt limit of RMB40,000,000.00. The loan period is from October 31, 2017 to October 30, 2018. 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 RMB75,740,000.00 of the assessed value. The land is located on No. 306 Xingang Avenue, Tianjin Port Free Trade Zone, with the area of 45,489.2 square meters. The maximum amount of debt is RMB40,000,000.00 in the contract No. TJ06 (GD1) 20170123. The loan period is from October 31, 2017 to October 30, 2018.

Note 2: The Real Property Ownership Certificate of Land Use Right for Kuancheng Manchu Autonomous County (J (2017) No. 0000570) of Kuancheng Tianhai Pressure Container Co., Ltd., a subsidiary of the Company, at the end of the year is used as the mortgage to Chengde Branch of Bank of China Limited, involving the assessed value of RMB39,556,300.00, the maximum debt limit of RMB18,000,000.00, the loan contract No. of J-04-2017-077 (D) and the loan period from November 24, 2017 to November 23, 2020. The land is located in Xiaolongxun Village, Longxun Town, Kuancheng Manchu Autonomous County, with the area of 30,207.04 square meters and the plant & buildings area of 17,772.27 square meters.

Note 3: The Real Property Ownership Certificate (JT (2017) No. 0029537), Real Property Ownership Certificate (JT (2017) No. 0029542), Real Property Ownership Certificate (JT (2017) No. 0029544), Real Property Ownership Certificate (JT (2017) No. 0029546), Real Property Ownership Certificate (JT (2017) No. 0029552) and Certificate of Land Use Right (DHJTYG 2013 No. 00062) for plant & buildings as the fixed assets of Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd., a subsidiary of the Company, at the end of the year are used as the buyer's factoring loan mortgage to Beijing Branch of Bank of Dalian by Beijing Tianhai Industry Co., Ltd., involving the assessed value of RMB196,280,000.00. The land is located in No. 91, Nanfeng Road East, Tongzhou District, with the area of 71,396.43 square meters. The loan contract No. is DLQ J 201710200048801, with the loan amount of RMB70,000,000.00. The loan period is from November 10, 2017 to November 09, 2018.



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Temporarily idle fixed assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Cost	Accumulated depreciation	Impairment provision	Book value	Remarks
Plant & buildings	22,535,283.03	13,169,522.77	0.00	9,365,760.26	—
Machinery equipment	154,388,595.73	109,679,916.96	19,742,321.86	24,966,356.91	—
Electrical equipment	11,959,788.12	8,342,401.48	2,982,823.80	634,562.84	—
Office equipment	1,209,263.55	1,184,345.03	0.00	24,918.52	—

19. Fixed assets leased in under finance leases

Applicable Not applicable

20. Fixed assets leased out under operating leases

Applicable Not applicable

21. Fixed assets that certificate of title has not been handled

Applicable Not applicable

Other descriptions:

Applicable Not applicable

22. Construction in progress

(1) Construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Buildings under construction and equipment in the process of installation	12,274,528.37	0.00	12,274,528.37	68,278,969.43	0.00	68,278,969.43
Fatigue explosion laboratory project	469,061.13	0.00	469,061.13	189,588.58	0.00	189,588.58
CNG-IV cylinder (plastic liner composite cylinder)	463,606.09	0.00	463,606.09	0.00	0.00	0.00
Total	13,207,195.59	0.00	13,207,195.59	68,468,558.01	0.00	68,468,558.01

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Construction in progress (Continued)

(2) Changes in major construction in progress during the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Project name	Budget	Opening balance	Amount increase in the current period	Amount transfer to fixed assets during the current period	Amount decrease in the current period	Closing balance	Project cumulative investment as a percentage of budget (%)	Works schedule	Accumulated amount of capitalized interest	Including: amount of capitalized interest in current period	capitalized interest in current period (%)	Source of funds
Gas cylinder production line of Tianjin Tianhai	15,000,000	5,346,296.03	5,844,241.88	2,184,167.86	0.00	9,006,370.05	70.00	70.00	0.00	0.00	0.00	Self-raised
Gas cylinder production line of Kuancheng Tianhai	55,000,000	41,062,663.62	17,408,814.49	56,653,202.01	0.00	1,818,276.10	96.31	96.31	0.00	0.00	0.00	Self-raised borrowings
Plant of Kuancheng Tianhai	25,000,000	20,841,528.48	0.00	20,841,528.48	0.00	0.00	100.00	100.00	0.00	0.00	0.00	Self-raised
Equipment to be transferred into fixed assets for accounting of Beijing Tianhai CNG-IV cylinder	1,200,000	936,284.72	206,890.49	0.00	0.00	1,143,175.21	95.00	95.00	0.00	0.00	0.00	Self-raised
(plastic liner composite cylinder)	48,000,000	0.00	463,606.09	0.00	0.00	463,606.09	1.00	1.00	0.00	0.00	0.00	Self-raised
Fatigue explosion laboratory project	2,169,800	189,588.58	279,472.55	0.00	0.00	469,061.13	21.62	21.62	0.00	0.00	0.00	Self-raised
Total	146,369,800	68,376,361.43	24,203,025.50	79,678,898.35	0.00	12,900,488.58	/	/	/	/	/	/

(3) Details of provision for impairments of construction in progress during the period:

Applicable Not applicable

Other descriptions

Applicable Not applicable

23. Construction materials

Applicable Not applicable

24. Disposal of fixed assets

Applicable Not applicable

25. Bearer biological assets

(1) Bearer biological assets measured using cost pattern

Applicable Not applicable

(2) Bearer biological assets measured using fair value pattern

Applicable Not applicable

Other descriptions

Applicable Not applicable

26. Oil and gas assets

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Intangible assets

(1) Intangible assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Land use right	Patent rights	Non-patent technology	Software	Total
I. Book value					
I. Original carrying amount	154,173,389.08	11,707,050.00		853,162.19	166,733,601.27
1. Opening balance				143,525.66	143,525.66
2. Increase in the current period				143,525.66	143,525.66
(1) Purchase					
(2) Internal research and development					
(3) Additions from business combinations					
3. Decrease in the current period					
(1) Disposal	154,173,389.08	11,707,050.00		996,687.85	166,877,126.93
4. Closing balance					
II. Accumulated amortization	17,166,991.79	9,136,142.02		680,500.16	26,983,633.97
1. Opening balance	1,607,797.64	623,011.31		63,853.84	2,294,662.79
2. Increase in the current period	1,607,797.64	623,011.31		63,853.84	2,294,662.79
(1) Provision					
3. Decrease in the current period					
(1) Disposal	18,774,789.43	9,759,153.33		744,354.00	29,278,296.76
4. Closing balance					
III. Opening balance					
1. Increase in the current period					
(1) Provision					
2. Decrease in the current period					
(1) Disposal					
3. Closing balance					
IV. Book value					
1. Closing book value	135,398,599.65	1,947,896.67		252,333.85	137,598,830.17
2. Opening book value	137,006,397.29	2,570,907.98		172,662.03	139,749,967.30

Intangible assets formed through internal R&D in the Company accounted for 0% of the balance of intangible assets at the end of the period.

For the detailed mortgage of the land use right of the Group at the end of the period, refer to Note VII. 17 Fixed Assets for the description.

The amount of depreciation and amortization for intangible assets recognized as profit and losses is RMB2,294,662.79 (amount for the previous period: RMB2,006,977.89) in the current period.

(2) Land use right that certificate of title has not been handled:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

Temporarily idle intangible assets

Item	Cost	Accumulated depreciation	Impairment provision	Book value	Remarks
Land use right	9,008,627.00	1,726,651.78	0.00	7,281,975.22	—

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Development expenditures

Applicable Not applicable

29. Goodwill

(1) Original carrying value of goodwill

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of the investee or item resulting in goodwill	Increase in the current period		Decrease in the current period	
	Opening balance	Arising from business combination	Disposal	Closing balance
BTIC AMERICA CORPORATION	6,562,344.06			6,562,344.06
Total	6,562,344.06			6,562,344.06

(2) Provision for impairment of goodwill

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of the investee or item resulting in goodwill	Increase in the current period		Decrease in the current period	
	Opening balance	Provision	Disposal	Closing balance
BTIC AMERICA CORPORATION	2,882,689.66			2,882,689.66
Total	2,882,689.66			2,882,689.66

Explanation for the process of goodwill impairment test, parameters and recognition method of goodwill impairment

Applicable Not applicable

On June 30, 2018, 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 RMB2,882,689.66 based on the above assessment.

Other descriptions

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Current period Other decreases	Closing balance
Amortization of Turnover Fees	14,503,535.42	0.00	1,641,043.15	0.00	12,862,492.27
Property comprehensive insurance	11,221.08	0.00	11,221.08	0.00	0.00
Total	14,514,756.50	0.00	1,652,264.23	0.00	12,862,492.27

31. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets not offset

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment Unrealized profit of internal transaction	982,250.71	245,562.68	982,250.71	245,562.68
Deductible losses Depreciation life difference	122,898.97	43,014.64	122,898.97	43,014.64
Total	1,105,149.68	288,577.32	1,105,149.68	288,577.32

(2) Deferred income tax liabilities not offset

Applicable Not applicable

(3) Deferred income tax assets or liabilities presented on net basis after offsetting:

Applicable Not applicable

(4) Details of unrecognized deferred income tax assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible Temporary Balance		
Deductible loss	371,586,864.43	371,586,864.43
Provision for assets impairment	107,046,426.69	102,674,424.97
Total	478,633,291.12	474,261,289.40

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred income tax assets/deferred income tax liabilities

(5) Deductible loss of the unrecognized deferred income tax assets will be due in the following years

Applicable Not applicable

Unit: Yuan Currency: RMB

Year	Closing amount	Opening amount	Remarks
2018	21,180,571.48	21,180,571.48	
2019	41,532,934.11	41,532,934.11	
2020	145,886,603.24	145,886,603.24	
2021	112,635,194.39	112,635,194.39	
2022	50,351,561.21	50,351,561.21	
Total	371,586,864.43	371,586,864.43	/

Other descriptions:

Applicable Not applicable

32. Other non-current assets

Applicable Not applicable

33. Short-term borrowings

(1) Classification of short-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Guaranteed borrowings		
Mortgage borrowing	110,000,000.00	110,000,000.00
Guaranteed borrowing	218,000,000.00	175,000,000.00
Borrowing in credit	5,985,181.37	0.00
Total	333,985,181.37	285,000,000.00



