



# 北京京城機電股份有限公司

## Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)

(H Share Stock Code: 0187; A Share Stock Code: 600860)



INTERIM REPORT **2019**

# IMPORTANT NOTICES

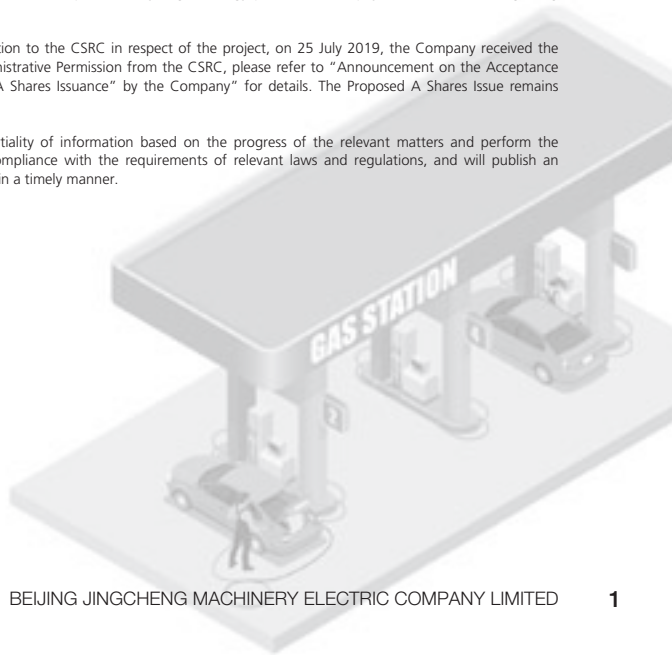
1. The Board of Directors (the "Board"), the Supervisory Committee and the directors (the "Directors"), supervisors and senior management of Beijing Jingcheng Machinery Electric Company (the "Company") confirm that the information contained in this interim report is true, accurate and complete without 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  
On 20 December 2018, the Company disclosed the "Indicative Announcement on Planning Non-Public Issuance of A Shares". On 6 May 2019, the resolutions in relation to the non-public issuance of A Shares (the "Proposed A Shares Issuance") were passed at the thirteenth Extraordinary Meeting of the Ninth Session of the Board of Directors, and were considered and approved at the general meeting held on 15 July 2019.  

The target subscriber of the non-public issuance is Jingcheng Holding, the controlling shareholder of the Company, the total number of A shares issued shall not exceed 84.4 million, the total amount of proceeds shall not exceed RMB462 million, which will be used for the Type IV cylinders construction project, research and development of hydrogen energy products and repayment of debts to Jingcheng Holding and the financial institutions.

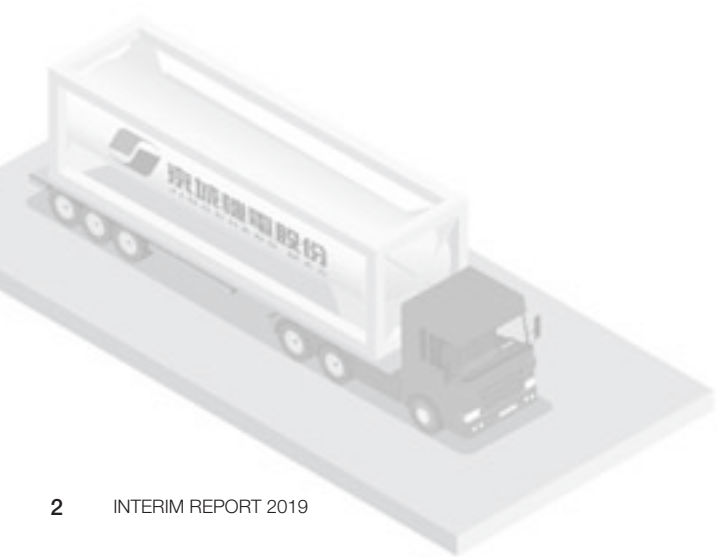
At present, the Company has made an application to the CSRC in respect of the project, on 25 July 2019, the Company received the Acceptance Notice of the Application for Administrative Permission from the CSRC, please refer to "Announcement on the Acceptance by the CSRD of Application for the Proposed A Shares Issuance" by the Company" for details. The Proposed A Shares Issue remains subject to approval by the CSRC.

The Company will strictly protect the confidentiality of information based on the progress of the relevant matters and perform the obligation of information disclosure in strict compliance with the requirements of relevant laws and regulations, and will publish an announcement on the progress of such matters in a timely manner.
10. Others  
 Applicable     Not Applicable



# CONTENTS

Section 1	DEFINITION . . . . .	3
Section 2	COMPANY PROFILE AND KEY FINANCIAL INDICATORS . . . . .	5
Section 3	BUSINESS SUMMARY OF THE COMPANY . . . . .	8
Section 4	MANAGEMENT DISCUSSION AND ANALYSIS . . . . .	12
Section 5	IMPORTANT MATTERS . . . . .	23
Section 6	CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS . . . . .	35
Section 7	INFORMATION ABOUT PREFERENCE SHARE . . . . .	37
Section 8	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT . . . . .	38
Section 9	CORPORATE BONDS . . . . .	39
Section 10	FINANCIAL REPORT . . . . .	40
Section 11	DOCUMENTS AVAILABLE FOR INSPECTION . . . . .	130



# SECTION 1 DEFINITION

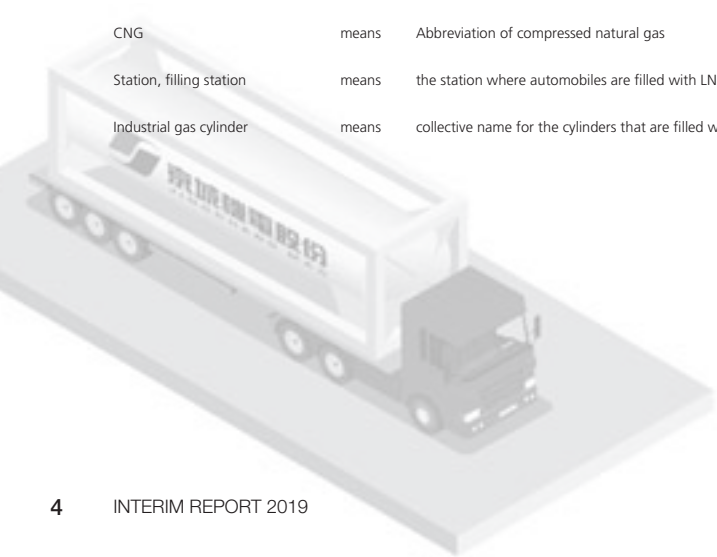
Unless otherwise stated in context, the following terms should have the following meanings in this report:

## 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 Hong Kong 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
Shandong Tianhai	means	Shandong Tianhai High Pressure Containers Co., Ltd. (山東天海高壓容器有限公司), a company incorporated in the PRC with limited liability, which the Company indirectly owns 51% equity interests
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company
Yong'an Heli	means	Shandong Yong'an Heli Steel Cylinder Co., Ltd. (山東永安合力鋼瓶股份有限公司)
Aerospace Science and Technology	means	Shaanxi Aerospace Science and Technology Group Co., Ltd. (陝西航天科技集團有限公司)
Bolken Energy	means	Beijing Bolken Energy Technology Inc. (北京伯肯節能科技股份有限公司)
Board	means	the board of directors of the Company
Supervisory Committee	means	the supervisory committee of the Company
First EGM	means	the first Extraordinary General Meeting convened on 4 March 2019
AGM	means	the 2018 Annual General Meeting convened on 21 June 2019
Second EGM	means	the second Extraordinary General Meeting convened on 15 July 2019
A Shares Class Meeting	means	the first A Shares Class Meeting of 2019 convened on 15 July 2019
H Shares Class Meeting	means	the first H Shares Class Meeting of 2019 convened on 15 July 2019
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

## SECTION 1 DEFINITION

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 2019 to 30 June 2019
SSE	means	the Shanghai Stock Exchange
Hong Kong Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
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
CBEX	means	China Beijing Equity Exchange Co., Ltd. (北京產權交易所有限公司)
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 Hong Kong Stock Exchange
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	010-67365383/58761949	010-67365383/58761949
Facsimile	010-87392058/58766735	010-87392058/58766735
E-mail	jcgf@btic.com.cn	jcgf@btic.com.cn

### III. CHANGES OF BASIC INFORMATION

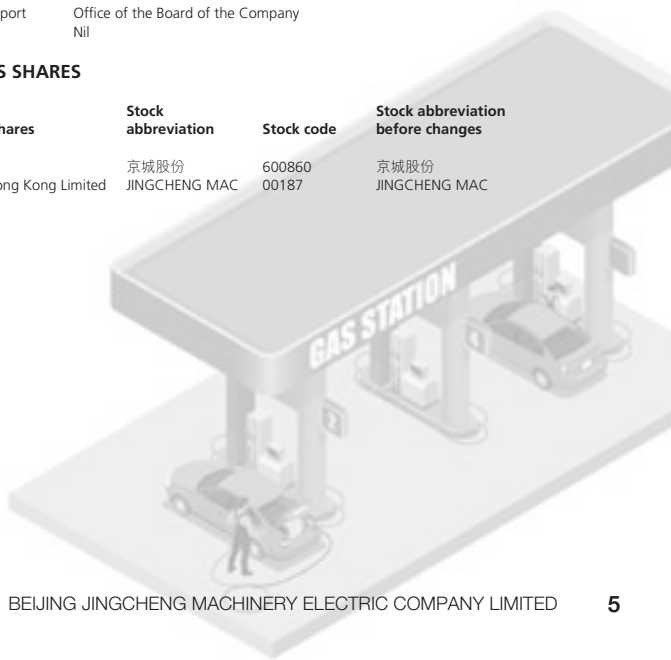
Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Postal code of the office address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

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

Name of newspapers designated for information disclosure	Shanghai Securities News
Website designated by CSRC for publishing the Interim Report	www.sse.com.cn
Place for inspection of the Company's Interim Report	Office of the Board of the Company
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	Zhang Kun, 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, Bai Lihan
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	595,157,618.64	474,972,512.03	25.30
Net profit attributable to shareholders of listed company	-35,573,865.71	-28,682,450.33	
Net profit attributable to shareholders of listed company after extraordinary items	-36,309,230.68	-30,049,827.55	
Net cash flow from operating activities	15,298,022.79	27,405,511.86	-44.18
			Increase/Decrease comparing the end of the reporting period with the end of last year (%)
	As at the end of the reporting period	As at the end of last year	
Net assets attributable to shareholders of listed company	431,141,749.86	466,876,306.94	-7.65
Total assets	1,778,671,992.85	1,775,485,766.32	0.18

#### (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)	-0.08	-0.07	N/A
Diluted earnings per share (RMB/share)	-0.08	-0.07	N/A
Basic earnings per share after extraordinary items (RMB/share)	-0.09	-0.07	N/A
Return on net assets on weighted average basis (%)	-7.92	-5.12	Decreased by 2.80 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-8.09	-5.37	Decreased by 2.72 percentage points

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

Applicable  Not applicable

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Applicable     Not applicable

### IX. EXTRAORDINARY ITEMS AND AMOUNT

Applicable     Not applicable

Unit: Yuan    Currency: RMB

Extraordinary items	Amount	Note (Where applicable)
Gain or loss on disposal of non-current assets	-109,556.58	
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	1,138,067.66	
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		
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, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation		
Gain or loss on entrusted loans	180,000	
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	42,250.94	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-515,309.55	
Effect of income tax	-87.50	
<b>Total</b>	<b>735,364.97</b>	

### 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 the first half of 2019. 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 10% 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.

In the field of industrial gases, the Company actively implements the sales strategy via agents and direct sales, and maintains steady progress as driven by the market policies. Industrial gas products accounted for 40% of the Company's revenue, representing an increase over the same period of last year.