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Short-term borrowings (Continued)

(1) Classification of short-term borrowings (Continued)

Explanation of classification of short-term borrowings:

- 1) On January 02, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120170110) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting for 331 days from January 08, 2018 to December 05, 2018 and with the loan rate of 5.655%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 2) On January 16, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180003) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting for 322 days from January 17, 2018 to December 05, 2018 and with the loan rate of 5.655%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 3) On April 11, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180034) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB28,000,000.00, lasting for 188 days from April 13, 2018 to October 18, 2018 and with the loan rate of 6.09%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 4) On May 08, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180047) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting for one year from May 10, 2018 to May 10, 2019 and with the loan rate of 6.09%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 5) On May 16, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180052) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB20,000,000.00, lasting for one year from May 23, 2018 to May 23, 2019 and with the loan rate of 6.09%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 6) On June 19, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180063) with Beijing Guanghua Branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting for one year from June 22, 2018 to June 22, 2019 and with the loan rate of 6.09%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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.
- 7) On October 24, 2017, Beijing Tianhai Industry Co., Ltd. signed a comprehensive credit agreement (No. DLQ J 201710200048) with Beijing Branch of Bank of Dalian, with the loan amount of RMB70,000,000.00, lasting for 12 months from November 10, 2017 to November 09, 2018 and with the loan rate of 5.66%. Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. provided the maximum mortgage of RMB70,000,000.00 with the plant & buildings involving the assessed value of RMB196,280,000.00 and signed the maximum mortgage contract with the buyer's factoring loan (No. DLQ L 201710200048B01) for a period from November 10, 2017 to November 09, 2018.
- 8) On May 12, 2017, the Company signed a working capital loan contract (No. DLL J 201707040071) with Beijing Branch of Bank of Dalian, with the loan amount of RMB50,000,000.00, lasting for 12 months from July 05, 2017 to July 04, 2018 and with the loan rate of 5.655%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee 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 October 31, 2017, Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. TJ0610120170123) with Tianjin Branch of Huaxia Bank, with the loan amount of RMB40,000,000.00, lasting for 12 months from October 31, 2017 to October 30, 2018 and with the loan rate of 5.4375%. The Company took its property (Number of Property Ownership Certificate: FDZJ No. 115021201217) and land (Number of Certificate of Land Use Right: DHB-32-2) worthy of RMB75,400,000.00 as assessed in total for pledge of above loan from October 31, 2017 to the date of expiry of the debt performance under the main contract.

The weighted average interest rate of short-term loan at the end of current period is 5.77% (5.03% at the end of the previous period).

(2) Short-term borrowing that is due but unpaid

Applicable Not applicable

Other descriptions

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Financial liabilities at fair value through profit or loss

Applicable Not applicable

35. Derivative financial liabilities

Applicable Not applicable

36. Notes payable and accounts payable

Item	Closing balance	Opening balance
Notes payable	31,000,000.00	3,000,000.00
Accounts payable	246,277,114.74	257,850,663.86
Total	277,277,114.74	260,850,663.86

36.1 Notes payable

Item	Closing balance	Opening balance
Bank acceptance notes	31,000,000.00	3,000,000.00

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Trade acceptance notes		
Bank acceptance notes		
Total		

At the end of the period, notes that are due but unpaid amounted to RMB 0.

At the end of the period, notes payable of the Group mentioned above are aged within 180 days, there are no notes that are due but unpaid at the end of the period.

On October 31, 2017, Tianjin Tianhai High Pressure Container Co., Ltd., the subsidiary of the Company signed note mortgage contract with Tianjin Branch of Hua Xia Bank. The mortgage contract No. is TJ06 (GD 2 No. 20170123), with the maximum debt limit of RMB40,000,000.00. The loan period is from October 31, 2017 to October 30, 2018. 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 RMB75,740,000.00 of the assessed value. The land is located on No. 306 Xingang Avenue, Tianjin Port Free Trade Zone, with the area of 45,489.2 square meters. The maximum amount of debt is RMB40,000,000.00 in the contract No. TJ06 (GD1) 20170123. The loan period is from October 31, 2017 to October 30, 2018. As of June 30, 2018, the actual draft amount accepted by the bank was RMB31 million.



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Notes payable and accounts payable

36.2 Accounts payable

Item	Closing balance	Opening balance
Material Payment, etc.	219,213,518.69	247,106,828.24
Project payment	27,063,596.05	10,743,835.62
Total	246,277,114.74	257,850,663.86

(1) Presentation of accounts payable

Applicable Not applicable

(2) Significant payables with the aging over 1 year:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for unrepayment or carrying over
Tianjin Seamless Investment Co., Ltd.	2,582,070.00	Unsettled
Tianjin Lebeier Catering Management Co., Ltd.	2,032,245.00	Unsettled
Cangzhou Huiyou Wire & Cable Co., Ltd.	1,173,071.46	Unsettled
Lanxi Haide Machine Tool Manufacturing Co., Ltd.	1,712,284.71	Unsettled
Beijing Jingcheng Industrial Logistics Co., Ltd.	902,227.27	Unsettled
Total	8,401,898.44	—

Other descriptions

Applicable Not applicable

37. Contractual liabilities

Item	Closing balance	Opening balance
Goods Payment Received in Advance	67,583,309.84	45,878,250.70
Including: more than one year	12,306,677.26	9,233,227.30

(1) Presentation of accounts payable

Applicable Not applicable

(2) Significant contractual liabilities aged over 1 year

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance	Reasons for unrepayment or carrying over
WESTPORT POWER INC.	4,395,315.38	The contract has not been completely fulfilled.
Hejin Xinchao Yue Gas Co., Ltd.	1,200,000.00	The contract has not been completely fulfilled.
Handan Futong Transportation and Sales Co., Ltd.	880,000.00	The contract has not been completely fulfilled.
Zhangjiagang Furui CIT Co., Ltd.	596,000.00	The contract has not been completely fulfilled.
Jiangsu Zhenjiang Shipyard (Group) Co., Ltd.	530,000.00	Unsettled
Total	7,601,315.38	—

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Contractual liabilities (Continued)

(3) Completed but unsettled assets formed through construction contracts at the end of the period:

Applicable Not applicable

Other descriptions

Applicable Not applicable

38. Employee benefits payable

(1) Presentation of employee benefits payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term compensation	31,787,304.98	88,517,906.21	102,540,889.31	17,764,321.88
2. Post-employment benefits-defined contribution plan	1,044,939.43	11,702,391.16	11,661,647.42	1,085,683.17
3. Dismissal welfare	0.00	1,009,082.00	1,009,082.00	0.00
4. Current portion of other welfare	4,030,298.15	694,117.24	1,161,586.90	3,562,828.49
Total	36,862,542.56	101,923,496.61	116,373,205.63	22,412,833.54

(2) Short-term benefits

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wage, bonus, allowance and subsidy	23,417,020.56	74,727,335.82	87,277,440.31	10,866,916.07
II. Employee welfare expenses	0.00	1,415,692.98	1,415,692.98	0.00
III. Social insurance premium	822,794.07	6,363,655.60	6,539,601.35	646,848.32
Including: medical insurance premium	737,206.18	5,496,913.43	5,669,275.33	564,844.28
Work injury insurance premium	42,754.24	445,128.24	447,897.30	39,985.18
Childbearing insurance premium	42,833.65	421,613.93	422,428.72	42,018.86
IV. Housing provident fund	125,855.00	4,301,596.60	4,330,104.60	97,347.00
V. Labor union expenditure & personnel education fund	5,488,495.35	1,684,025.21	2,848,050.07	4,324,470.49
VI. Short-term paid leaves				
VII. Short-term profit sharing schemes, Housing allowance	1,933,140.00	25,600.00	130,000.00	1,828,740.00
Total	31,787,304.98	88,517,906.21	102,540,889.31	17,764,321.88



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Employee benefits payable (Continued)

(3) Presentation of defined contribution plan

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance premium	1,007,829.37	11,330,930.84	11,283,250.14	1,055,510.07
2. Unemployment insurance premium	37,110.06	371,460.32	378,397.28	30,173.10
3. Enterprise annuity				
Total	1,044,939.43	11,702,391.16	11,661,647.42	1,085,683.17

Other descriptions

Applicable Not applicable

The Group has participated in the social insurance program established by government authorities as stipulated. As per the program, the Group will contribute to the program in accordance with relevant regulations 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, 2018, there was payable contribution of RMB1,085,683.17 for paying the relevant payable contributions at the end of the report period that has been due but not paid in the reporting period.

39. Taxes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	1,332,709.34	7,692,584.40
Consumption tax		
Business Tax		
Corporate income tax	3,528,678.73	6,159,843.56
Individual income tax	915,193.90	1,243,061.32
City maintenance and construction tax	373,460.34	731,604.46
Property tax	86,238.01	86,238.09
Education surcharge	167,797.44	337,651.85
Local education surcharge	100,264.66	191,360.94
Stamp duty	397,391.83	217,479.11
Flood prevention charge	3,350.20	23,386.24
Total	6,905,084.45	16,683,209.97

Other descriptions

There is no Hong Kong profits tax payable in the taxes payable at the end of the period.

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Interest payable

Applicable Not applicable

Significant due but unsettled interest:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

41. Dividends payable

Applicable Not applicable

42. Other payables

(1) Classification of other payables by nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing balance	Opening balance
Related party borrowing	45,000,000.00	45,000,000.00
Funds disbursed for others, etc.	49,264,171.90	38,818,094.18
Transaction payments of related parties	5,000,000.00	5,000,000.00
Rental fees	1,598,571.44	1,712,380.96
Return of Social Insurance	200,000.00	11,707.50
Interests payable	2,608,895.82	446,534.71
Total	103,671,639.16	90,988,717.35

(2) Other payables with significant amount and aged of over 1 year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for unrepayment or carrying over
Tianjin Seamless Investment Co., Ltd.	1,704,203.53	Unsettled
Total	1,704,203.53	/

Other descriptions

Applicable Not applicable

Item	Closing balance	Opening balance
Interest payable of short-term borrowing	2,608,895.82	446,534.71



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Held-for-sale liabilities

Applicable Not applicable

44. Non-current liabilities due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Including: Skid-mounted Fueling Station for Liquefied Natural Gas	5,000,000.00	5,000,000.00
Self-compression-adding Liquefied Natural Gas (LNG) Welding Thermal Insulation Cylinder Products for Motor Vehicles	2,000,000.00	2,000,000.00
Liquefied Natural Gas Low Temperature Storage Tank	4,000,000.00	4,000,000.00
	11,000,000.00	11,000,000.00

Other descriptions:

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 RMB5,000,000.00 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 RMB2,000,000 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 Technological Research and Development Projects. Jingcheng Holding granted Beijing Tianhai Industry Co., Ltd. a supporting fund of RMB4,000,000 on the development of liquefied natural gas low temperature storage tank product for HPDI-T6 motor vehicles. Beijing Tianhai Industry Co., Ltd. will make RMB1,200,000 and RMB2,800,000 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.

45. Other current liabilities

Other current liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable:		
Pending changeover VAT on sales	201,563.70	5,380,893.08
Total	201,563.70	5,380,893.08

Increase or decrease in short-term bonds payable:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Long-term borrowings

(1) Classification of long-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance	Opening balance
Pledged borrowings		
Mortgage borrowing	18,000,000.00	5,060,000.00
Guaranteed borrowings		
Credit borrowings		
Total	18,000,000.00	5,060,000.00

Explanation of classification of long-term borrowings:

On December 07, 2017, Kuancheng Tianhai Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. J-04-2017-077) with Chengde Branch of Bank of China Limited, with the loan amount of RMB18,000,000.00, lasting for 36 months from December 28, 2017 to December 27, 2020 and with the loan rate of 4.75%. The Company took its property and land (Real Property Ownership Certificate of Land Use Right for Kuancheng Manchu Autonomous County (J (2017) No. 0000570)) worthy of RMB39,556,300.00 as assessed in total for mortgage from December 28, 2017 to the date of expiry of the debt performance under the main contract. As of the end of the period, the bank has made a loan of RMB18,000,000.00.

Other descriptions, including interest rate range:

Applicable Not applicable

47. Bonds payable

(1) Bonds payable

Applicable Not applicable

(2) Increase or decrease in bonds payable (excluding financial instruments such as preferred stocks classified as financial liabilities, perpetual bonds, etc.):

Applicable Not applicable

(3) Explanation for the conversion conditions and the conversion time of convertible bonds:

Applicable Not applicable

(4) Explanation for other financial instruments classified as financial liabilities:

Basic information of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable Not applicable

Changes of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable Not applicable

Explanation of the basis for other financial instruments classified as financial liabilities

Applicable Not applicable

Other descriptions:

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Long-term payables

(1) Long-term payables classified by the nature:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Special payables	103,900,000.00	103,900,000.00

Other descriptions:

Applicable Not applicable

According to the new reporting format, special payables are listed in this section

(2) Special payables

Item	Opening balance	Increase in the current period	Decrease in the current period	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
Total	103,900,000.00	0.00	0.00	103,900,000.00	

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 RMB10 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 RMB3.9 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 on June 4, 2013(JGZ [2013] No.96) to Jingcheng Holding and notified to arrange RMB0.1 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.

49. Long-term employee benefits payable

Applicable Not applicable

(1) Classification of long-term employee benefits payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Post-employment Benefits-Net Liabilities in Defined Benefit Plan	33,688,734.45	32,871,892.94
II. Dismissal welfare		
III. Other long-term welfare		
Total	33,688,734.45	32,871,892.94

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Long-term employee benefits payable (Continued)

(2) Changes in defined benefit plan

Changes in present value of obligations in defined benefit plan

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
I. Opening balance	36,902,191.09	35,367,897.77
II. Defined benefit cost included in current profits and losses	1,510,958.75	3,684,430.78
1. Current service cost	127,126.58	2,358,134.61
2. Previous service cost	0.00	0.00
3. Settlement gains (losses to be listed with "-")	0.00	0.00
4. Net interests	1,383,832.17	1,326,296.17
III. Defined benefit cost included in other comprehensive incomes	0.00	0.00
1. Actuarial gains (losses to be listed with "-")	0.00	0.00
IV. Other changes	-1,161,586.90	-2,150,137.46
1. Consideration paid when settling	0.00	0.00
2. Paid welfare	-1,161,586.90	-2,150,137.46
V. Closing balance	37,251,562.94	36,902,191.09

Plan assets:

Applicable Not applicable

Net liabilities in defined benefit plan (net assets)

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
I. Opening balance	36,902,191.09	35,367,897.77
II. Defined benefit cost included in current profits and losses	1,510,958.75	3,684,430.78
III. Defined benefit cost included in other comprehensive incomes	0.00	0.00
IV. Other changes	-1,161,586.90	-2,150,137.46
V. Closing balance	37,251,562.94	36,902,191.09

Explanations on contents of defined benefit plan and influence from the related risks to future cash flow, time and uncertainty of the Company:

Applicable Not applicable

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.

Explanations on significant actuarial assumptions and results of sensitive analysis for defined benefit plan:

Applicable Not applicable

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.

Other descriptions:

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Special payables

Applicable Not applicable

51. Provisions

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance	Cause
External guarantees are provided			
Pending litigation			
Product quality assurance	4,243,554.25	4,243,554.25	Quality bond
Reorganization obligation			
Loss contract to be executed			
Others			
Total	4,243,554.25	4,243,554.25	/

Other descriptions, including explanation of material assumptions, estimation notes related to the key estimated liabilities:

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.

52. Deferred income

Deferred income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government subsidies	2,000,000.00	0.00	1,148,833.06	851,166.94	Development project of cylinders for hydrogen of 70MPa
Total	2,000,000.00	0.00	1,148,833.06	851,166.94	/

Projects using government subsidies

Applicable Not applicable

Unit: Yuan Currency: RMB

Projects using government subsidies	Opening balance	Newly increased amount of grant in the current period	Amount included in non-operating revenue in the current period	Other changes	Closing balance	Asset-related/revenue-related
70MPa hydrogen cylinder development project	2,000,000.00	0.00		1,148,833.06	851,166.94	Revenue-related
Total	2,000,000.00	0.00		1,148,833.06	851,166.94	/

Other descriptions:

Applicable Not applicable

The other changes amount of RMB1,148,833.06 of deferred income is attributed to R&D expenses of current period.

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other non-current liabilities

Applicable Not applicable

54. Share capital

Applicable Not applicable

Unit: Yuan Currency: RMB

	Increase or decrease for the period (+, -)					Subtotal	Closing balance
	Opening balance	Issuing new shares	Bonus shares	Transfer from capital surplus to share capital	Others		
Total number of shares	422,000,000.00						422,000,000.00

Other descriptions:

All the shares of the Company are ordinary one with the face value of RMB1 per share.

55. Other equity instruments

(1) Basic information of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable Not applicable

(2) Changes of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable Not applicable

Changes (increase or decrease) during the period, reasons for such changes and basis for relevant accounting treatment of other equity instruments:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

56. Capital reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening amount	Increase in the current period	Decrease in the current period	Closing amount
Capital premium (share premium)	561,384,250.65	0.00	0.00	561,384,250.65
Other capital reserves	125,964,838.95	0.00	0.00	125,964,838.95
Total	687,349,089.60	0.00	0.00	687,349,089.60

Other descriptions, including explanation of changes (increase or decrease) during the period, reasons for such changes:

Nil

57. Treasury stocks

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Other comprehensive income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period						Closing balance
	Opening 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 income that cannot be reclassified through profit or loss in the future Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
Under the equity method, share enjoyed in other comprehensive incomes in the invested entity that cannot be reclassified into loss and profit in the future	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
(II) Other comprehensive incomes that can be reclassified into loss and profit in the future Including: 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 Change loss and profit of fair value of financial assets available-for-sale Mature investment reclassified to loss and profit of available-for-sale financial assets Valid part of hedging loss and profit of cash flow Converted difference in foreign currency statements for foreign currency	994,074.87	546,273.29	0.00	0.00	281,899.59	264,373.70	1,275,974.46
Total of other comprehensive incomes	1,154,074.87	546,273.29	0.00	0.00	281,899.59	264,373.70	1,435,974.46

Other descriptions, including the adjustment for the conversion of the valid part of cash flow hedging losses and profits into the initially recognized amount of the hedged item:

Nil

59. Special reserves

Applicable Not applicable

60. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

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 reserve	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 expansion fund	460,638.52	0.00	0.00	460,638.52
Others				
Total	45,665,647.68	0.00	0.00	45,665,647.68

Explanation of surplus reserve, including explanation of changes (increase or decrease) during the period, reasons for such changes:

Nil

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Undistributed profit

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Undistributed profit at the end of last period before adjustment	-567,793,525.60	-588,661,889.61
Adjustment for undistributed profit at the beginning of period ("+" for plus; "-" for less)		
Undistributed profit at the beginning of period after adjustment	-567,793,525.60	-588,661,889.61
Add: net profits attributable to owners of parent company in current period	-28,682,450.33	-44,049,991.70
Less: appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserves		
Appropriation of general risk provision		
Ordinary share dividends payable		
Ordinary share dividends transferred into share capital		
Closing balance for the current period	-596,475,975.93	-632,711,881.31

The breakdown of undistributed profit:

- Due to the retrospective adjustment of the Accounting Standard for Business Enterprises and its related new regulations, the undistributed profit at the beginning of the period was RMB 0.
- Due to changes in accounting policies, the undistributed profit affected at the end of the period was RMB 0.
- Due to correction of significant accounting errors, the undistributed profit affected at the beginning of the period was RMB 0.
- Due to the change of the scope of combination under common control, the undistributed profit affected at the end of the period was RMB 0.
- Due to other adjustments, the undistributed profit affected at the end of the period amounted to RMB 0.