#### (2) Natural gas market

In 2018, total energy consumption was 4.64 billion tons of standard coal, the proportion of natural gas consumption in the primary energy consumption structure was 7.8%. By 2020, the total energy consumption will be controlled at 5 billion tons of standard coal, and the proportion of natural gas in the primary energy consumption structure will be about 10%. China will promote the establishment of a natural gas production, supply and marketing system, accelerate the increase of domestic natural gas reserves and production, fully promote the interconnection of natural gas infrastructure, and improve the peaking system of natural gas reserves. However, the contradiction between supply and demand is still outstanding. The National Development and Reform Commission revealed that it will establish a peaking mechanism of about 200 million square meters to stabilize China's natural gas supply and reserves. The growing demand for LNG peaking infrastructure in various regions will stimulate the growth of demand for large LNG storage tanks. In terms of natural gas vehicles, there are currently

## SECTION 3 BUSINESS SUMMARY OF THE COMPANY

two major policies which promote the development of natural gas heavy trucks: one 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 to show an upward trend. Other policies include the 2018 “Opinions on Strengthening the Protection of the Ecological Environment in All Aspects and Firmly Winning the Battle of the Preventing and Controlling Environmental Pollution”, the “Three-Year Action Plan to Win the Blue Sky Defence War”, the “Three-Year Action Plan for Implementing Transportation Structure Adjustment (2018 to 2020)” and the “Action Plan for Controlling Diesel Truck Pollution” clearly point out to “encourage the promotion and use of clean energy vehicles and ships”, to “accelerate the use of new energy or clean energy vehicles for new and updated public transport, sanitation, postal, rental, commuter, and light logistics vehicles in urban built-up areas, with 80% of key areas used; key regional ports, airports, railway freight yards, etc. New or replacement vehicles mainly use new energy or clean energy vehicles” and “promoting the use of gas vehicles that meet the national emission standards.” 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 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.

In the field of natural gas products, the Company has achieved good results in the field of LNG welding insulated gas cylinders for vehicles, LNG storage tanks and LNG marine tanks by making strong efforts to expand the market, precise marketing and focusing on quality customers. In the first half of the year, cryogenic products accounted for 34.7% of the Company’s revenue, representing a slight increase over the same period of last year.

### (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. In 2019, the contents of “Promoting the Construction of Charging and Hydrogenation Facilities” were included in the “Government Work Report” for the first time, indicating that the PRC attaches importance to the development of hydrogen energy. Driven by the national policies, the local governments have paid more attention to the development of the fuel cell industry, and successively introduced preferential subsidy policies for the construction of hydrogen refueling stations to promote the development of infrastructure facilities. As the policies improve constantly, the construction plans for hydrogen refueling stations have also been announced.

Meanwhile, some automobile manufacturers such as SAIC (上汽), YuTong (宇通), Foton (福田) and DongFeng (东风) have developed fuel cell vehicles models that have obtained announcements. Several provinces have proposed hydrogen energy demonstration projects. The hydrogen power industry shall make breakthroughs in the future.

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

Applicable  Not applicable

1. On 16 January 2019, the resolution in relation to the transfer of 51% equity interests in Shandong Tianhai, held by Beijing Tianhai, a subsidiary of the Company and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price to be based on a minimum consideration not less than the valuation results approved by Beijing SASAC was considered and approved at the eleventh extraordinary meeting of the ninth session of the Board. The Company also disclosed the Announcement of Disposal of the Equity Interests in subsidiary by public tender on the same date. On 21 February 2019, the Company disclosed the Announcement in relation to the Approval on the Asset Valuation Report of Shandong Tianhai by Beijing SASAC. On 7 March 2019, 51% equity interests in Shandong Tianhai was listed on CBEX for transfer by public tender. The base price of transfer consideration was RMB61,409,200. As at the date of this report, the Company has not gathered any potential transferees.

Based on the above situation, Beijing Tianhai intended to amend its listing conditions, and continue to transfer 51% equity interests in Shandong Tianhai through public tender on CBEX. According to “Supervision and Management Measures for Enterprises State-owned Assets” (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council) and “Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets” (Jing Guo Zi Fa [2017] No. 10). Such amendment procedures are in compliance with relevant requirements by Beijing SASAC and CBEX.

On 22 July 2019, the resolution in relation to the amendment to conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai held by Beijing Tianhai through public tender, and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration of not less than 90% of the valuation results approved by Beijing SASAC was considered and approved at the fourteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai through public tender.

## SECTION 3 BUSINESS SUMMARY OF THE COMPANY

On 24 July 2019, the resolution in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli was considered and approved at the fifteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli, in which, Yong'an Heli, intended to acquire 51% equity interests in Shandong Tianhai, and entered into an agreement on the payment with a bank guarantee letter as a commitment to registration. Please refer to the said announcement for details.

So far all the work has been carried out in an orderly manner. If there is any significant progress in the transfer of equity interest in the subsidiary, the Company will strictly disclose the progress in accordance with the requirements of the listing rules of Shanghai and Hong Kong.

- On 29 August 2018, after "the Resolution on Proposed Acquisition of 10.91% Equity Interest in Beijing Bolken Energy Technology Inc. by External Investment in Cash by Beijing Tianhai Industry Co., Ltd., a Subsidiary of the Company" was considered and passed at the sixth extraordinary meeting of the ninth session of the Board of Directors, Beijing Tianhai and Aerospace Science and Technology entered into an equity transfer agreement in respect of the abovementioned equity transfer on 6 September 2018 and successfully obtained shareholding in Bolken Energy. On 22 February 2019, the industrial and commercial registration procedures for equity change was completed and the transfer of 10.91% equity interest in Bolken Energy to Beijing Tianhai was completed. By becoming a shareholder of Bolken Energy, the Company will further strengthen the deep cooperation with Bolken Energy in the fields of natural gas and hydrogen energy, and will realize the synergy effects on basic business of Beijing Tianhai and Bolken Energy to improve the basic business of Beijing Tianhai. The Company will make full use of the gas cylinder advantage of Beijing Tianhai and the research and development advantage of Bolken Energy in the field of hydrogen energy, and learn from each other's strength to enter various industrial chain links in the field of hydrogen energy.

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 8 production bases manufacturing of professional gas storage and transportation equipment (including Beijing Tianhai, Minghui Tianhai, Tianhai Low Temperature, Tianjin Tianhai, Shanghai Tianhai, Kuancheng Tianhai, Shandong Tianhai, Jiangsu Tianhai) and a hydrogen industry platform (Beijing Tianhai Hydrogen Energy Equipment 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 brands.

#### 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

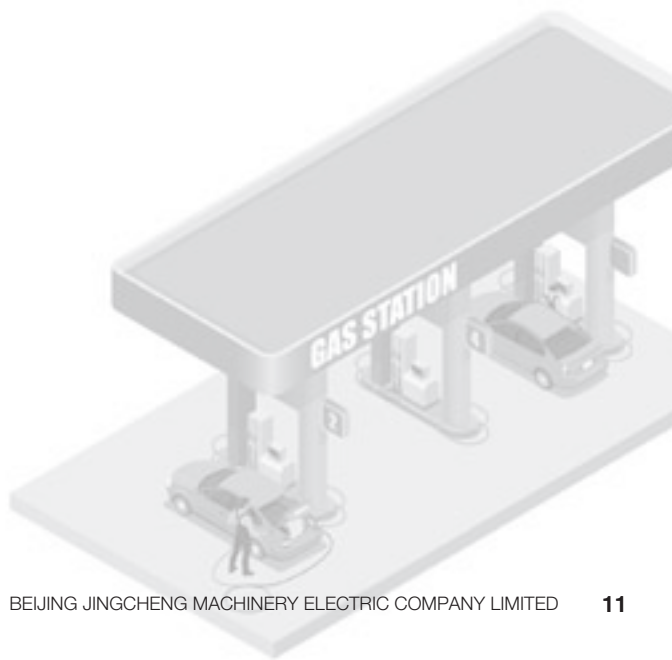
### 3. Sales network advantage

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 persistent pressure 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 fluctuating.

During the first half of 2019, affected by China-US trade war, export markets faced significant risks of uncertainty. 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, we always adhere to market orientation and strengthen products diversification structure. While of maintaining the stable development of traditional products, we actively integrated resources and seized the market shares, focused on strengthening the resource layout and cultivating of the hydrogen energy industry chain business and the Type IV cylinder business. At the same time, the Company also paid attention to strengthen the optimization of internal management of the Company, operational efficiency was accelerated, and making full use of the advantages of the capital market, laying a foundation for the Company's sustainable and healthy development.

During the reporting period, the Company realized operating income of approximately RMB595,000,000, representing an increase of 25.3% as compared with the corresponding period of last year. Net profits attributable to shareholders of the Company was RMB-35,573,900, representing an increase of loss of RMB6,891,400 as compared with the corresponding period of last year.

During reporting period, the Company focused on the following works:

### 1. Both domestic and foreign markets forged ahead with remarkable results performance, consolidating the principal business of gas storage and transportation equipment

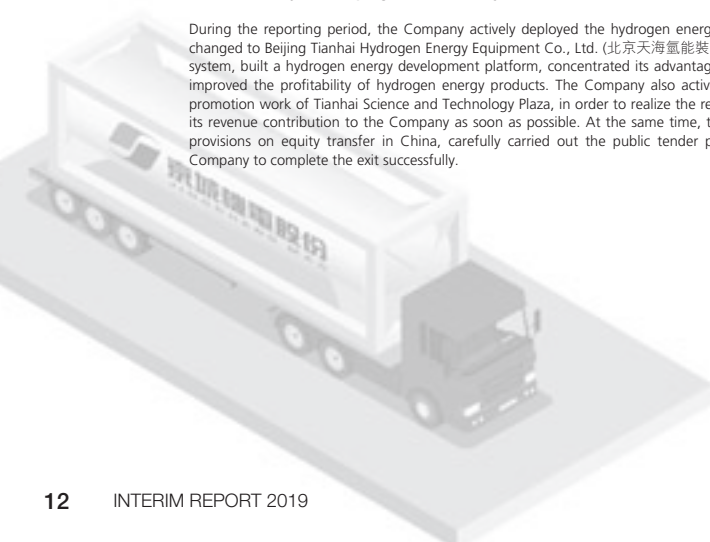
In the field of industrial gas cylinders, the industrial gas market remained stable, the competition of low cost has become increasingly fierce. Based on product quality and brand advantages, the Company actively implemented sales policy of agency plus direct sales, sales systems in domestic and overseas both improved to maintain market share.

In the field of natural gas applications, during the first half of 2019, affected by the requirement to upgrade the automobile emission standard to China VI Emission Standard, the demand for gas heavy trucks market increased significantly, proportion of LNG vehicle products of the Company has increased significantly in the domestic OEM. At the same time, the HPDI products manufactured by the Company were sold in bulk to European OEMs, gaining good reputation. By focusing on the dynamic market demand of LNG filling stations and peak regulation stations, the market share of LNG cryogenic storage tank products increased significantly, and marine tanks also made major breakthroughs.

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 high-pressure hydrogen storage cylinders for use of hydrogen fuel cell vehicles and hydrogen system; at the same time, the Company cooperated with the OEMs, and product announcements were made for the new vehicles equipped with the hydrogen supply system produced by the Company, which ensured the subsequent application of newly developed products.

### 2. Reform and adjustment progressed smoothly and achieved remarkable results

During the reporting period, the Company actively deployed the hydrogen energy industry, the name of Pioneer Company was changed to Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (北京天海氢能裝備有限公司), integrated relevant resources in the system, built a hydrogen energy development platform, concentrated its advantages to expand the hydrogen energy market, and improved the profitability of hydrogen energy products. The Company also actively promoted the development and investment promotion work of Tianhai Science and Technology Plaza, in order to realize the rental income as soon as possible, and to procure its revenue contribution to the Company as soon as possible. At the same time, the Company strictly complied with the relevant provisions on equity transfer in China, carefully carried out the public tender procedures of Shandong Tianhai to ensure the Company to complete the exit successfully.



## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Achieve significant progress in technological innovation through research and innovation simultaneously

Type IV cylinder is a new product leading the development direction of international high-pressure hydrogen containers for hydrogen energy vehicles. During the reporting period, the Company actively entered into the field of Type IV cylinders manufacturing, and firmly grasped the rapid-developing period of Type IV cylinders manufacturing, accelerated the research and development, production line construction and production, put strong efforts to develop products with high added value for business expansion. At present, the construction progress of Type IV cylinder is progressing in an orderly manner according to strategic deployment. The Company paid close attention to the rapid development of domestic hydrogen fuel cell vehicles. On the basis of the research and development of 35MPa Type III hydrogen cylinders, the Company actively carried out the implementation of national standard conversion work, and the work to change from the enterprise standard to national standard of various specifications of products were completed. The Company also has actively taken up the 70MPa high-pressure hydrogen storage cylinders key R&D projects of the Beijing Science and Technology Commission and the Ministry of Science and Technology, research and development work has been completed at present and is at the stage of third-party certification.