62. Operating revenues and operating costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Prime businesses	444,860,486.27	373,253,895.23	518,664,127.93	456,434,978.62
Other businesses	30,112,025.76	39,464,591.47	17,141,957.30	17,143,943.37
Total	474,972,512.03	412,718,486.70	535,806,085.23	473,578,921.99



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Consumption tax		
Business tax		
City maintenance and construction tax	1,291,387.82	1,038,682.66
Education surcharge	568,173.11	653,937.12
Local education surcharge	400,922.07	114,963.54
Resources tax		
Property tax	2,546,220.64	2,768,452.43
Land use tax	461,274.91	884,721.95
Vehicle and vessel use tax	625.00	2,783.30
Riverway management charge	0.00	19,822.75
Stamp duty	424,640.24	536,004.23
Security funds for the disabled	639,570.42	650,000.00
Flood prevention tax	24,622.62	78,196.99
Customs Duties	0.00	46,993.24
Water resources tax	8,470.96	0.00
Environmental protection tax	8,895.26	0.00
Total	6,374,803.05	6,794,558.21

Other descriptions:

Nil

64. Selling expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Employees' Compensation	9,969,837.38	11,101,702.03
Operational funds	933,081.08	1,959,344.16
Transportation expenses	7,662,854.14	5,408,811.12
Warehousing and maintenance fees	353,109.79	705,686.74
Exhibition fees	285,923.99	459,145.59
After-sales service charges	2,222,520.14	555,767.13
Repair cost	7,273.85	80,261.06
Office fees	188,335.00	284,618.59
Traveling expenses	1,242,373.26	1,760,233.83
Others	709,115.95	3,107,497.22
Insurance Premium	29,420.87	61,144.44
Total	23,603,845.45	25,484,211.91

Other descriptions:

Nil

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Office fees	1,554,371.84	1,637,898.06
Traveling expenses	540,150.18	393,605.82
Energy bills	668,640.55	378,911.99
Repair cost	295,051.26	459,198.67
Depreciation expense	3,585,718.94	1,115,254.20
Employee compensation	34,698,319.90	27,724,653.34
Vehicle fees	1,520,667.41	1,099,861.29
Publicity expenses	182,346.18	669,679.03
Business entertainment expenses	256,608.50	381,959.73
Amortization of intangible assets	1,389,683.33	1,685,610.07
Fees for employing intermediary organs	942,827.14	963,097.91
Others	2,219,372.78	2,617,737.77
Conference expenses	154,219.82	339,880.00
Insurance Premium	200,783.35	550,612.52
Rental fees	392,496.95	492,518.02
Material consumption	848,146.31	915,686.99
Labor protection fees	143,337.03	227,809.12
Property fees	187,935.00	0.00
Total	49,780,676.47	41,653,974.53

66. R&D expenses

Item	Amount in the current period	Amount in the previous period
R&D costs	1,486,494.42	5,830,781.93

67. Financial expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest expenses	12,465,065.58	9,956,300.37
Less: interest incomes	-1,022,640.84	-105,090.07
Add: exchange losses	340,564.78	1,314,387.06
Add: other expenditures	229,287.13	255,797.69
Total	12,012,276.65	11,421,395.05



SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Financial expenses (Continued)

Other descriptions:

Breakdown of interest expenses

Item	Amount in the current period	Amount in the previous period
Bank loans and overdraft interests	9,328,733.41	5,847,002.56
Other interests	3,136,332.17	4,109,297.81
Other loan interests that shall be due and repaid within five years	1,752,500.00	2,783,001.64
Other loan interests that shall be due and repaid after five years	0.00	0.00
Interest of long-term employee benefits payable withdrawn at the effective interest rate	1,383,832.17	1,326,296.17
Subtotal	12,465,065.58	9,956,300.37
Less: capitalized interests	0.00	0.00
Total	12,465,065.58	9,956,300.37

Breakdown of interest incomes

Item	Amount in the current period	Amount in the previous period
Income from bank deposit interests	1,022,640.84	105,090.07
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
Total	1,022,640.84	105,090.07

68. Assets impairment losses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
I. Bad debt losses		
II. Losses on decline in value of inventories		
III. Losses on decline in value of financial assets available-for-sale	5,153,782.49	6,958,276.47
IV. Losses on decline in value of held-to-maturity investments		
V. Losses on decline in value of long-term equity investments		
VI. Losses on decline in value of investment properties		
VII. Losses on decline in value of fixed assets		
VIII. Losses on decline in value of construction materials		
IX. Losses on decline in value of construction in progress		
X. Losses on decline in value of bearer biological assets		
XI. Losses on decline in value of oil and gas assets		
XII. Losses on decline in value of intangible assets		
XIII. Losses on decline in value of goodwill		
XIV. Others		
Total	5,153,782.49	6,958,276.47

Other descriptions:

Nil

SECTION 10 FINANCIAL REPORT

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Credit impairment losses

Item	Amount in the current period	Amount in the previous period
Losses on Bad Debts	7,647,533.66	10,718,176.89

70. Gains from changes of fair value

Applicable Not applicable

71. Investment incomes

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Long-term equity investment incomes under equity method	3,195,881.57	-2,506,578.34
Investment incomes from disposal of long-term equity investment through profit or loss		
Investment incomes during the holding of financial assets at fair value through profit or loss		
Investment incomes from disposal of financial assets at fair value through profit or loss		
Investment incomes during the holding of held to maturity investment		
Investment incomes from available-for-sale financial assets		
Investment incomes from disposal of available-for-sale financial assets		
Gain on revaluation of the fair value of remaining equity interests after losing control		
Total	3,195,881.57	-2,506,578.34

Other descriptions:

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



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

72. Incomes from disposal of assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Incomes from disposal of disposal groups held for sale	-	-
Gains from disposal of non-current assets	0.00	813,871.18
Including incomes from disposal of non-current assets classified as the held-for-sale assets	0.00	0.00
Including incomes from disposal of fixed assets	0.00	0.00
Incomes from disposal of intangible assets	0.00	0.00
Incomes from disposal of non-current assets not classified as the held-for-sale assets	0.00	0.00
Including incomes from disposal of fixed assets	0.00	0.00
Incomes from disposal of intangible assets	0.00	0.00
Incomes from exchange of non-monetary assets	0.00	0.00
Incomes from disposal of non-current assets in the debt restructuring	0.00	0.00
Total	0.00	813,871.18

Other descriptions:

Applicable Not applicable

RMB0.00 is included in non-recurring profit and loss in the current period (previous period: RMB813,871.18).

73. Other earnings

Applicable Not applicable

74. Non-operating revenues

Details of non-operating revenues

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period	Amount included into current non-recurring profits and losses
Total income from disposal of non-current assets			
Including: Income from disposal of fixed assets			
Income from disposal of intangible assets			
Gains from debt restructuring	423,181.50	1,026,696.07	423,181.50
Gains on exchange of non-monetary assets			
Donation received			
Government subsidies	1,816,557.00	2,550,972.00	1,816,557.00
Others	232,765.18	652,055.21	232,765.18
Total	2,472,503.68	4,229,723.28	2,472,503.68

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

74. Non-operating revenues (Continued)

Details of government subsidies included in profit or loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period	Assets related/ Revenue-related
Government subsidies for "dual-autonomous" enterprises	905,895.00	230,443.00	Revenue-related
Supporting fund for short-term export credit insurance	35,282.00	14,629.00	Revenue-related
Subsidies for updating and eliminating old vehicles from Beijing Municipal Environmental Protection Bureau	0.00	85,500.00	Revenue-related
Allowance for the Production Suspension of Enterprises from Langfang Development Zone	0.00	1,383,800.00	Revenue-related
Outstanding Contribution Award on Solving Employment of Labor Force	0.00	50,000.00	Revenue-related
Allowance for Stable Employment from Tianjin Municipal Human Resources and Social Security Bureau	0.00	507,600.00	Revenue-related
Allowance for Work Safety Standardization From Regulatory Commission and Administration of Work Safety	0.00	25,000.00	Revenue-related
Bonus for 2016 Outstanding Contribution	0.00	200,000.00	Revenue-related
Incentive grant by Beijing Municipal Commission of Commerce	941,177.00	0.00	Revenue-related
Award funds for energy conservation target assessment of Chaoyang District Commission of Development and Reform of Beijing Municipality	200,000.00	0.00	Revenue-related
Subsidies for Technical Standards from the Science Technology Commission Of Chaoyang District, Beijing, China	22,500.00	54,000.00	Revenue-related
Patent Award issued by the Science Technology Commission of Chaoyang District Beijing China	4,880.00	0.00	Revenue-related
Subsidies for employment of redundant employees from iron and steel enterprises with excessive manufacturing capacity	648,000.00	0.00	Revenue-related
Total	1,816,557.00	2,550,972.00	-

Other descriptions:

√ Applicable □ Not applicable

RMB2,472,503.68 is included in non-recurring profit and loss in the current period (previous period: RMB4,229,723.28).

75. Non-operating expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

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 damage and scrapping of non-current assets			
Including: losses from disposal of fixed assets			
Loss from intangible assets disposal			
Losses from debt restructuring			
Losses on exchange of non-monetary assets			
Losses from damage and scrapping of non-current assets	42,610.67	119,797.02	42,610.67
External donation	45,250.00	2,035,298.46	45,250.00
Others	226,358.89	0.00	226,358.89
Total	314,219.56	2,155,095.48	314,219.56

Other descriptions:

RMB314,219.56 is included in non-recurring profit and loss in the current period (previous period: RMB2,155,095.48).



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

76. Income tax expenses

(1) Income tax expense

Applicable Not applicable

	Unit: Yuan	Currency: RMB
Item	Amount in the current period	Amount in the previous period
Income Tax Expense for the Current Period-Corporate Income	2,673,283.91	2,089,336.25
Deferred income tax expenses	0.00	1,070.39
Total	2,673,283.91	2,090,406.64

(2) Adjustment process of accounting profits and tax expenses

Applicable Not applicable

	Unit: Yuan	Currency: RMB
Item	Amount in the current period	
Total profits	-38,451,221.17	
Income taxes expense calculated at legal or applicable tax rate	-9,612,805.29	
Effect from application of different tax rate to subsidiaries	2,199,483.15	
Effect from adjustment of income tax in the previous period	38,944.87	
Effect from costs, expenses and losses that cannot be deducted	916,742.22	
Effect from using the deductible losses of unrecognized deferred income tax assets	0.00	
Effect from deductible temporary difference or deductible losses of deferred income tax assets unrecognized in the current year	9,130,918.96	
Total	2,673,283.91	

Other descriptions:

Applicable Not applicable

77. Other comprehensive income

Applicable Not applicable

See notes for details

78. Items of cash flow statement

(1) Other cash received/paid relating to operating/investment/financing activities

1) Other cash received relating to operating activities

Applicable Not applicable

	Unit: Yuan	Currency: RMB
Item	Amount in the current period	Amount in the previous period
Margins and petty cash recovered	461,121.03	1,444,852.11
Interest income	1,022,640.84	105,090.07
Government subsidies	1,816,557.00	2,550,972.00
Intercourse funds	2,064,330.36	1,750,302.74
Others	77,111.15	2,429,106.09
Total	5,441,760.38	8,280,323.01

Explanation of other cash received relating to operating activities:

Nil

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

78. Items of cash flow statement (Continued)

2) Other cash paid relating to operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
General Expenses	17,808,985.96	23,559,254.84
Cash deposit	1,078,016.67	1,382,000.00
Intercourse funds	1,833,632.31	957,897.55
Others	291,164.37	1,985,298.46
Total	21,011,799.31	27,884,450.85

Explanation of other cash paid relating to operating activities:

Nil

(3) Other cash received relating to investment activities

Applicable Not applicable

(4) Other cash paid relating to investment activities

Applicable Not applicable

(5) Other cash received relating to financing activities

Applicable Not applicable

6) Other cash paid relating to financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Loans from Jingcheng Holding, etc.	0.00	1,200,000.00
Guarantee deposits for notes	18,000,000.00	0.00
Total	18,000,000.00	1,200,000.00

Other cash paid relating to financing activities

Nil



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

79. Items of cash flow statement (Continued)

(1) Supplementary information to consolidated cash flow statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	-41,124,505.08	-48,342,697.75
Add: provision for assets impairment	12,801,316.15	17,676,453.36
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of nearer biological assets	27,171,835.61	36,399,268.21
Amortization of intangible assets	2,294,662.79	2,006,977.89
Amortization of long-term deferred expenses	1,652,264.23	1,672,321.08
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	0.00	-694,074.16
Losses on retirement of fixed assets (gains to be listed with "-")	42,610.67	0.00
Losses of changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	13,601,195.20	10,749,633.81
Losses on investment (gains to be listed with "-")	-3,195,881.57	2,506,578.34
Decrease on deferred income tax asset (increases to be listed with "-")	0.00	1,070.39
Increase in deferred income tax liabilities (decreases to be listed with "-")	0.00	0.00
Decreases on inventory (increases to be listed with "-")	-65,480,626.07	-38,931,134.33
Decreases on operating receivables (increases to be listed with "-")	56,367,236.80	-68,917,561.61
Increase on operating payables (decreases to be listed with "-")	23,275,403.13	23,390,762.51
Others	0.00	0.00
Net cash flows from operating activities	27,405,511.86	-62,482,402.26
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Translation of debt into capital		
Current portion of convertible corporate bonds		
Fixed assets acquired under finance leases		
3. Net change in cash and cash equivalents:		
Closing balance of cash	109,045,463.00	61,447,232.57
Less: opening balance of cash	76,867,503.16	102,580,611.77
Add: closing balance of cash equivalents	0.00	0.00
Less: opening balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	32,177,959.84	-41,133,379.20

(2) Net cash acquired from subsidiaries for the current period

Applicable Not applicable

(3) Net gains on disposal of subsidiaries for the current period

Applicable Not applicable

(4) Components of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	109,045,463.00	76,867,503.16
Including: cash on hand	165,320.18	123,064.28
Cash at bank available for payment at any time	108,880,142.82	76,744,438.88
Other cash balances available for payment at any time		
Deposit of central bank funds available for payment		
Inter-bank deposits		
Inter-bank offers		
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	109,045,463.00	76,867,503.16
Including: cash and cash equivalents that parent company or subsidiaries of the Group are limited to use		

Other descriptions:

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

80. Notes to Statement of change of the owner's equity

Description of "Other" items for the adjustment to the closing balance in the previous year and the amount of adjustment and other matters:

Applicable Not applicable

81. Assets with restricted ownership or use right

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing book value	Reasons of limitations
Cash at bank and on hand	18,000,000.00	Guarantee deposits for notes
Notes receivable		
Inventories		
Fixed assets	245,616,255.04	Pledge for obtaining bank loans
Intangible assets	116,584,562.28	Pledge for obtaining bank loans
Total	380,200,817.32	-

Other descriptions:

Nil

82. Monetary items in foreign currency

(1) Monetary items for foreign currency

Applicable Not applicable

Unit: Yuan

Item	Closing balance of foreign currency	Rate of translation	Balance of converted RMB at the end of period
Cash at bank and on hand	-	-	8,567,684.37
Including: USD	1,201,572.11	6.6166	7,950,322.02
EUR	77,697.62	7.6515	594,503.34
HKD	27,113.05	0.8431	22,859.01
RMB			
RMB			
Accounts receivable	-	-	47,934,782.65
Including: USD	7,009,805.34	6.6166	46,381,078.01
EUR	203,058.83	7.6515	1,553,704.64
HKD			
RMB			
RMB			
Short-term borrowings	-	-	5,985,181.37
Including: USD	904,570.53	6.6166	5,985,181.37
Long-term borrowings			
Including: USD			
EUR			
HKD			
RMB			
RMB			
Accounts payable	-	-	11,242,908.90
Including: USD	1,665,472.27	6.6166	11,019,763.82
EUR	2,840.78	7.6515	21,736.23
GBP	23,270.54	8.6551	201,408.85
Other payables	-	-	7,680.75
Including: USD	1,160.83	6.6166	7,680.75
Denominated in foreign currencies-XXX			
RMB			
RMB			

Other descriptions:

Nil



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

82. Monetary items in foreign currency (Continued)

- (2) Descriptions of foreign business entity (including those that are considered important) should include disclosure of: the overseas principal place of business of the foreign business entity; the reporting currency and the basis for using that currency; the reason(s) for the change of reporting currency.

Applicable Not applicable

BTIC AMERICA CORPORATION, a subsidiary of the Company, is 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.

83. Hedging

Applicable Not applicable

84. Government subsidy

- (1) Basic information about government subsidies

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Amount	Item presented	Amount included in the current profits or losses
Revenue-related	1,816,557.00	Non-operating revenue	1,816,557.00
Revenue-related	851,166.94	Deferred incomes	1,148,833.06

- (2) Refund of government subsidies

Applicable Not applicable

Other descriptions

Nil

85. Others

Applicable Not applicable

VIII. CHANGES IN CONSOLIDATION SCOPE

1. Business merger under different control

Applicable Not applicable

2. Business merger under common control

Applicable Not applicable

3. Counter purchase

Applicable Not applicable

4. Disposal of subsidiaries

Whether there is a single disposal of investments in subsidiaries and loss of control

Applicable Not applicable

Other descriptions:

Applicable Not applicable

Whether there is a step-by-step disposal of investments in subsidiaries through multiple transactions and loss of control in this period

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VIII. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

5. Changes in the scope of consolidation due to other reasons

Explain the changes in the scope of consolidation due to other reasons (e.g. newly established subsidiaries and clearing of subsidiaries etc.) and the related conditions:

Applicable Not applicable

6. Others

Applicable Not applicable

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	Production	100.00	0.00	Business merger under common control
Langfang Tianhai High Pressure Container Co., Ltd.	Langfang, Hebei	Langfang, Hebei	Production	0.00	86.95	Business merger under common control
Tianjin Tianhai High Pressure Container Co., Ltd.	Tianjin Port Free Trade Zone	Tianjin Port Free Trade Zone	Production	0.00	55.00	Establishment
Shanghai Tianhai Composite Cylinders Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai	Production	0.00	87.84	Business merger under common control
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Daxing District, Beijing	Daxing District, Beijing	Production	0.00	75.00	Establishment
Beijing Pioneer Up Lifter Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	Production	0.00	100.00	Business merger under common control
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	Production	0.00	38.51	Establishment
BTIC AMERICA CORPORATION	Houston, the USA	Houston, the USA	Sales	0.00	51.00	Business merger under common control
Kuancheng Tianhai Pressure Container Co., Ltd.	Chengde, Hebei	Chengde, Hebei	Production	0.00	61.10	Establishment
Jingcheng Holding (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Trading, investment	100.00	0.00	Business merger under common control

Explanation of percentage of shareholdings held in the subsidiary is different from percentage of voting rights

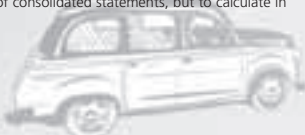
Nil

The basis for controlling the investees of which the Group is holding half or less than half of the voting rights, and the basis for not controlling the investees of which the Group is holding more than half of the voting rights:

Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. was established on November 27, 2012, with a registered capital of RMB10 million wholly contributed by Beijing Tianhai Industry Co., Ltd. After two capital increases, as at June 30, 2018, the registered capital of Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. has been increased to RMB545,225,200, including RMB210,000,000 (38.51%) contributed by Beijing Tianhai Industry Co., Ltd., RMB170,412,703.00 (31.26%) contributed by Beijing Jinguofo Venture Investment Fund (LLP) and RMB164,812,525.00 (30.23%) contributed by Beijing Bashi Media Co., Ltd.

According to the Articles of Association of Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd., it has 5 directors in the Board of Directors, of which Beijing Tianhai Industry Co., Ltd. nominates 3 and Beijing Jinguofo Venture Investment Fund (LLP) 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 Beijing Tianhai Industry Co., Ltd.. Beijing Tianhai Industry Co., Ltd. can exert control over Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. and, thus, include it in the scope of consolidated financial statements.

Shandong Tianhai High Pressure Container Co., Ltd. (hereinafter referred to as Shandong Tianhai) was established on June 12, 2014, with a registered capital of RMB30,000,000.00. Beijing Tianhai Industry Co., Ltd. (hereinafter referred to as Beijing Tianhai) contributed RMB15,300,000.00 (51%) and Shandong Yongan Heli Steel Cylinder Co., Ltd. (hereinafter referred to as Yongan Heli) contributed RMB14,700,000.00 (49%). After capital increments, the registered capital of Shandong Tianhai was increased to RMB114,550,000.00, including RMB58,420,500.00 (51%) and RMB56,129,500.00 (49%) contributed by Beijing Tianhai and Yongan Heli respectively. According to the Articles of Association of Shandong Tianhai, the Board of Directors consists of 5 directors, and of which 3 directors are nominated by Beijing Tianhai, while 2 directors are nominated by Yongan Heli. 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 is performed by personnel deployed by Yongan Heli, so Beijing Tianhai will not control Shandong Tianhai and include it into the scope of consolidated statements, but to calculate in an equity method.



SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Basis for control for significant structured entities that included in the consolidation scope:

Not applicable

Basis of determination of the Company to be an agent or a principal:

Not applicable

Other descriptions:

Nil

(2) Important non-wholly-owned subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding proportion of non-controlling shareholders (%)	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
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	61.49	-11,900,229.99	0.00	256,447,191.06
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	-2,870,372.51	0.00	8,020,174.17
Langfang Tianhai High Pressure Container Co., Ltd.	13.05	-261,543.33	0.00	-377,365.39
BTIC AMERICA CORPORATION	49.00	2,112,079.36	0.00	22,037,578.46
Shanghai Tianhai Composite Cylinders Co., Ltd.	12.16	211,114.05	0.00	5,466,770.55
Tianjin Tianhai High Pressure Container Co., Ltd.	45.00	1,083,905.29	0.00	101,140,717.78
Kuancheng Tianhai Pressure Container Co., Ltd.	38.90	-817,007.62	0.00	30,789,888.48
Total	—	-12,442,054.75	0.00	423,524,955.11

Explanation of shareholding proportion of minority shareholder in subsidiary differs from proportion of voting right:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

✓ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	162,264,291.66	488,841,456.74	651,105,748.40	232,842,928.29	4,243,554.25	237,086,482.54
Beijing Tianhai Cryogenic Equipment Co., Ltd.	278,126,819.85	10,059,956.47	288,186,776.32	256,106,079.64	0.00	256,106,079.64
Langfang Tianhai High Pressure Container Co., Ltd.	95,247,981.97	21,040,184.91	116,287,276.88	15,845,412.27	0.00	15,845,412.27
BTC AMERICA CORPORATION	70,655,543.20	199,975.61	70,855,518.81	25,341,320.68	0.00	25,341,320.68
Shanghai Tianhai Composite Cylinders Co., Ltd.	28,510,920.13	16,902,880.19	45,413,800.32	3,037,065.76	0.00	3,037,065.76
Tianjin Tianhai High Pressure Container Co., Ltd.	209,555,287.06	191,251,873.91	400,807,160.97	172,279,704.18	0.00	172,279,704.18
Kuancheng Tianhai Pressure Container Co., Ltd.	70,499,673.86	104,150,822.51	174,650,496.37	77,499,173.78	18,000,000.00	95,499,173.78

(Con't 1)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	218,042,094.02	504,216,623.21	722,258,717.23	284,642,782.81	4,243,554.25	288,886,337.06
Beijing Tianhai Cryogenic Equipment Co., Ltd.	241,185,790.63	11,097,788.40	252,283,579.03	208,721,392.30	0.00	208,721,392.30
Langfang Tianhai High Pressure Container Co., Ltd.	109,016,730.10	27,676,626.13	136,693,356.23	34,247,348.16	0.00	34,247,348.16
BTC AMERICA CORPORATION	50,195,236.16	235,428.92	50,430,665.08	9,766,401.17	0.00	9,766,401.17
Shanghai Tianhai Composite Cylinders Co., Ltd.	25,785,560.73	17,370,161.60	43,155,722.33	2,515,123.01	0.00	2,515,123.01
Tianjin Tianhai High Pressure Container Co., Ltd.	163,830,312.91	193,017,034.90	356,847,347.81	130,728,569.45	0.00	130,728,569.45
Kuancheng Tianhai Pressure Container Co., Ltd.	20,926,537.92	88,335,429.79	109,261,967.71	22,950,368.47	5,060,000.00	28,010,368.47

(Con't 2)

Name of subsidiary	Amount in the current period			Cash flow generated from operating activities
	Operating revenue	Net profit	Total comprehensive incomes	
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	39,744,077.21	-19,353,114.31	-19,353,114.31	-1,921,233.42
Beijing Tianhai Cryogenic Equipment Co., Ltd.	65,633,812.58	-11,429,192.60	-11,481,490.05	14,592,440.82
Langfang Tianhai High Pressure Container Co., Ltd.	15,286,399.77	-2,004,163.45	-2,004,163.45	-928,171.68
BTC AMERICA CORPORATION	103,137,824.92	5,829,681.98	4,849,904.22	-9,574,161.27
Shanghai Tianhai Composite Cylinders Co., Ltd.	21,481,364.87	2,270,982.56	1,736,135.24	-1,078,991.67
Tianjin Tianhai High Pressure Container Co., Ltd.	248,165,071.70	2,975,501.64	2,408,678.43	15,903,558.35
Kuancheng Tianhai Pressure Container Co., Ltd.	16,355,875.54	-2,100,276.65	-2,100,276.65	-13,130,528.15

(Con't 3)

Name of subsidiary	Amount in the previous period			Cash flow generated from operating activities
	Operating revenue	Net profit	Total comprehensive incomes	
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	234,040,181.64	9,081,602.15	9,081,602.15	-25,044,272.23
Beijing Tianhai Cryogenic Equipment 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
BTC AMERICA CORPORATION	67,173,840.46	-6,516,213.63	-6,516,213.63	534,815.11
Shanghai Tianhai Composite Cylinders Co., Ltd.	101,619,771.65	2,771,868.44	1,793,466.18	-874,917.56
Tianjin Tianhai High Pressure Container 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

Other descriptions:

Nil



SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(4) Significant restrictions for using the Company's assets and settling the Company's liabilities:

Applicable Not applicable

(5) Financial support or other support provided to structuring subject in the scope of combined financial statement:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

2. Transactions for which the share of owner's equity in subsidiary changes but the subsidiary is controlled

Applicable Not applicable

3. Interests in joint ventures or associated enterprises

Applicable Not applicable

(1) Important joint ventures or associated enterprises

Applicable Not applicable

Unit: Yuan Currency: RMB

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

Explanation of shareholding proportion in joint ventures or associated enterprises differs from proportion of voting right:

See Notes IX 1.(1)

Basis for having less than 20% voting right but having significant influence as well as having more than 20% voting right but not having significant influence:

Nil

SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(2) Main financial information of important associated enterprises

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance/Amount for the current period		Opening balance/Amount for the previous period	
	Shandong Tianhai	Shandong Tianhai	Shandong Tianhai	Shandong Tianhai
Current assets	155,611,793.18		117,629,095.79	
Including: cash and cash equivalents	5,203,051.80		16,676,977.34	
Non-current assets	124,369,122.41		127,952,389.64	
Total assets	279,980,915.59		245,581,485.43	
Current liabilities	168,856,179.48		138,163,334.50	
Non-current liabilities	0.00		0.00	
Total liabilities	168,856,179.48		138,163,334.50	
Non-controlling interest	0.00		0.00	
Equity attributable to shareholders of the parent company	111,124,736.11		107,418,150.93	
Net assets share calculated at shareholding proportion	56,673,615.42		54,783,256.97	
Adjustments	-5,273,228.4		-3,043,679.45	
– Goodwill	0.00		0.00	
– Unrealized profit of internal transaction	-5,273,228.4		-3,043,679.45	
– Others	0.00		0.00	
Book value of equity investment to joint ventures	51,400,387.02		51,739,577.52	
Fair value of joint venture equity investments with public offer	0.00		0.00	
Operating revenue		352,670,468.29		357,876,918.05
Financial expenses		1,132,214.49		551,854.96
Income tax expenses		0.00		0.00
Net profit		2,617,777.82		-5,226,197.54
Net profits from termination of operation		0.00		0.00
Other comprehensive incomes		0.00		0.00
Total comprehensive incomes		2,617,777.82		-5,226,197.54
Dividends received from joint ventures of the current year		0.00		0.00

Other descriptions

Nil



SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associated enterprises (Continued)

(3) Main financial information of important

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance/Amount for the current period		Opening balance/Amount for the previous period	
	Jiangsu Tianhai	Jiangsu Tianhai	Jiangsu Tianhai	Jiangsu Tianhai
Current assets	32,823,088.94		21,539,298.44	
Including: cash and cash equivalents	9,894,718.01		6,582,551.07	
Non-current assets	79,614,944.61		67,489,193.83	
Total assets	112,438,033.55		89,028,492.27	
Current liabilities	25,624,960.79		18,091,593.40	
Non-current liabilities	0.00		540,000.00	
Total liabilities	25,624,960.79		18,631,593.40	
Non-controlling interest	0.00		0.00	
Equity attributable to shareholders of the parent company	86,813,072.76		70,396,898.87	
Net assets share calculated at shareholding proportion	30,384,575.47		24,638,914.60	
Adjustments	-6,894,598.45		-12,118,086.97	
- Goodwill	0.00		0.00	
- Unrealized profit of internal transaction	-7,088,926.96		-5,867,645.48	
- Others	194,328.51		-6,250,441.49	
Book value of equity investment to associated enterprises	23,489,977.02		12,520,827.63	
Fair value of equity investment in associated enterprises with public offer	0.00		0.00	
Operating revenue		47,004,191.97		28,590,643.46
Financial expenses		53,144.86		53,188.61
Income tax expenses		29,685.18		0.00
Net profit		3,876,166.91		157,493.76
Net profits from termination of operation		0.00		0.00
Other comprehensive incomes		0.00		0.00
Total comprehensive incomes		3,876,166.91		157,493.76
Dividends received from associated enterprises in the current year		0.00		0.00

Other descriptions

Nil

(4) Summary on financial information for insignificant joint ventures and associated enterprises

Applicable Not applicable

(5) Explanation of significant restrictions for joint ventures or associated enterprises transferring funds to the Company:

Applicable Not applicable

(6) Excess loss generated from joint ventures or associated enterprises

Applicable Not applicable

(7) Contingent liabilities related to investment in joint ventures

Applicable Not applicable

(8) Contingent liabilities related to investment in joint ventures or associated enterprises

Applicable Not applicable

4. Significant joint operation

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

5. Equity of structuring subject out of the scope of combined financial statement

Explanation of equity of structuring subject out of the scope of combined financial statement:

Applicable Not applicable

6. Others

Applicable Not applicable

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

Applicable Not applicable

The main financial instruments of the Group include loans, receivables, payables, etc.; refer to Note VI for detailed information of all financial instruments. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated 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. Risk management objectives and policies

The objective of the risk management activities of the Group is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the business performance of the Group and to maximize interest 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) Exchange rate 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, 2018, 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 currency risk associated with the assets and liabilities of such foreign currency balances may have influence on the Group's business performance.