### 4. Exert the refinancing function of the listed platform and facilitate the development of subsidiaries

The resolution in relation to the non-public issuance of A Shares project was considered and approved by the thirteenth extraordinary general meeting of the ninth session of Board of Directors of the Company on 6 May 2019, and such resolution was considered and approved at the extraordinary general meeting held on 15 July 2019. At present, the project has been submitted to the CSRC for approval. The proceeds will be used for developing the projects of Type IV cylinders and the research and development project of hydrogen energy products, replenishing working capital and repaying debts and etc. The implementation of this project will be beneficial to improve the Company's capital and liability structure, comprehensively promote the Company's development in the hydrogen energy equipment industry chain, and achieve a leap-forward improvement in the Company's operating scale, capital strength and market influence.

### 5. Carry out the system construction and comprehensively enhance the management level

During the reporting period, the Company formulated new assessment management measures in accordance with the new requirements of the Beijing SASAC for the assessment of the first-level enterprises, and combined with the actual situation of the Company, it established a training system for middle-level management personnel to enhance the management capabilities of middle-level management cadres and strengthened their team building. The high-quality echelon with high performance and strong team management ability facilitated the Company's principal business to achieve a rapid development.

At the same time, the Company also strengthened the strict review of contracts, rules and regulations and major decisions, the Company established a legal affairs management system to prevent and control legal risks; encouraged 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 operations and management of the Company.

### 6. To ensure the safety of financial fund by standardizing fund management and strict financial system

During the reporting period, the Company strengthened the overall budget management and expenses were strictly controlled. Business expenses were analyzed, audited, controlled and evaluated, and dynamic management of expenses throughout the entire process were achieved to ensure safe and efficient operation of financial funds. At the same time, the Company refined financial analysis function, focused on the analysis of product costs and inventory changes in monthly operations, identified the reasons behind the differences in with cost abnormality products, formulated measures, proposed management opinions, the important role of financial management was fully exerted in the Company's operations.

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

#### 1. Deepen and cultivate the principal business of gas storage and transportation equipment, and actively explore the market

For international market, the Company will actively respond to the trade friction between China and the United States and "Anti-double", eliminate the unfavorable factors, and promote market extension; 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 market; 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.

In the field of industrial fire protection, the Company will continue to enter high-end markets such as light weight, ultra-high pressure, and electronic gas, and maintain stable and established channels for major customers; maintain the leading position of fire-fighting cylinders in the market and moderately increase the scale and improving profitability; strengthen cooperation with existing multi-national gas companies and expand its shares in export market.

In the field of natural gas, on the one hand, the Company will further strengthen the development of the heavy truck market, making use of HPDI products of the Company, and the Company will gradually expand the market share of automotive products; pay close attention to the dynamics of the marine tanks market, actively participate in demonstration projects, seize market opportunities; expand marine tank technology and products, actively develop the marine tanks market.

In the field of hydrogen energy market, the Company will make full use of Tianhai Hydrogen Energy platform, consolidate internal top-quality resources, establish and improve the design and manufacturing capabilities of hydrogen systems for vehicles, and expand cooperation with OEMs; plan the hydrogen station equipment in advance, seek better business cooperation model, establish industry chain strategic cooperation relationship, and promote the development of the hydrogen energy business as soon as possible.

## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Promote the Company's A shares refinancing work

By continuing to implement the non-public issuance of A Shares project of the Company, the Company will fully leverage on the advantages and resources of capital market to explore new profit growth points for the Company, promote the integration of the Company's industrial resources, comprehensively promote the Company's business upgrades and strategic implementation, and to enhance the general operating performance and competitive strength of the Company.

### 3. Unswervingly implement strategic deployment, continue to promote deepening reform

By continuing on the construction of Tianhai Hydrogen Energy platform, the Company will firmly grasp the development speed of the hydrogen energy market, actively explore the new hydrogen industry chain cooperation model; it will continue to implement the investment promotion work of Tianhai Science and Technology Plaza, increase publicity, and adopt diversified investment methods. With innovate business management ideas and the construction of the intelligent park being promoted, the equity transfer of equity in Shandong Tianhai will be carried in strict compliance with the disposal procedures to ensure the Company to complete the exit successfully.

### 4. Accelerate research and innovation of new products, fully promote business development

In the field of industrial gas: the Company will continue to promote the development, improvement and promotion of light and high pressure gas cylinders, and at the same time increase the development of medical oxygen cylinder products, and complete the certification of related products.

In the field of natural gas: the Company will focus on the design of 40-foot LNG rail tank containers, marine tanks and non-standard tanks. At the same time, the Company will continue to promote the relevant technical certification of LNG cylinders for ultra-large volume vehicles, and actively innovate the gas supply system products for light trucks.

For field of hydrogen energy products: the Company will accelerate the research and development of hydrogen energy products, and rapidly promote the layout and business development of the hydrogen energy industry. The Company will mainly accelerates the construction, research and development and commissioning of Type IV cylinders production lines; actively promotes the localization development verification of 35MPa hydrogen supply system; and promotes the 70MPa research project of the Ministry of Science and Technology and the Beijing Municipal Science and Technology Commission according to the progress of the project.

### 5. Develop financing methods and guarantee working capital

The Company will optimize the mode of funds management and promote efficient operation of funds. In addition to making use of bank loans and bank acceptance drafts, the Company will develop new financial instruments and expand financing methods. At the same time, it is necessary to have good 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.

Upholding the strategic positioning of "building the world's leading gas storage and transportation equipment manufacturing and service enterprise", under the current socioeconomic environment clouded by both international and domestic problems, the Company must understand the precise trend of socio-economic development, enhance the awareness to risks and grasp and make use of the important strategic opportunities of China's development, the Company will focus its effort on turning loss into profit with strong determination and steady progress. By targeting the two issues of innovation and market and accomplish different key mission with continuous effort and in high quality, and foundation for implementing the "13th Five-Year" strategy was laid.

#### (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	595,157,618.64	474,972,512.03	25.30
Operating cost	529,850,732.05	412,718,486.70	28.38
Sales expense	30,029,952.91	23,603,845.45	27.22
Management expense	47,714,070.26	49,780,676.47	-4.15
Financial expense	10,945,290.27	12,012,276.65	-8.88
R&D expenditure	4,488,434.23	1,486,494.42	201.95
Net cash flows from operating activities	15,298,022.79	27,405,511.86	-44.18
Net cash flows from investment activities	-6,908,049.77	-30,892,011.27	
Net cash flows from financing activities	23,115,963.55	36,800,588.87	-37.19

Reasons for the change in the operating income: mainly due to the impact of the natural gas market, resulted in an increase in income from the principal business;

## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Reasons for the change in operating cost: income from principal business increased which led to an increase in operating costs of principal business;

Reasons for the change in sales expense: mainly due to the increase in sales revenue which led to an increase in costs;

Reasons for the change in management expense: mainly due to the strict implementation of budget management by the Company;

Reasons for the change in financial expense: mainly due to the decrease in loans during the current period;

Reasons for the change in R&D expenditure: mainly due to the increase in investment in the development of 70MPa hydrogen energy cylinders during the current period;

Reasons for the change in net cash flows from operating activities: decrease of RMB12,107,500 as compared with the corresponding period of last year, which is mainly due to the decrease in cash received from operating activities;

Reasons for the change in net cash flows from investment activities: increase of RMB23,984,000 as compared with the corresponding period of last year, which is mainly due to the decrease in cash payment for purchase of fixed assets;

Reasons for the change in net cash flows from financing activities: decrease of RMB13,684,600 as compared with the corresponding period of last year, which is mainly due to the decrease in borrowings in the current period as compared to the corresponding period of last year.

### 2 Others

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

Applicable  Not Applicable

#### (2) Others

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Changes as compared with corresponding period of last year (%)	Description
Taxes and surcharges	4,302,406.86	6,374,803.05	-32.51	Mainly due to the decrease in the current turnover tax for the current period
Investment income	161,801.18	3,195,881.57	-94.94	Mainly due to the decrease in net profits of joint ventures during the Period
Assets impairment losses	10,183,520.45	5,153,782.49	97.59	Assets were tested during the current period, provision for inventory depreciation increased as compared with same period of last year
Non-operating income	983,539.32	2,472,503.68	-60.22	Government subsidy decreased during the current period
Non-operating expenses	418,778.96	314,219.56	33.28	Mainly due to the disposal of scrap assets by subsidiaries
Income tax expenses	1,586,865.62	2,673,283.91	-40.64	Mainly due to the decrease in income tax expenses of subsidiaries in the current period
Other net comprehensive income after tax	-315,646.89	546,273.29	-157.78	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



## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

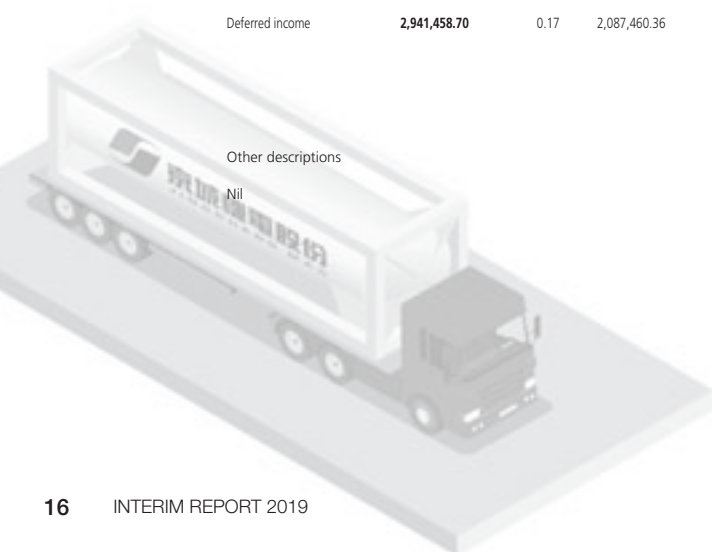
### (III) Analysis of assets and liabilities

√ Applicable    □ Not Applicable

#### 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	79,823,773.84	4.49	61,162,121.34	3.44	30.51	Mainly due to the increase in cash inflow from operating activities during the current period
Construction in progress	23,769,589.54	1.34	11,653,942.58	0.66	103.96	Mainly due to increased investment in the Type IV cylinder, Tianjin production line and Kuancheng production line
Notes Payable			30,000,000.00	1.69	-100	Mainly due to the expiration of the acceptance notes and no new acceptance notes for the current period
Taxes payable	6,503,103.39	0.37	15,822,084.92	0.89	-58.9	Mainly due to the decrease in the unpaid taxes payables during the current period
Long-term borrowings	5,500,000.00	0.31	11,000,000.00	0.62	-50.00	Mainly due to the decrease in long-term borrowings by Kuancheng Tianhai, a subsidiary of the Company
Deferred income	2,941,458.70	0.17	2,087,460.36	0.12	40.91	Mainly due to the special fund for transformation and upgrading received by Kuancheng Tianhai, a subsidiary of the Company.
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 restriction
Monetary funds	2,553,000.00	Bill margin
Fixed assets	247,455,366.13	Pledged to secure bank borrowings and notes
Intangible assets	68,013,669.58	Pledged to secure bank borrowings and notes
<b>Total</b>	<b>318,022,035.71</b>	<b>-</b>

### 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

On 16 January 2019, the resolution in relation to the transfer of 51% equity interests in Shandong Tianhai, held by Beijing Tianhai, a subsidiary of the Company and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price to be based on a minimum consideration not less than the valuation results approved by Beijing SASAC was considered and approved at the eleventh extraordinary meeting of the ninth session of the Board. The Company also disclosed the Announcement of Disposal of the Equity Interests in subsidiary by public tender on the same date. On 21 February 2019, the Company disclosed the Announcement in relation to the Approval on the Asset Valuation Report of Shandong Tianhai By Beijing SASAC. On 7 March 2019, 51% equity interests in Shandong Tianhai was listed on CBEX for transfer by public tender. The base price of transfer consideration was RMB61,409,200. As at the date of this report, the Company has not gathered any potential transferee.

Based on the above situation, Beijing Tianhai intended to amend its listing conditions, and continue to transfer 51% equity interests in Shandong Tianhai through public tender on CBEX. According to "Supervision and Management Measures for Enterprises State-owned Assets" (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council) and "Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets" (Jing Guo Zi Fa [2017] No. 10). Such amendment procedures are in compliance with relevant requirements by Beijing SASAC and CBEX.

On 22 July 2019, the resolution in relation to the amendment to conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai held by Beijing Tianhai through public tender, and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration of not less than 90% of the valuation results approved by Beijing SASAC was considered and approved at the fourteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to the amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai through public tender.

## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

On 24 July 2019, the resolution in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli was considered and approved at the fifteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli, in which, Yong'an Heli intended to acquire 51% equity interests in Shandong Tianhai, and entered into an agreement on the payment with a bank guarantee letter as a commitment to registration. Please refer to the said announcement for details.

So far all the work has been carried out in an orderly manner. If there is any significant progress in the transfer of equity interest in the subsidiary, the Company will strictly disclose the progress in accordance with the requirements of the listing rules of Shanghai and Hong Kong.

### (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	1,775,812,617.33	439,139,501.04	-51,693,140.15
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	166,126,002.52	159,212,131.99	95,119.10

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

Applicable  Not Applicable

## II. OTHER DISCLOSURES

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

Applicable  Not Applicable

### (II) Potential risks

Applicable  Not Applicable

#### (1) Industrial policy risks

On one hand, 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 natural gas storage and transportation segment of the Company's principal business. On the other hand, the hydrogen energy storage and transportation segment that the Company involves is a new industry and is susceptible to national policies, economic environment, industrial development policies, and national energy strategies. Therefore, in response to the above risks, the Company will grasp the national macro policy in a timely manner, pay attention to the development of the industry, expand the application field of products, strengthen the development of core technologies, expand new product market, minimize the industrial policy risks, so as to reduce the impact on the Company.



## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Risk of intensified market competition

Although the gas storage and transportation market has shown a steady upward trend, the industry competition has become more intensified, in the future, market development still facing certain uncertainties, and the product market may change, which will bring certain impacts on the Company's business development and business results. The Company further strengthens its core competitiveness, and continues to carry out technology research and development, technological innovation and project reserve to ensure the complementarity between different products, different markets and different industry sectors, thereby enhancing the Company's ability to resist risks.

### 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.

<b>Liquidity and capital structure</b>	<b>At the end of the period</b>	At the beginning of the period
(1) Gearing ratio	<b>54.21%</b>	51.38%
(2) Quick ratio	<b>61.22%</b>	60.14%
(3) Liquidity ratio	<b>99.77%</b>	104.87%

#### 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 RMB313,464,200, representing an increase of 12.76% as compared with the beginning of the year. Long-term borrowings: long-term borrowings amounted to RMB5,500,000 as at the end of the period, non-current liabilities due within one year amounted to RMB9,000,000, representing a decrease of RMB3,500,000 for the period; representing a decrease of 19.44% as compared with the beginning of the year calculated in accordance with non-classification method.

#### 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 and Jingcheng Holding (Hong Kong) Co., Ltd., subsidiaries of the Company, has US dollar sales and purchases. The Company actively adopted such measures to reduce the foreign exchange risk.

#### 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 RMB500,496,900, while cash outflow amounted to RMB485,198,900. Net cash flow during the reporting period from operating activities amounted to RMB15,298,000.

##### (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 RMB6,908,000, 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-6,908,000.

## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

Cash inflow from fund-raising activities during the reporting period amounted to RMB145,466,000, which was mainly derived from bank loans. Cash outflow to fundraising activities during the reporting period amounted to RMB122,350,000. Net cash flow from fund-raising activities for the reporting period amounted to RMB23,116,000.

Net cash flow from operating activities during the current period decreased by RMB12,107,500 compared with the corresponding period last year, which was mainly due to the cash received from operating activities decreased. Net cash flow generated from the investment increased by RMB23,984,000 compared with the corresponding period last year was mainly attributable to the decrease in cash payment for purchase of fixed assets for the current period. Net cash flow generated from fundraising activities decreased by RMB13,684,600 compared with the corresponding period last year, which was mainly due to the borrowings decreased 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 RMB15,298,000. Net profit for the current period was RMB-48,526,500, 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 RMB814,426,700, of which, minority interests amounted to RMB383,285,000, and total liabilities amounted to RMB964,245,200. Total assets amounted to RMB1,778,672,000. As at the end of the period, the Company's gearing ratio was 54.21%.

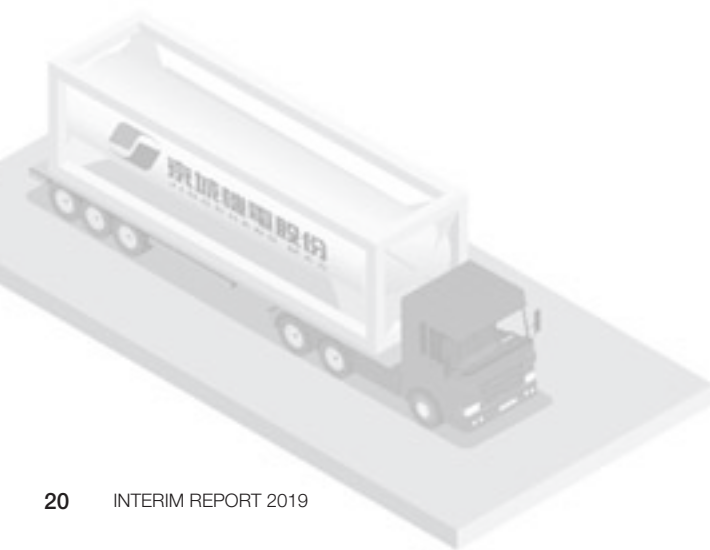
The Company's total borrowings at the end of the first half of 2019 increased by RMB31,966,200 over the beginning of the year. As at 30 June 2019, the total borrowings of the Company at fixed interest rates amounted to RMB327,964,200.

#### Capital structure by liquidity

Total current liabilities	RMB783,429,600	Accounting for 44.05% of assets
Total equity interest attributable to shareholders	RMB814,426,700	Accounting for 45.79% of assets
Of which: minority shareholders interests	RMB383,285,000	Accounting for 2.155% of assets

### 6. Contingent liabilities

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



## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 7. Government subsidies

Item	Amount for the current period (RMB)	Source
Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce	12,675.00	Application of supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Supporting fund of Zhongguancun international innovative resources	127,391.00	"Notice on payment of supporting fund of Zhongguancun international innovative resources (second phase) in 2018"
Intellectual Property Administration of Beijing Municipal Subsidy for transformation of gas boilers	1,500.00	"Notice on application for 2019 Beijing Municipal Patent Subsidy"
	490,500.00	Summary Table of low nitrogen transformation of gas (oil) boilers
<b>Total</b>	<b>632,066.00</b>	—

### 8. 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 1,624.

#### (2) Remunerations:

Remunerations during the reporting period: RMB74,087,800.

#### (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 or hourly wage system for production workers and annual salary system for senior management.

#### (4) Training Plan

In 2019, according to the 2019 annual training plan, a total of 108 training programs were completed with training of 1,654 staff members, number of training hours per staff reached 10.01 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.

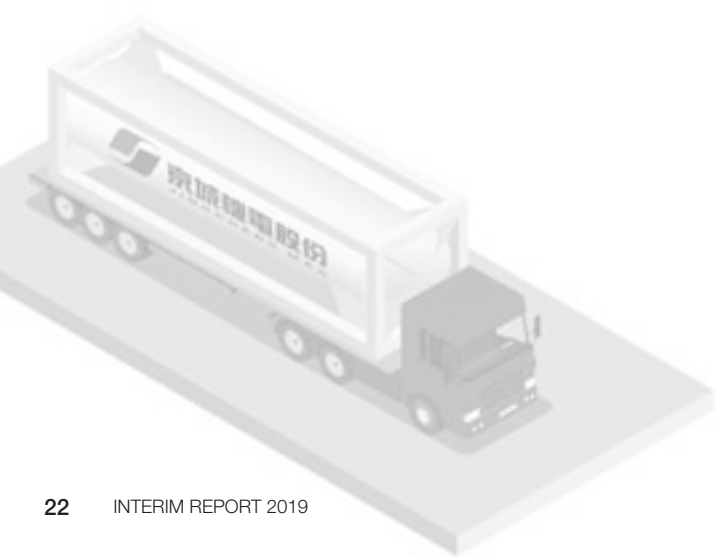
## SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 9. Corporate Governance

During the reporting period, the Company 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 of the Company 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.

### 10. Others

- (1) The applicable enterprise income tax rate for the Company for the reporting period was 25%.
- (2) The unaudited 2019 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 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 2019.
- (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
The first EGM of 2019	4 March 2019	Website of the Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; Website of the Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	5 March 2019
2018 AGM	21 June 2019	Website of the Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; Website of the Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	22 June 2019
The second EGM of 2019	15 July 2019	Website of the Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; Website of the Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	16 July 2019
The first A Shares Class Meeting of 2019	15 July 2019	Website of the Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; Website of the Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	16 July 2019
The first H Shares Class Meeting of 2019	15 July 2019	Website of the Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; Website of the Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	16 July 2019

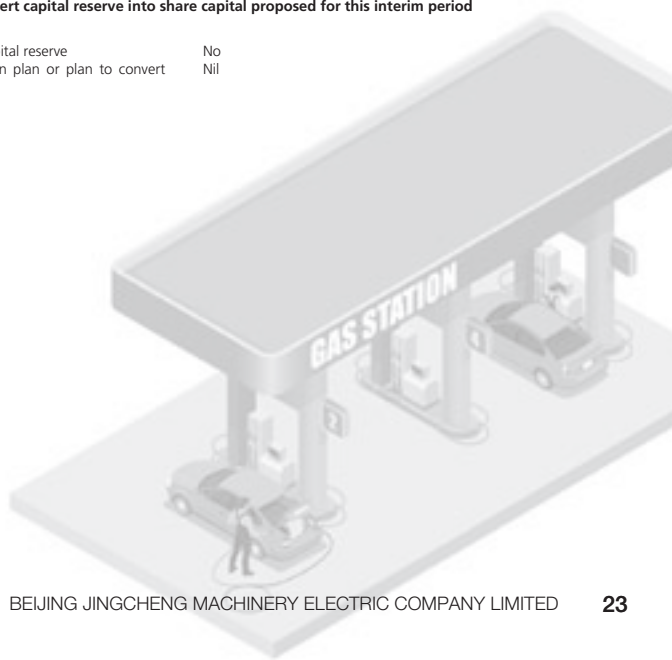
General meetings

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





# SECTION 5 IMPORTANT MATTERS

## 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		
	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		

## 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: "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		
	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		

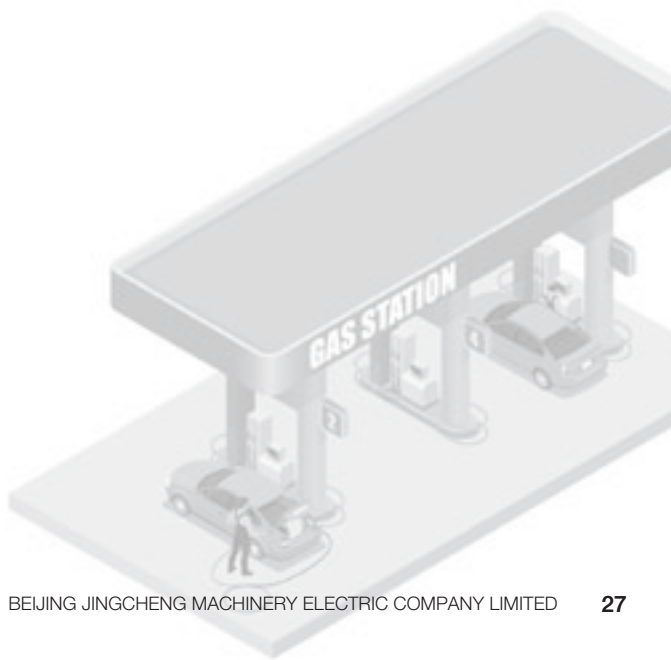
## SECTION 5 IMPORTANT MATTERS

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: "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		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Jingcheng Holding 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, and will not unilaterally refuse to sign or request cessation, termination or change of the "Framework Agreement in relation to the Material Asset Reorganisation of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd.", the "Material Asset Reorganisation Agreement of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" and relevant agreements due to the defects of the Outgoing Assets.</p> <p>If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; Beiren Group Corporation shall make full compensation to Beiren Holdings if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse. The Company undertakes: the Company will be jointly liable for the compensation obligations of Beiren Group Corporation."</p>	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.	