Item	Closing amount		Opening amount	
	Original currency	Equivalent to RMB	Original currency	Equivalent to RMB
Cash at bank and on hand		8,567,684.37		9,775,979.39
USD	1,201,572.11	7,950,322.02	1,228,160.90	8,025,048.95
EUR	77,697.62	594,503.34	221,507.33	1,728,266.64
HKD	27,113.05	22,859.01	27,113.05	22,663.80
Accounts receivable		47,934,782.65		29,841,649.93
USD	7,009,805.34	46,381,078.01	4,301,861.62	28,109,224.20
EUR	203,058.83	1,553,704.64	222,040.39	1,732,425.73
Advances to suppliers		1,795,169.84		4,749,244.27
USD	268,751.59	1,778,221.77	724,183.86	4,731,962.18
EUR	2,215.00	16,948.07	2,215.00	17,282.09
Short-term borrowings		5,985,181.37		–
Including: USD	904,570.53	5,985,181.37	0.00	0.00
Accounts payable		11,242,908.90		18,774,168.24
USD	1,665,472.27	11,019,763.82	1,647,140.69	10,762,746.70
EUR	2,840.78	21,736.23	1,026,802.55	8,011,421.54
GBP	23,270.54	201,408.85	0.00	0.00
Advances from customers		18,819,611.94		18,225,952.95
USD	2,822,046.66	18,672,353.93	2,766,336.00	18,075,792.69
EUR	19,245.64	147,258.01	19,245.64	150,160.26
Other payables		7,680.75		7,585.10
USD	1,160.83	7,680.75	1,160.83	7,585.10

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

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) Credit risk

At the end of the period, 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 reviews the recovery situation of each single receivable on each balance sheet date, to ensure drawing of sufficient provision for bad debts for irrecoverable amount. 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, 27.07% (5.64% for the previous period) and 41.13% (17.78% for the previous period) balances of accounts receivable of the Group are respectively from the top one customer and the top five customers of the Group at the end of the period. Sinochem International Logistics Co., Ltd., the top one customer with the balances of accounts receivable at the end of the year, is a wholly-owned subsidiary of a large state-controlled listed company. It has high quality customers and establishes a long-term cooperative relationship with the Group, therefore, the Group has no significant credit-concentrated risks.

The top five receivables total to RMB132,808,112.70.

(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, 2018, the unused bank loan limit of the Group was zero, (On January 01, 2018, RMB120,075,500.00) 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, 2018

Item	Within one year	One to two years	Two to five years	More than five years	Total
Financial assets					
Cash at bank and on hand	127,045,463.00				127,045,463.00
Notes receivable and Accounts receivable	290,107,878.31				290,107,878.31
Other receivables	12,644,056.01				12,644,056.01
Financial liabilities					
Short-term borrowings	333,985,181.37				333,985,181.37
Notes payable and Accounts payable	277,277,114.74				277,277,114.74
Other payables	103,671,639.16				103,671,639.16
Employee benefits payable	22,412,833.54				22,412,833.54
Current portion of non-current liabilities	11,000,000.00				11,000,000.00
Long-term payables	103,900,000.00				103,900,000.00
Long-term borrowings			18,000,000.00		18,000,000.00

SECTION 10 FINANCIAL REPORT

XI. DISCLOSURE OF FAIR VALUE

1. **Fair value of assets and liabilities measured at fair value as at the end of the period**
 Applicable ✓ Not applicable
2. **Basis for determining level 1 fair value at recurring and non-recurring fair measurement**
 Applicable ✓ Not applicable
3. **Continuous and non-continuous Level 2 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used**
 Applicable ✓ Not applicable
4. **Continuous and non-continuous Level 3 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used**
 Applicable ✓ Not applicable
5. **Continuous Level 3 fair value measurement, adjustment between opening and closing value and sensitivity of unobservable input**
 Applicable ✓ Not applicable
6. **Reasons for transfers between different levels, and the policy of determining the timing of those transfers for items under the recurring fair value measurements**
 Applicable ✓ Not applicable
7. **Valuation technology changed during the period and reasons for that change**
 Applicable ✓ Not applicable
8. **Fair value of financial assets and financial liabilities not at fair value**
 Applicable ✓ Not applicable
9. **Others**
 Applicable ✓ Not applicable



SECTION 10 FINANCIAL REPORT

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Controlling shareholder and ultimate controlling party

Applicable Not applicable

Unit: 10,000 Yuan Currency: RMB

Name of parent Company	Registration place	Nature of business	Registered capital	Shareholding proportion of parent company(%) to the Company	Proportion (%) of voting right of parent company to the Company
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Chaoyang District, Beijing	State-owned assets	RMB2,044,687,100.00	43.30	43.30

Explanation of the parent company of the Company

(1) Registered capital of controlling shareholder and the changes (Unit: RMB10,000)

Controlling shareholder	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	204,468.71	0.00	0.00	204,468.71

(2) Shareholding or equity of controlling shareholder and the changes (Unit: RMB10,000)

Controlling shareholder	Amount of shareholding		Shareholding proportion (%)	
	Closing balance	Opening balance	Closing proportion	Opening proportion
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	18,273.5052	18,273.5052	43.30	43.30

Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the ultimate controller of the Company

Other descriptions:

Nil

2. Subsidiaries of the Company

For details of subsidiaries of the company, please refer to Notes.

Applicable Not applicable

For details, please refer to Notes.

3. Joint ventures and associated enterprises of the Company

For details of Joint ventures and associated enterprises of the Company, please refer to Notes.

Applicable Not applicable

For details, please refer to Notes.

Information for other joint ventures and associated enterprises which form balance through related transaction during the current or previous periods:

Applicable Not applicable

Name of joint venture or associated enterprise	Relationship with the Company
Shandong Tianhai High Pressure Container Co., Ltd.	Joint Venture
Jiangsu Tianhai Special Equipment Co., Ltd.	Associated enterprise

Other descriptions

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties

Applicable Not applicable

Name of other related parties	Relationship with the Company
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company
Beijing First Machine Tool Plant	Wholly-owned subsidiary of parent company
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Others
Tianjin Seamless Investment Co., Ltd.	Others

Other descriptions:

Nil

5. Related party transaction

(1) Related party transactions of purchasing or selling goods and rendering or receiving services

Purchasing goods/receiving services Table

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Content of related transactions	Amount in the current period	Amount in the previous period
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Purchasing goods	49,254,460.16	75,089,287.88
Shandong Tianhai High Pressure Container Co., Ltd.	Purchasing goods	794,632.96	5,379,200.81
Jiangsu Tianhai Special Equipment Co., Ltd.	Purchasing goods	7,385,168.37	1,825,111.92
Total	–	57,434,261.49	82,293,600.61

Selling goods/rendering services Table

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party	Content of related transactions	Amount in the current period	Amount in the previous period
Jiangsu Tianhai Special Equipment Co., Ltd.	Selling goods	9,482,063.60	2,875,921.18
Shandong Tianhai High Pressure Container Co., Ltd.	Selling goods	0.00	578,366.21
Total	–	9,482,063.60	3,454,287.39

Explanation of related transactions including sales of goods, rendering and receiving of services

Applicable Not applicable

(2) Related trusteeship/contracting/outsourcing

Table of the Company's related trusteeship/contracting/outsourcing:

Applicable Not applicable

Explanation of related trusteeship/contracting

Applicable Not applicable

Related entrusted the management/contacting table of the Company

Applicable Not applicable

Explanation of related management/contacting

Applicable Not applicable



SECTION 10 FINANCIAL REPORT

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transaction (Continued)

(3) Leasing of associated transactions

The Company as lessor:

Applicable Not applicable

The Company as lessee:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of lessor	Type of leased assets	Rental expenses recognized in current period	Rental expenses recognized in the previous period
Beijing First Machine Tool Plant	Houses	90,000.00	25,000.00
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Houses	300,000.00	607,809.52

Explanation of leasing of associated transactions

Applicable Not applicable

(4) Related party guarantees

The Company as guarantor

Applicable Not applicable

The Company as secured party

Applicable Not applicable

Unit: Yuan Currency: RMB

Guarantor	Guaranteed amount	Start date	Due date	Whether the guarantee has been fulfilled
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	1/16/2017	1/16/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	25,000,000.00	4/12/2017	4/12/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	50,000,000.00	5/16/2017	5/16/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	5/11/2017	5/10/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	50,000,000.00	7/5/2017	7/4/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	1/8/2018	12/5/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	1/17/2018	12/5/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	28,000,000.00	4/13/2018	10/18/2020	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	5/10/2018	5/10/2021	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	5/23/2018	5/23/2021	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	6/22/2018	6/22/2021	No

Explanation of related guarantee

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transaction (Continued)

(5) Capital lending between related parties

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of related party	Borrowing/lending	Start date	Due date	Remarks
Placements Beijing Jingcheng Machinery Electric Holding Co., Ltd.	45,000,000	5/9/2017	11/10/2018	-

Interest expenses/incomes of related parties

Name of related party	Amount in the Current Period	Amount in the Previous Period
Beijing Jingcheng Machinery Electric Holding Co., Ltd. (interest expense)	1,752,500.00	2,783,001.64

(6) Asset transfer and debt restructuring of affiliated party

Applicable Not applicable

(7) Remuneration of key management personnel

Applicable Not applicable

Unit: 10,000 Yuan Currency: RMB

Project name	Amount in the current period	Amount in the previous period
Remuneration of key management personnel	3,383,960.16	3,350,212.26

(8) Other related party transaction

Applicable Not applicable

6 Balance of intercourse funds among related parties

1. Receivables

Applicable Not applicable

Unit: Yuan Currency: RMB

Project name	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	7,581,812.18	110,623.36	12,890,682.94	128,906.83
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	996,233.64	101,580.99	773,683.00	43,556.31
Other receivables	Shandong Tianhai High Pressure Container Co., Ltd.	1,780,333.00	148,305.40	1,751,586.00	17,515.86
Prepayments	Tianjin Steel Pipe and Steel Trade Co., Ltd.	1,962,622.83	0.00	0.00	0.00
Prepayments	Jiangsu Tianhai Special Equipment Co., Ltd.	482,541.69	0.00	116,650.00	0.00
Dividends receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	6,075,169.12	0.00	8,756,869.09	0.00



SECTION 10 FINANCIAL REPORT

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6 Balance of intercourse funds among related parties (Continued)

2. Payables

Applicable Not applicable

Unit: Yuan Currency: RMB

Project name	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payable	Beijing Jingcheng Industrial Logistics Co., Ltd.	902,227.27	1,202,227.27
Accounts payable	Jiangsu Tianhai Special Equipment Co., Ltd.	0.00	5,191,239.08
Accounts payable	Shandong Tianhai High Pressure Container Co., Ltd.	0.00	1,580,792.28
Accounts payable	Tianjin Steel Pipe and Steel Trade Co., Ltd.	0.00	4,060,722.44
Accounts payable	Tianjin Seamless Investment Co. Ltd	2,590,165.89	0.00
Advances from customers	Jiangsu Tianhai Special Equipment Co., Ltd.	190,235.00	0.00
Other payables	Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	50,000,000.00	50,000,000.00
Other payables	Beijing First Machine Tool Plant	417,359.09	395,000.00
Other payables	Tianjin Seamless Investment Co., Ltd.	1,745,879.83	1,745,879.83
Special payables	Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	114,900,000.00	114,900,000.00