## 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)	<p>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."</p> <p>If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; the Company shall make full compensation to Beiren Holdings if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse."</p>	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 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		



# SECTION 5 IMPORTANT MATTERS

## 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

## 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**

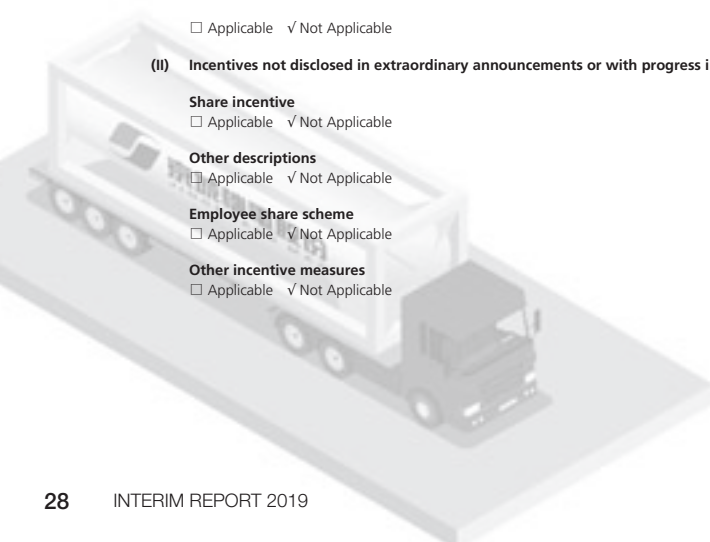
Applicable  Not Applicable

**Employee share scheme**

Applicable  Not Applicable

**Other incentive measures**

Applicable  Not Applicable



## SECTION 5 IMPORTANT MATTERS

### X. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

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

Applicable  Not Applicable

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

Applicable  Not Applicable

On 16 January 2019, the resolution in relation to the transfer of 51% equity interests in Shandong Tianhai, held by Beijing Tianhai, a subsidiary of the Company and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price to be based on a minimum consideration not less than the valuation results approved by Beijing SASAC was considered and approved at the eleventh extraordinary meeting of the ninth session of the Board. The Company also disclosed the Announcement of Disposal of the Equity Interests in subsidiary by public tender on the same date. On 21 February 2019, the Company disclosed the Announcement in relation to the Approval on the Asset Valuation Report of Shandong Tianhai By Beijing SASAC. On 7 March 2019, 51% equity interests in Shandong Tianhai was listed on CBEX for transfer by public tender. The base price of transfer consideration was RMB61,409,200. As at the date of this report, the Company has not gathered any potential transferee.

Based on the above situation, Beijing Tianhai intended to amend its listing conditions, and continue to transfer 51% equity interests in Shandong Tianhai through public tender on CBEX. According to "Supervision and Management Measures for Enterprises State-owned Assets" (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council) and "Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets" (Jing Guo Zi Fa [2017] No. 10). Such amendment procedures are in compliance with relevant requirements by Beijing SASAC and CBEX.

On 22 July 2019, the resolution in relation to the amendment to conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai held by Beijing Tianhai through public tender, and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration of not less than 90% of the valuation results approved by Beijing SASAC was considered and approved at the fourteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai through public tender.

On 24 July 2019, the resolution in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli was considered and approved at the fifteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong'an Heli, in which, Yong'an Heli, intended to acquire 51% equity interests in Shandong Tianhai, and entered into an agreement on the payment with a bank guarantee letter as a commitment to registration. Please refer to the said announcement for details.

So far all the work has been carried out in an orderly manner. If there is any significant progress in the transfer of equity interest in the subsidiary, the Company will strictly disclose the progress in accordance with the requirements of the listing rules of Shanghai and Hong Kong.

# SECTION 5 IMPORTANT MATTERS

**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

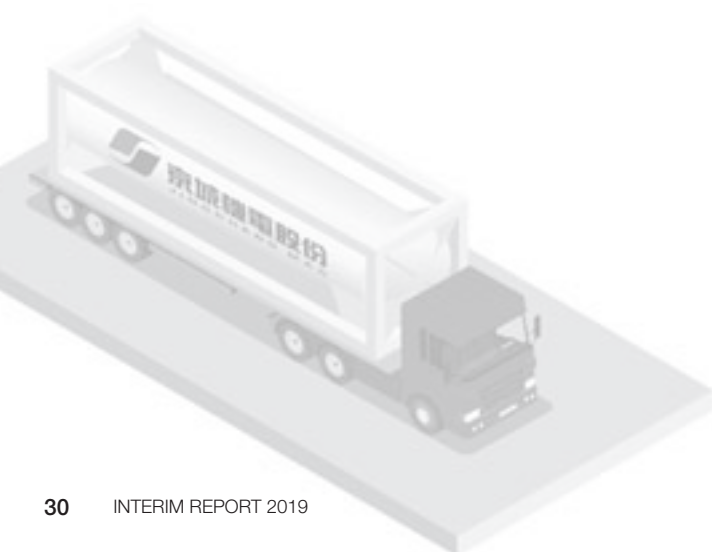
**(IV) Related creditor's right and debt transactions**

**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



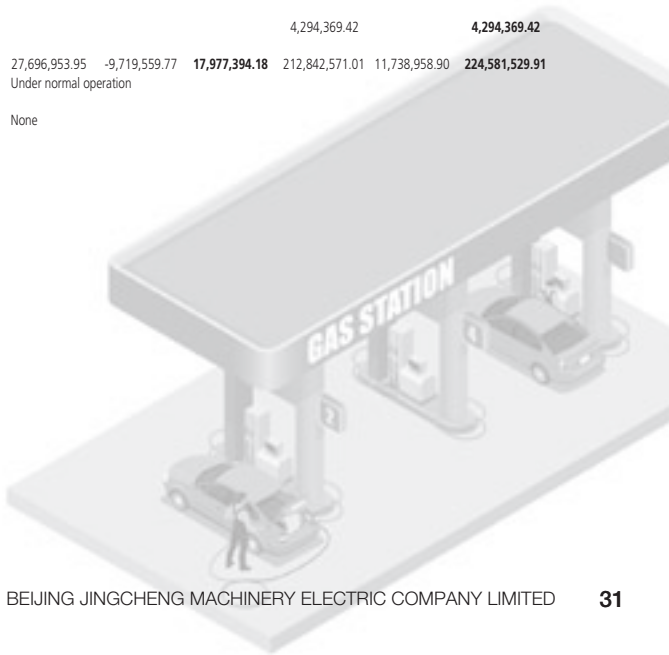
## SECTION 5 IMPORTANT MATTERS

### 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	8,575,721.54	-1,760,498.75	<b>6,815,222.79</b>			
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	6,007,321.91	-4,204,158.73	<b>1,803,163.18</b>	825,317.28	10,019,174.18	<b>10,844,491.46</b>
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company				902,227.27		<b>902,227.27</b>
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Controlling shareholder				167,133,297.95	1,629,784.72	<b>168,763,082.67</b>
Beijing No. 1 Machine Tool Plant	Wholly-owned subsidiary of parent company				487,359.09	90,000.00	<b>577,359.09</b>
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	Associate	5,402,186.13	3,918,422.08	<b>9,320,608.21</b>	39,200,000.00		<b>39,200,000.00</b>
Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd.	Other related party		38,400.00	<b>38,400.00</b>			
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party	7,711,724.37	-7,711,724.37				
Tianjin Seamless Investment Co. Ltd.	Other related party				4,294,369.42		<b>4,294,369.42</b>
<b>Total</b>		<b>27,696,953.95</b>	<b>-9,719,559.77</b>	<b>17,977,394.18</b>	<b>212,842,571.01</b>	<b>11,738,958.90</b>	<b>224,581,529.91</b>
Reasons for occurrence of related creditor's right and debit transactions		Under normal operation					
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company		None					





## SECTION 5 IMPORTANT MATTERS

### (V) Other substantial connected transactions

Applicable  Not Applicable

On 20 December 2018, the Company disclosed the “Indicative Announcement on Planning Non-Public Issuance of A Shares”. On 6 May 2019, the related resolutions in relation to the Proposed Issuance of A Shares were passed at the thirteenth Extraordinary Meeting of the Ninth Session of the Board of Directors, and were considered and approved at the general meeting held on 15 July 2019.

The target subscriber of the non-public issuance is Jingcheng Holding, the controlling shareholder of the Company, the total number of A shares issued shall not exceed 84.4 million, the total amount of proceeds shall not exceed RMB462 million, which will be used for the type IV cylinders construction project, research and development of hydrogen energy products and repayment of debts to Jingcheng Holding and the financial institutions.

At present, the Company has made an application to the CSRC in respect of the project, on 25 July 2019, the Company received the Acceptance Notice of the Application for Administrative Permission from the CSRC, please refer to “Announcement on the Acceptance by the CSRC of Application for the Proposed A Shares Issuance” by the Company” for details. The Proposed A Shares Issue remains subject to approval by the CSRC.

The Company will strictly protect the confidentiality of information based on the progress of the relevant matters and perform the obligation of information disclosure in strict compliance with the requirements of relevant laws and regulations, and will publish an announcement on the progress of such matters in a timely manner.

### (VI) Others

Applicable  Not Applicable

## XI. CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

### 1 Trust, contracting and lease matters

Applicable  Not Applicable

### 2 Guarantee

Applicable  Not Applicable

### 3 Other material contracts

Applicable  Not Applicable

## XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

Applicable  Not Applicable

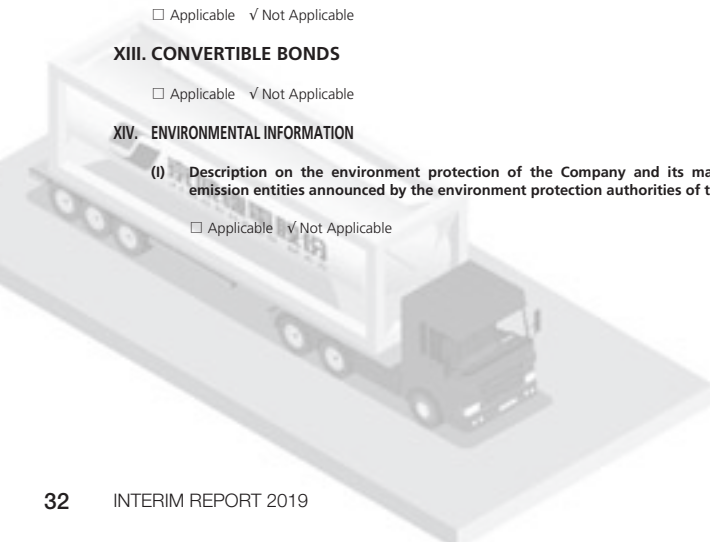
## XIII. CONVERTIBLE BONDS

Applicable  Not Applicable

## XIV. 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



## SECTION 5 IMPORTANT MATTERS

### (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 8.78 tons, ammonia nitrogen of approximately 0.63 tons, suspended solids of approximately 3.94 tons, PH value of 6.64-7.56, total phosphorus of approximately 0.06 tons, animal and vegetable oil of approximately 0.01 tons, anionic surfactant of approximately 0.001 tons, mineral oil of approximately 0.04 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 6,460 kg, sulfur dioxide of approximately 1,690 kg, benzene of approximately 58.5 Kg, benzene series of approximately 211.8 kg, non-methane total hydrocarbon of approximately 711.5 kg, particulate matter of approximately 3,460 kg; a total of 18 discharges, all meet the discharge standard.

#### 3. Solid waste:

Total amount of waste generated was approximately 26,392.86 tons, of which total amount of hazardous waste generated was approximately 30.68 tons (excluding storage), total amount of hazardous waste disposed was approximately 65.67 tons, and the storage capacity was approximately 12.02 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 welding dust treatment nozzles in Tianhai low temperature equipment. The treatment facilities are regularly maintained and in good condition.

#### 5. Environmental impact assessment of construction project and other administrative licenses regarding environmental protection:

Acceptance on environmental impact assessment of the Company's new construction project, the construction project of intelligent numerical control production line for Plastic tank full-winding compound gas cylinder (塑料內膽纖維全纏繞複合氣瓶) has been obtained.

#### 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

- (1) The Group would prepare the 2019 interim financial statements, annual financial statement and the financial statements of subsequent periods in accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2019 (Cai Kuai [2019] No.6) and its interpretation and the Accounting Standards for Business Enterprises, and the change of comparative figures of 2018 financial statements is subject to retrospective adjustments. Details of adjustments as follows:

Impacted items in the consolidated balance sheet as at 31 December 2018

Item	Consolidated balance sheet	
	Before adjustment	After adjustment
Notes receivable and accounts receivable	246,254,665.67	N/A
Notes receivable	N/A	23,161,071.50
Accounts receivable	N/A	223,093,594.17
Notes payable and accounts payable	264,374,639.10	N/A
Notes payable	N/A	30,000,000.00
Accounts payable	N/A	234,374,639.10

- (2) On 7 December 2018, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 21 –Leasing (Cai Kuai [2018] No. 35), the “New Leasing Standards”. In preparing the financial statements for the first half of 2019, the relevant accounting standards were implemented and handled in accordance with the relevant linking regulations.

**(II) Relevant items in the financial statements at the beginning of the year upon first implementation of the New Leasing Standards**

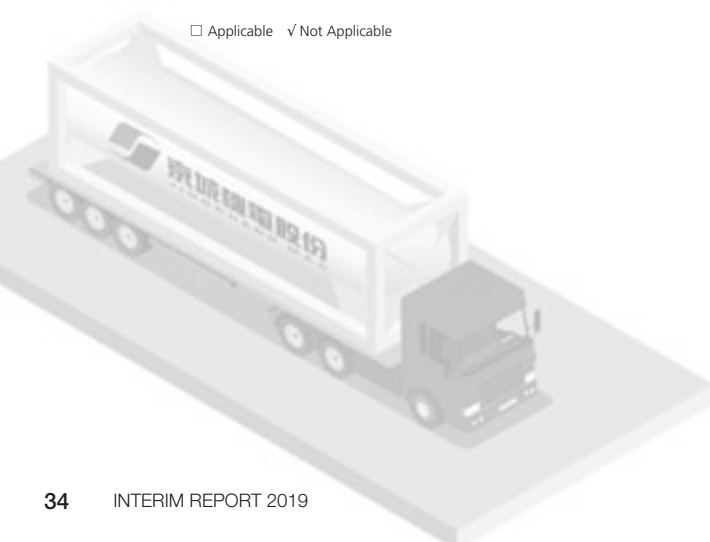
First implementation of the New Leasing Standards has no effect on the relevant items in the financial statements at the beginning of the year.

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

Applicable  Not Applicable

**(IV) 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	22,507
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)	Increase/decrease during the Reporting Period	Shareholdings of top ten shareholders			Pledged or frozen Share status	Number	Shareholder(s) Nature
		Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions			
Beijing Jingcheng Machinery Electric Holding Co., Ltd	0	182,735,052	43.30	0	Nil	0	Stateowned legalperson
HKSCC NOMINEES LIMITED	59,947	99,303,147	23.53	0	Unknown	-	Unknown
Industrial and Commercial Bank of China-Zhonghai Energy Strategy Mixed Securities Fund	5,649,076	5,649,076	1.34	0	Unknown	-	Unknown
Hong Kong Securities Clearing Company Limited	1,399,328	2,736,366	0.85	0	Unknown	-	Unknown
Xu Zhua	0	1,708,100	0.53	0	Unknown	-	Unknown
He Yong	-201,280	1,680,320	0.52	0	Unknown	-	Unknown
Zhou Jichang	1,634,282	1,634,282	0.51	0	Unknown	-	Unknown
Xu Rui	-7,300	1,564,400	0.49	0	Unknown	-	Unknown
Li Changping	766,000	1,507,600	0.47	0	Unknown	-	Unknown
Yang Qing	0	1,409,500	0.44	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	99,303,147	Overseas listed foreign shares		99,303,147
Industrial and Commercial Bank of China-Zhonghai Energy Strategy Mixed Securities Fund	5,649,076	Ordinary shares denominated in RMB		5,649,076
Hong Kong Securities Clearing Company Limited	2,736,366	Ordinary shares denominated in RMB		2,736,366
Xu Zihua	1,708,100	Ordinary shares denominated in RMB		1,708,100
He Yong	1,680,320	Ordinary shares denominated in RMB		1,680,320
Zhou Jichang	1,634,282	Ordinary shares denominated in RMB		1,634,282
Xu Rui	1,564,400	Ordinary shares denominated in RMB		1,564,400
Li Changping	1,507,600	Ordinary shares denominated in RMB		1,507,600
Yang Qing	1,409,500	Ordinary shares denominated in RMB		1,409,500

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:

- Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the controlling shareholder of the Company, no share of which are being pledged or frozen.
- 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.
- DISCLOSURE OF DIRECTORS' INTERESTS**

As at 30 June 2019, so far as was known to the Directors, the Directors, the supervisors and chief executive of the Company or their respective associates had the following interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations below (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules"), to be notified to the Company and the Hong Kong Stock Exchange:

#### Long position in Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the Shareholding in the entire Share capital of the Company (A Shares and H Shares)
Wu Yan	Beneficial owner	43,001	0.01%

Save as disclosed above, as at 30 June 2019, none of the Directors, the supervisors and chief executive of the Company or their respective associates had any interest or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

- Save as disclosed above, as at 30 June 2019, 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 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.
- There is no provision for pre-emptive rights under the laws of the PRC and the articles of association of the Company.
- As of 30 June 2019, 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

- Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares**

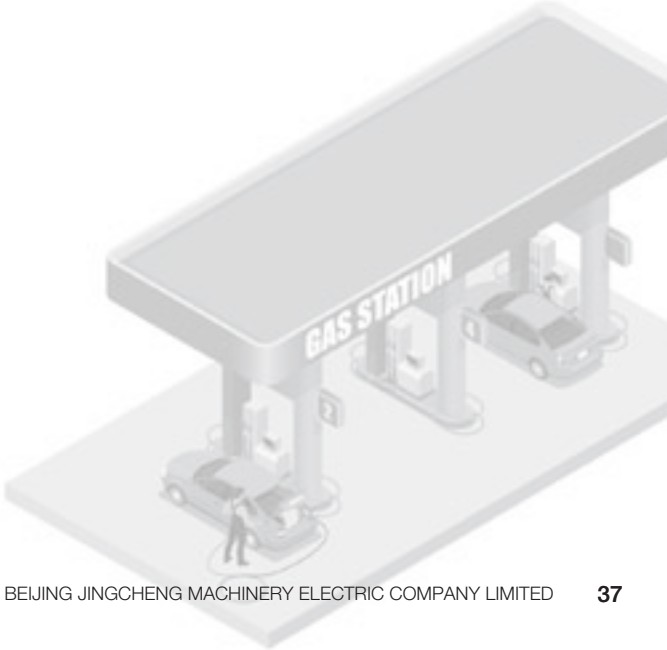
Applicable  Not Applicable

### 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

<u>Name</u>	<u>Position</u>	<u>Reason for change</u>
Miao Junhong	Chairman of the Supervisory Committee	Election
Li Gejun	Original Chairman of the Supervisory Committee	Resignation

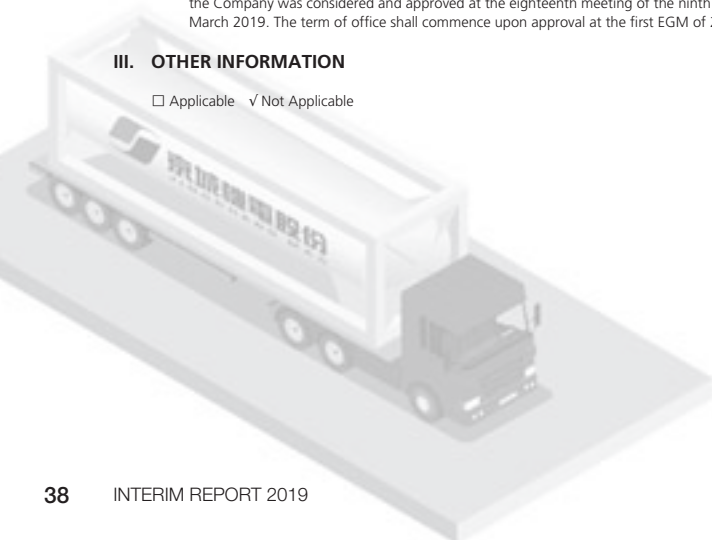
Change of Directors, Supervisors and Senior Management of the Company

Applicable  Not applicable

1. On 16 January 2019, the Supervisory Committee of the Company received the resignation notification from Mr. Li Gejun, the Chairman of the Supervisory Committee and Supervisor of the Company, that due to job reallocation, Mr. Li Gejun resigned from the position of Chairman of the Supervisory Committee and Supervisor of the Company. The Supervisory Committee of the Company fully respects the decision of Mr. Li Gejun and has accepted his resignation application. The resignation of Mr. Li Gejun takes effect from 16 January 2019.
2. Resolution in relation to the candidate of supervisor of the Supervisory Committee was considered and approved at the seventeenth meeting of the ninth session of the Supervisory Committee held on 16 January 2019. According to the recommendation made by the controlling shareholder of the Company, the ninth session of the Supervisory Committee nominates Mr. Miao Junhong as candidate for supervisor of the ninth session of the Supervisory Committee, and the relevant resolution will be proposed at the first extraordinary general meeting of 2019.
3. Resolutions in relation to the change of the Supervisor of the ninth session of the Supervisory Committee and the election of Mr. Miao Junhong as the Supervisor of the ninth session of the Supervisory Committee were considered and approved at the first extraordinary general meeting of 2019 held on 4 March 2019.
4. Resolution in relation to the election of Mr. Miao Junhong as the chairman of the ninth session of the Supervisory Committee of the Company was considered and approved at the eighteenth meeting of the ninth session of the Supervisory Committee held on 5 March 2019. The term of office shall commence upon approval at the first EGM of 2019 until the expiration of the AGM of 2019.

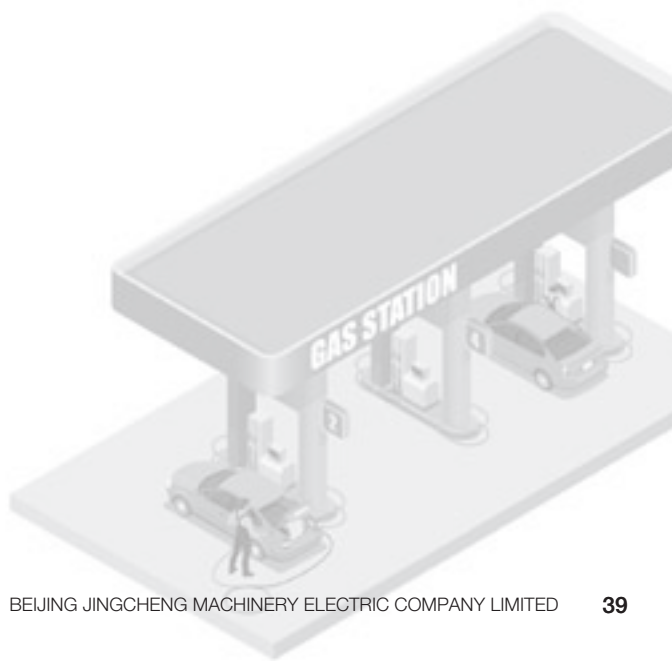
## III. OTHER INFORMATION

Applicable  Not Applicable



## SECTION 9 CORPORATE BONDS

Applicable  Not Applicable





# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET

June 30, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	6/30/2019	12/31/2018
<b>Current assets:</b>			
Cash at bank and on hand	Vi. 1	79,823,773.84	61,162,121.34
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	Vi. 2	18,363,421.77	23,161,071.50
Accounts receivable	Vi. 3	253,850,391.94	223,093,594.17
Receivables financing			
Advances to suppliers	Vi. 4	51,876,059.80	58,395,221.68
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables	Vi. 5	25,968,409.64	20,470,775.75
Including: interest receivable			
Dividends receivable	Vi. 5.1	6,075,169.12	6,075,169.12
Financial assets purchased under agreements to resell			
Inventories	Vi. 6	302,005,630.64	325,700,866.01
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	Vi. 7	49,746,256.53	51,641,219.69
<b>Total current assets</b>		<b>781,633,944.16</b>	<b>763,624,870.14</b>
<b>Non-current assets:</b>			
Loans and advances			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Vi. 8	125,060,750.57	124,898,949.39
Other equity instrument investments			
Other non-current financial assets			
Investment properties	Vi. 9	28,382,746.70	28,723,902.58
Fixed assets	Vi. 10	685,149,234.52	707,396,045.56
Construction in progress	Vi. 11	23,769,589.54	11,653,942.58
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	Vi. 12	126,028,601.64	128,526,552.10
Development expenditures			
Goodwill	Vi. 13		
Long-term deferred expenses	Vi. 14	8,212,840.37	10,298,416.72
Deferred income tax assets	Vi. 15	434,285.35	363,087.25
Other non-current assets			
<b>Total non-current assets</b>		<b>997,038,048.69</b>	<b>1,011,860,896.18</b>
<b>Total assets</b>		<b>1,778,671,992.85</b>	<b>1,775,485,766.32</b>