7. Commitments of related parties

Applicable Not applicable

8. Others

Applicable Not applicable

XIII. SHARE-BASED PAYMENT

1. General information of share-based payment

Applicable Not applicable

2. Payment of stock payment settled by equity

Applicable Not applicable

3. Payment of stock payment settled by cash

Applicable Not applicable

4. Amendment and termination of share-based payment

Applicable Not applicable

5. Others

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

XIV. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Applicable Not applicable

Major external commitments, nature and amount thereof as at the balance sheet date

Major commitment

Lease agreement executed or readily for execution and the financial effect

As at June 30, 2018, 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	0.00	1,886,860.00
One to two years T+2 years	0.00	1,886,860.00
Two to three years T+3 years	0.00	1,886,860.00
Over three years (T+3)	0.00	18,574,075.00
Total	0.00	24,234,655.00

2. Except for the aforesaid commitments, as at June 30, 2018, the Group has no other significant commitments.

2. Contingencies

(1) Major contingencies as at the of balance sheet date

Applicable Not applicable

2) Description is required even if the Company has no major contingencies to be disclosed:

Applicable Not applicable

3. Others

Applicable Not applicable

XV. POST BALANCE SHEET DATE EVENTS

1. Important non-adjusting matters

Applicable Not applicable

2. Profits distribution

Applicable Not applicable

3. Sales return

Applicable Not applicable

4. Explanation of other matters after the of balance sheet date

Applicable Not applicable

1. Paid amount after the balance sheet date

Item	Paid amount
Accounts payable with significant amount and age of over 1 year:	0.00
Other payables with significant amount and age of over 1 year	0.00

2. There are no other significant events after the balance sheet date for the Group to disclose, except for the events after the balance sheet date above.



SECTION 10 FINANCIAL REPORT

XVI. OTHER SIGNIFICANT MATTERS

1. Correction of accounting error in previous period

(1) Retrospective restatement

Applicable Not applicable

(2) Prospective application method

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Assets exchange

(1) Non-monetary assets exchange

Applicable Not applicable

(2) Other assets exchange

Applicable Not applicable

4. Pension plan

Applicable Not applicable

5. Discontinuing operation

Applicable Not applicable

6. Segment information

(1) Basis for determining and accounting policies of reportable segments

Applicable Not applicable

(2) Financial information of reportable segments

Applicable Not applicable

(3) If the Company has no reportable segments or cannot disclose total assets and liabilities of each reportable segments, the Company should explain the reason.

Applicable Not applicable

(4) Other descriptions:

Applicable Not applicable

7. Other important transaction and matter which influence the decision of investor

Applicable Not applicable

8. Others

Applicable Not applicable

Langfang Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, has entered the stage of liquidity. Related matters have not yet settled as at the reporting date, as a result of having no conditions of going concern.

Apart from the above matters, the Group has no other significant matters as at the date of Auditor's Report.

SECTION 10 FINANCIAL REPORT

XVII. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of accounts receivable on classification:

Applicable Not applicable

Accounts receivable with significant single amount and bad debt provision made individually during the end of the period:

Applicable Not applicable

In portfolio, accounts receivable with provision for bad debts drawn by aging analysis:

Applicable Not applicable

In portfolio, accounts receivable with provision for bad debts drawn by percentage of balance:

Applicable Not applicable

In portfolio, accounts receivable with provision for bad debts drawn by other methods:

Applicable Not applicable

(2) Provision, recovery or reversal of the provision for bad debts during the period:

The amount of the bad debt provision this period is RMB0; bad debt provision recovered or reversed this period is RMB0.

Significant amounts of provision for bad debt recovered or reversed for this period:

Applicable Not applicable

(3) Accounts receivable actually written off this period

Applicable Not applicable

(4) Accounts receivable with top five closing balances collected as per the borrowers:

Applicable Not applicable

(5) Accounts receivable derecognised due to transfer of financial assets:

Applicable Not applicable

(6) Amounts of assets or liabilities incurred by its continuous involvement of transferring accounts receivable:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

2. Other receivables

Item	Closing balance	Opening balance
Interests receivables	19,252,312.83	19,845,979.50
Other receivables	398,100,000.00	398,100,000.00
Total	417,352,312.83	417,945,979.50



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables

(1) Disclosure of other receivables on classification:

Applicable Not applicable

Unit: Yuan Currency: RMB

Amount	Closing balance				
	Book balance		Bad debt provision		Book value
	Proportion (%)	Amount	Provision	proportion (%)	
Other receivables with significant single amount and bad debt provision made individually					
Other receivables with bad debt provision made by portfolio of credit risk features	398,100,000.00	100.00	0.00	0.00	398,100,000.00
Other receivables with insignificant single amount but bad debt provision made individually					
Total	398,100,000.00	/	/	/	398,100,000.00

(Con't)

Amount	Opening balance				
	Book balance		Bad debt provision		Book value
	Proportion (%)	Amount	Provision	proportion (%)	
Other receivables with significant single amount and bad debt provision made individually					
Other receivables with bad debt provision made by portfolio of credit risk features	398,100,000.00	100.00	0.00	0.00	398,100,000.00
Other receivables with insignificant single amount but bad debt provision made individually					
Total	398,100,000.00	/	/	/	398,100,000.00

Other receivables with significant single amount and bad debt provision made individually during the end of the period:

Applicable Not applicable

In portfolio, other receivables with provision for bad debts drawn by aging analysis:

Applicable Not applicable

In portfolio, other receivables with provision for bad debts drawn by percentage of balance:

Applicable Not applicable

In portfolio, other receivables with provision for bad debts drawn by other methods:

Applicable Not applicable

(2) Provision, recovery or reversal of the provision for bad debts during the period:

The amount of the bad debt provision this period is RMB0; bad debt provision recovered or reversed this period is RMB0.

Significant amounts of provision for bad debt recovered or reversed for this period:

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

XVII. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(3) Other receivables actually written off this period

Applicable Not applicable

(4) Other receivables classified by the nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Concerned borrowings	390,000,000.00	390,000,000.00
Concerned intercourse funds	8,100,000.00	8,100,000.00
Total	398,100,000.00	398,100,000.00

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of company	Nature of amount	Closing balance	Aging	Proportion in total closing balance of other receivables (%)	Closing balance of bad debt provision
Beijing Tianhai Industry Co., Ltd.	Concerned borrowings	340,000,000.00	Three to four year	85.41	0.00
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Concerned borrowings	50,000,000.00	Within one year	12.56	0.00
Beijing Tianhai Industry Co., Ltd.	Concerned intercourse funds	8,100,000.00	Within three years	2.03	0.00
Total	/	398,100,000.00/		100	0.00

(6) Receivables involving governmental subsidy

Applicable Not applicable

(7) Other receivables derecognised due to transfer of financial assets:

Applicable Not applicable

(8) Amounts of assets or liabilities incurred by its continuous involvement of transferring other receivables:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

2.2 Interest receivables

Item	Closing balance	Opening balance
Interest on borrowings between affiliates	19,252,312.83	19,845,979.50



SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries Investment in joint ventures and associate enterprises	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41
Total	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41

(1) Investment in subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Investees	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of impairment provision
Beijing Tianhai Industry Co., Ltd.	552,798,696.31	0.00	0.00	552,798,696.31	0.00	0.00
Jingcheng Holding (Hong Kong) Co., Ltd.	142,044,028.10	0.00	0.00	142,044,028.10	0.00	0.00
Total	694,842,724.41	0.00	0.00	694,842,724.41	0.00	0.00

(2) Investment in joint ventures and associate enterprise

Applicable Not applicable

Other descriptions:

Applicable Not applicable

4. Operating revenues and operating costs:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Prime businesses	0.00	0.00	0.00	0.00
Other businesses	0.00	0.00	786,556.61	0.00
Total	0.00	0.00	786,556.61	0.00

Other descriptions:

Nil

5. Investment income

Applicable Not applicable

6. Others

Applicable Not applicable

SECTION 10 FINANCIAL REPORT

VIII. SUPPLEMENTAL INFORMATION

1. List of non-recurring loss/gain in current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount	Notes
Gain or loss on disposal of non-current assets	-42,610.67	
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document	0.00	
Government subsidies included in current profit or loss, except for those closely associated with the operations of the Company which were accounted for in fixed amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state.	1,816,557.00	
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	423,181.50	
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	-38,843.71	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-442,473.73	
Effect of income tax	-348,433.17	
Total	1,367,377.22	

The Company should state the reason for the extraordinary gain or loss items as defined in the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss and the extraordinary gain or loss items as illustrated in the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss defined as its recurring gain or loss items

Applicable Not applicable

2. Return on net assets and earnings per share

Applicable Not applicable

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per Share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to shareholders of ordinary shares of parent company	-5.12	-0.07	-0.07
Net profit attributable to shareholders of ordinary shares of parent company after deducting non-recurring profit and loss	-5.37	-0.07	-0.07



SECTION 10 FINANCIAL REPORT

XVIII. SUPPLEMENTAL INFORMATION (CONTINUED)

3. Accounting data differences under domestic and foreign accounting standards

Applicable Not applicable

4. Others

Applicable Not applicable

Revenue

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	128,041,670.04	130,823,394.15
Full-wrapped cylinder	102,317,911.84	99,773,930.42
Cryogenic cylinder	124,560,936.16	141,166,345.91
Cryogenic storage and transportation equipment	967,870.98	63,047,862.80
Other	88,972,097.25	83,852,594.65
Gross sales	444,860,486.27	518,664,127.93
Less: sales tax and other additional charges	6,374,803.05	6,794,558.21
Total	438,485,683.22	511,869,569.72

(2) Tax

Item	Amount in the current period	Amount in the previous period
Corporate income tax for the year	2,673,283.91	2,089,336.25
Deferred income tax	0.00	1,070.39
Total	2,673,283.91	2,090,406.64

(3) Stock dividend

No dividend paid or declared during the year of 2018. No dividend is declared during this reporting period (2017: none).

SECTION 11 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: 9 August 2018

AMENDMENTS