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	6/30/2019	12/31/2018
<b>Current liabilities:</b>			
Short-term borrowings	Vi. 16	313,464,154.25	277,998,046.30
Borrowings from the central bank			
Deposits and placements from other financial institutions			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	Vi. 17		30,000,000.00
Accounts payable	Vi. 18	287,241,821.10	234,374,639.10
Advances from customers			
Contractual liabilities	Vi. 19	50,282,176.61	48,104,438.48
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Employee benefits payable	Vi. 20	20,955,838.82	22,929,823.79
Taxes payable	Vi. 21	6,503,103.39	15,822,084.92
Other payables	Vi. 22	84,780,978.53	80,624,608.94
Including: interest payable	Vi. 22.1		72,000.00
Dividends payable			
Reinsurance amounts payable			
Customer broking			
Securities underwriting			
Held-for-sale liabilities			
Current portion of non-current liabilities	Vi. 23	20,000,000.00	18,000,000.00
Other current liabilities	Vi. 24	201,563.68	286,545.11
<b>Total current liabilities</b>		<b>783,429,636.38</b>	<b>728,140,186.64</b>
<b>Non-current liabilities:</b>			
Insurance contract reserves			
Long-term borrowings	Vi. 25	5,500,000.00	11,000,000.00
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	Vi. 26	143,100,000.00	143,100,000.00
Long-term employee benefits payable	Vi. 27	26,022,342.56	24,637,440.48
Provisions	Vi. 28	3,251,807.32	3,251,807.32
Deferred income	Vi. 29	2,941,458.70	2,087,460.36
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>180,815,608.58</b>	<b>184,076,708.16</b>
<b>Total liabilities</b>		<b>964,245,244.96</b>	<b>912,216,894.80</b>
<b>Owner's equity:</b>			
Capital stock	Vi. 30	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserves	Vi. 31	687,349,089.60	687,349,089.60
Less: treasury stocks			
Other comprehensive income	Vi. 32	2,147,309.20	2,308,000.57
Special reserves			
Surplus reserves	Vi. 33	45,665,647.68	45,665,647.68
General risk reserve			
Undistributed profits	Vi. 34	-726,020,296.62	-690,446,430.91
<b>Total equity attributable to shareholders of the parent company</b>		<b>431,141,749.86</b>	<b>466,876,306.94</b>
Minority equity		383,284,998.03	396,392,564.58
<b>Total shareholders' equity</b>		<b>814,426,747.89</b>	<b>863,268,871.52</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,778,671,992.85</b>	<b>1,775,485,766.32</b>

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## BALANCE SHEET OF PARENT COMPANY

June 30, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

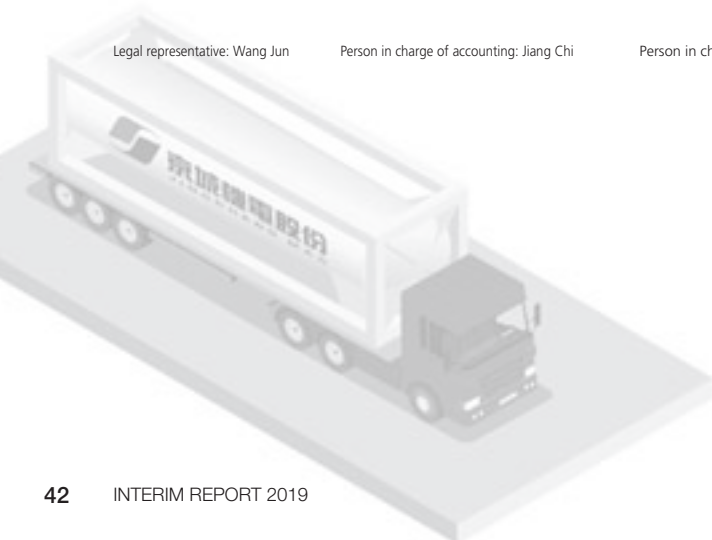
Unit: Yuan  
Currency: RMB

Item	Note	6/30/2019	12/31/2018
<b>Current assets:</b>			
Cash at bank and on hand		2,255,361.60	3,199,803.46
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers			280.00
Other receivables	XVI. 1	371,225,146.14	373,391,396.14
Including: interest receivable	XVI. 1.1	25,525,146.14	27,691,396.14
Dividends receivable			
Inventories			
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		152,330.29	
<b>Total current assets</b>		<b>373,632,838.03</b>	<b>376,591,479.60</b>
<b>Non-current assets:</b>			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI. 2	694,842,724.41	694,842,724.41
Other equity instrument investments			
Investment properties			
Fixed assets		41,078.75	40,541.86
Construction in progress			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>694,883,803.16</b>	<b>694,883,266.27</b>
<b>Total assets</b>		<b>1,068,516,641.19</b>	<b>1,071,474,745.87</b>

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

## BALANCE SHEET OF PARENT COMPANY (CONTINUED)

June 30, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	6/30/2019	12/31/2018
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities held for trading			
Financial assets at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contractual liabilities			
Employee benefits payable		101,108.63	1,719,891.15
Taxes payable		7,861.27	722,783.52
Other payables		5,068,714.57	2,141,585.68
Including: interest payable			
Dividends payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		201,563.68	279,193.39
<b>Total current liabilities</b>		<b>5,379,248.15</b>	<b>4,863,453.74</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>5,379,248.15</b>	<b>4,863,453.74</b>
<b>Owner's equity:</b>			
Capital stock		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 income			
Special reserves			
Surplus reserves		38,071,282.24	38,071,282.24
Undistributed profits		-63,573,877.05	-60,099,977.96
<b>Total shareholders' equity</b>		<b>1,063,137,393.04</b>	<b>1,066,611,292.13</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,068,516,641.19</b>	<b>1,071,474,745.87</b>

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January-June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	January-June 2019	January-June 2018
<b>I. Total operating revenue</b>		<b>595,157,618.64</b>	474,972,512.03
Including: operating revenue	VI. 38	595,157,618.64	474,972,512.03
Interest income			
Earned premiums			
Fee and commission income			
<b>II. Total operating cost</b>		<b>627,330,886.58</b>	505,976,582.74
Including: operating cost	VI. 38	529,850,732.05	412,718,486.70
Interest expenses			
Fee and commission expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VI. 39	4,302,406.86	6,374,803.05
Selling expenses	VI. 40	30,029,952.91	23,603,845.45
Administrative expenses	VI. 41	47,714,070.26	49,780,676.47
R&D expenses	VI. 42	4,488,434.23	1,486,494.42
Financial expenses	VI. 43	10,945,290.27	12,012,276.65
Including: interest expenses		10,606,563.98	12,465,065.58
Interest income		63,953.07	1,022,640.84
Add: other incomes	VI. 44	506,001.66	
Investment income (loss to be listed with "-")	VI. 45	161,801.18	3,195,881.57
Including: income from investment in associates and joint ventures		161,801.18	3,195,881.57
Derecognition income of financial asset measured at the amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")			
Exchange gain (loss to be listed with "-")			
Credit impairment losses (loss to be listed with "-")	VI. 46	-5,815,385.93	-7,647,533.66
Asset impairment losses (loss to be listed with "-")	VI. 47	-10,183,520.45	-5,153,782.49
Income from assets disposal (loss to be listed with "-")			
<b>III. Operating profit (loss to be listed with "-")</b>		<b>-47,504,371.48</b>	-40,609,505.29
Add: non-operating revenue	VI. 48	983,539.32	2,472,503.68
Less: non-operating expenses	VI. 49	418,778.96	314,219.56
<b>IV. Total profit (total loss to be listed with "-")</b>		<b>-46,939,611.12</b>	-38,451,221.17
Less: income tax expenses	VI. 50	1,586,865.62	2,673,283.91
<b>V. Net profit (net loss to be listed with "-")</b>		<b>-48,526,476.74</b>	-41,124,505.08
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with "-")		-48,526,476.74	-41,124,505.08
2. Net profit from discontinuing operations (net loss to be listed with "-")		-48,526,476.74	-41,124,505.08
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owner of the parent company		-48,526,476.74	-41,124,505.08
2. Non-controlling interests		-35,573,865.71	-28,682,450.33
		-12,952,611.03	-12,442,054.75

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

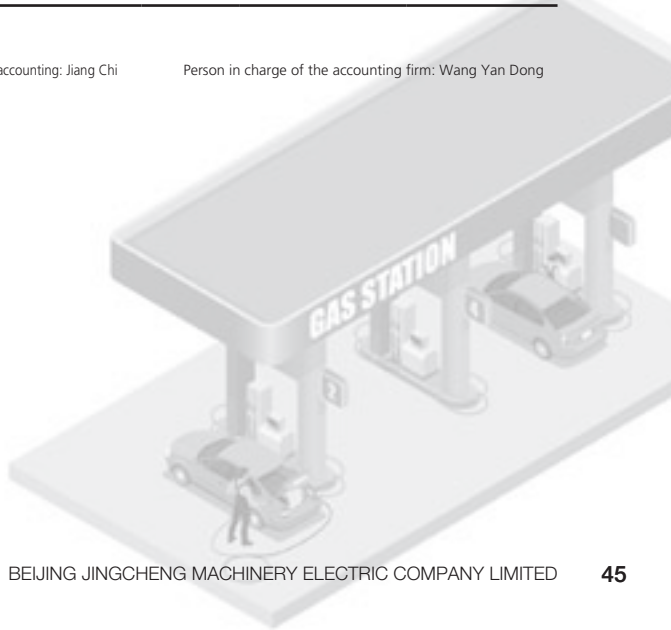
Unit: Yuan  
Currency: RMB

Item	Note	January-June 2019	January-June 2018
<b>VI. Net of tax of other comprehensive income</b>	VI. 51	<b>-315,646.89</b>	546,273.29
Net of tax of other comprehensive income attributable to the owner of the parent company		<b>-160,691.37</b>	281,899.59
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		<b>-160,691.37</b>	281,899.59
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investment			
3. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profit or loss of held-to-maturity investments reclassified to available-for-sale financial assets			
6. Provision for impairment of credit in other debt investments			
7. Reserves for cash flow hedge			
8. Translation difference of foreign currency financial statements		<b>-160,691.37</b>	281,899.59
9. Others			
Net of tax of other comprehensive income attributable to minority shareholders		<b>-154,955.52</b>	264,373.70
<b>VII. Total comprehensive income</b>		<b>-48,842,123.63</b>	-40,578,231.79
Total comprehensive income attributable to shareholders of the parent company		<b>-35,734,557.08</b>	-28,400,550.74
Total comprehensive income attributable to minority shareholders		<b>-13,107,566.55</b>	-12,177,681.05
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>-0.08</b>	-0.07
(II) Diluted earnings per share (RMB/share)		<b>-0.08</b>	-0.07

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

## INCOME STATEMENT OF PARENT COMPANY

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	January – June 2019	January – June 2018
<b>I. Operating revenue</b>			
Less: operating cost			
Taxes and surcharges		5,523.38	11,354.62
Selling expenses			
Administrative expenses		4,258,710.28	2,362,210.00
R&D expenses			
Financial expenses		-790,334.57	-716,781.73
Including: interest expenses			1,343,062.52
Interest income		792,560.90	2,062,394.19
Add: other incomes			
Investment income (loss to be listed with "-")			
Including: income from investment in associates and joint ventures			
Derecognition income of financial asset measured at the amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")			
Credit impairment losses (loss to be listed with "-")			
Asset impairment losses (loss to be listed with "-")			
Income from assets disposal (loss to be listed with "-")			
<b>II. Operating profit (loss to be listed with "-")</b>		<b>-3,473,899.09</b>	-1,656,782.89
Add: non-operating revenue			
Less: non-operating expenses			
<b>III. Total profit (total loss to be listed with "-")</b>		<b>-3,473,899.09</b>	-1,656,782.89
Less: income tax expenses			
<b>IV. Net profit (net loss to be listed with "-")</b>		<b>-3,473,899.09</b>	-1,656,782.89
(I) Net profit from continuing operations (net loss to be listed with "-")		<b>-3,473,899.09</b>	-1,656,782.89
(II) Net profit from discontinuing operations (net loss to be listed with "-")			
<b>V. Net of tax of other comprehensive income</b>			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investment			
3. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profit or loss of held-to-maturity investments reclassified to available-for-sale financial assets			
6. Provision for impairment of credit in other debt investments			
7. Reserves for cash flow hedge			
8. Translation difference of foreign currency financial statements			
9. Others			
<b>VI. Total comprehensive income</b>		<b>-3,473,899.09</b>	-1,656,782.89

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	January – June 2019	January – June 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		469,141,180.69	510,815,869.11
Net increase in deposits and placements from financial institutions			
Net increase of borrowings from the central bank			
Net increase in placement from other financial institutions			
Cash received from premiums of original insurance contract			
Net amount of reinsurance business			
Net increase in deposits from policyholders			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash received from interests, fees and commissions			
Net increase in placement from banks and other financial institutions			
Net increase in repurchasing			
Taxes and surcharges refunds		16,288,989.47	7,878,451.79
Other cash receipts related to operating activities	VI. 55	15,066,793.22	5,441,760.38
<b>Subtotal of cash inflows from operating activities</b>		<b>500,496,963.38</b>	<b>524,136,081.28</b>
Cash paid for goods and services		316,640,202.66	328,194,485.55
Net increase in loans and advances			
Net increase in deposits with the central bank and other banks			
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		113,085,835.64	111,936,126.94
Taxes and surcharges cash payments		24,900,956.45	35,588,157.62
Other cash payments related to operating activities	VI. 55	30,571,945.84	21,011,799.31
<b>Subtotal of cash outflows from operating activities</b>		<b>485,198,940.59</b>	<b>496,730,569.42</b>
<b>Net cash flows from operating activities</b>		<b>15,298,022.79</b>	<b>27,405,511.86</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>			
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		6,908,049.77	30,892,011.27
Cash paid to acquire investments			
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments related to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>6,908,049.77</b>	<b>30,892,011.27</b>
<b>Net cash flows from investing activities</b>		<b>-6,908,049.77</b>	<b>-30,892,011.27</b>



# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

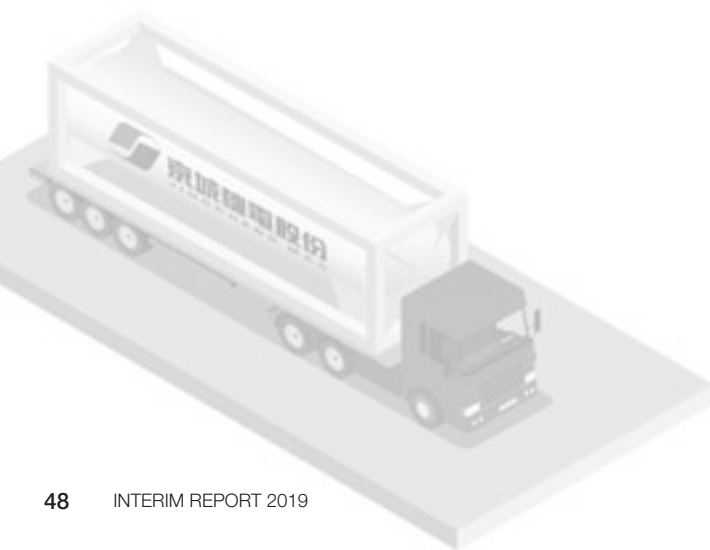
Unit: Yuan  
Currency: RMB

Item	Note	January – June 2019	January – June 2018
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Including: cash received from minority shareholders' investment in subsidiaries			
Cash received from borrowings		145,466,001.21	219,088,104.00
Cash received from issuing bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		145,466,001.21	219,088,104.00
Cash paid for repayments of debts		113,499,893.26	157,230,244.00
Cash paid for allocation of dividends, profits or interest repayment		8,850,144.40	7,057,271.13
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other cash payments related to financing activities	VI. 55		18,000,000.00
Subtotal of cash outflows from financing activities		122,350,037.66	182,287,515.13
Net cash flows from financing activities		23,115,963.55	36,800,588.87
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		-897,284.07	-1,136,129.62
<b>V. Net increase in cash and cash equivalents</b>			
Add: beginning balance of cash and cash equivalents		30,608,652.50	32,177,959.84
		46,662,121.34	76,867,503.16
<b>VI. Ending balance of cash and cash equivalents</b>			
	VI. 55	77,270,773.84	109,045,463.00

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

## CASH FLOW STATEMENT OF PARENT COMPANY

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan  
Currency: RMB

Item	Note	January – June 2019	January – June 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services			
Taxes and surcharges refunds			
Other cash receipts related to operating activities		359,555.17	2,421,945.06
<b>Subtotal of cash inflows from operating activities</b>		<b>359,555.17</b>	<b>2,421,945.06</b>
Cash paid for goods and services			
Cash paid to and for employees		1,237,948.22	2,013,229.17
Taxes and surcharges cash payments		1,253,441.84	968,450.97
Other cash payments related to operating activities		1,806,756.97	2,674,220.09
<b>Subtotal of cash outflows from operating activities</b>		<b>4,298,147.03</b>	<b>5,655,900.23</b>
<b>Net cash flows from operating activities</b>		<b>-3,938,591.86</b>	<b>-3,233,955.17</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities		3,000,000.00	2,770,479.17
<b>Subtotal of cash inflows from investing activities</b>		<b>3,000,000.00</b>	<b>2,770,479.17</b>
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		5,850.00	
Cash paid to acquire investments			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments related to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>5,850.00</b>	
<b>Net cash flows from investing activities</b>		<b>2,994,150.00</b>	<b>2,770,479.17</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from absorbing investment			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash receipts related to financing activities			
<b>Subtotal of cash inflows from financing activities</b>			
Cash paid for repayment of debts			
Cash paid for allocation of dividends, profits or interest repayment			1,429,458.35
Other cash payments related to financing activities			
<b>Subtotal of cash outflows from financing activities</b>			<b>1,429,458.35</b>
<b>Net cash flows from financing activities</b>			<b>-1,429,458.35</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-944,441.86</b>	<b>-1,892,934.35</b>
Add: beginning balance of cash and cash equivalents		3,199,803.46	2,638,253.33
<b>VI. Ending balance of cash and cash equivalents</b>		<b>2,255,361.60</b>	<b>745,318.98</b>

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

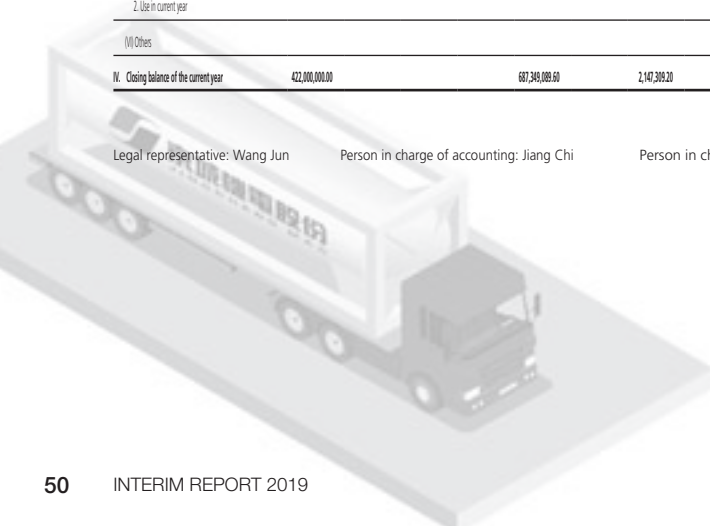
Unit: Yuan  
Currency: RMB

Item	January – June 2019											Total shareholders' equity	
	Equity attributable to shareholders of the parent company												
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserve	Undistributed profits		Minority equity
	Preferred shares	Perpetual bond	Others										
I. Closing balance of the previous year	422,000,000.00				687,349,089.60		2,308,000.57		45,665,847.68		-690,446,430.91	396,392,564.58	663,268,871.52
Add: changes in accounting policies													
Correctors of prior period errors													
Business combination under common control													
Others													
II. Opening balance of the current year	422,000,000.00				687,349,089.60		2,308,000.57		45,665,847.68		-690,446,430.91	396,392,564.58	663,268,871.52
III. Change in increase or decrease of the current years (decrease to be listed with "+")													
(I) Total comprehensive income													
(II) Capital invested and decreased by shareholders													
1. Common shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment recognized as shareholders' equity													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-over in shareholders' equity													
1. Transfer from capital reserves to capital stock													
2. Transfer from surplus reserves to capital stock													
3. Recovery of losses by surplus reserve													
4. Retained earnings carried over from changes in defined benefit plans													
5. Retained earnings carried over from other comprehensive income													
6. Others													
(V) Special reserves													
1. Appropriation in current year													
2. Use in current year													
(VI) Others													
IV. Closing balance of the current year	422,000,000.00				687,349,089.60		2,147,309.20		45,665,847.68		-726,020,296.62	383,284,998.03	814,426,747.89

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (CONTINUED)

January – June 2019

Unit: Yuan  
Currency: RMB

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Item	January-June 2018												
	Equity attributable to shareholders of the parent company												
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Minority equity	Total shareholders' equity
<b>I. Closing balance of the previous year</b>	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		-667,793,525.60	435,967,039.86	1,024,342,296.41
Add: changes in accounting policies													
Correctors of prior period errors													
Business combination under common control													
Others													
<b>II. Opening balance of the current year</b>	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		-667,793,525.60	435,967,039.86	1,024,342,296.41
<b>III. Change in increase or decrease of the current years (decrease to be listed with "-")</b>													
(I) Total comprehensive income							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
(II) Capital invested and decreased by shareholders							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
1. Common shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment recognized as shareholders' equity													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk provision													
3. Distribution to owners (for shareholders)													
4. Others													
(IV) Internal carry-over in shareholders' equity													
1. Transfer from capital reserves to capital stock													
2. Transfer from surplus reserves to capital stock													
3. Recovery of losses by surplus reserve													
4. Retained earnings carried over from changes in defined benefit plans													
5. Retained earnings carried over from other comprehensive income													
6. Others													
(V) Special reserves													
1. Appropriation in current year													
2. Use in current year													
(VI) Others													
<b>IV. Closing balance of the current year</b>	422,000,000.00				687,349,089.60		1,435,974.46		45,665,647.68		-596,475,975.93	423,789,358.81	933,764,064.62

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

# SECTION 10 FINANCIAL REPORT

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

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Item	January-June 2019								Total shareholders' equity		
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves		Surplus reserves	Undistributed profits
I. Closing balance of the previous year	42,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96	1,066,611,292.13
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	42,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96	1,066,611,292.13
III. Change in increase or decrease of the current years (decrease to be listed with "+")											
(I) Total comprehensive income											
(II) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment recognized as shareholders' equity											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Transfer from capital reserves to capital stock											
2. Transfer from surplus reserves to capital stock											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried over from changes in defined benefit plans											
5. Retained earnings carried over from other comprehensive income											
6. Others											
(V) Special reserves											
1. Appropriation in current year											
2. Use in current year											
(VI) Others											
IV. Closing balance of the current year	42,000,000.00				666,639,987.85				38,071,282.24	-63,570,877.05	1,065,191,393.04

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

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

January – June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

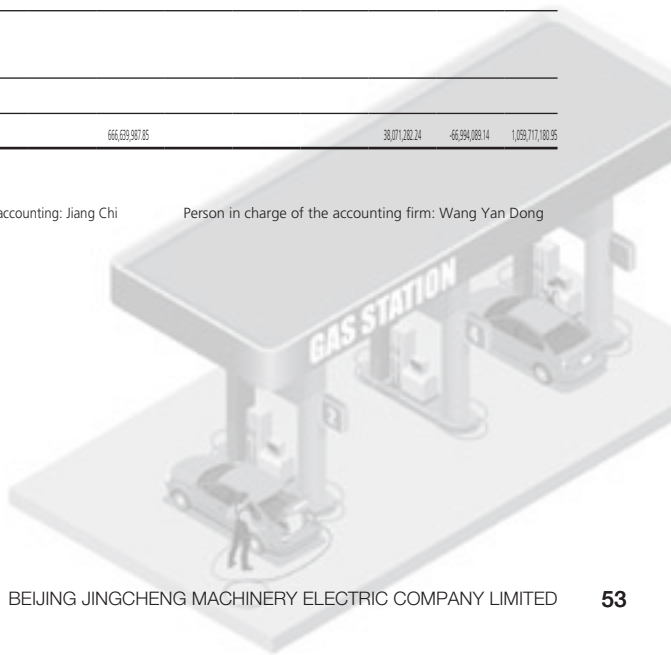
Unit: Yuan  
Currency: RMB

Item	January-June 2018				Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
	Capital stock	Preferred shares	Perpetual bond	Others							
<b>I. Closing balance of the previous year</b>	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											
Corrections of prior period errors											
Others											
<b>II. Opening balance of the current year</b>	422,000,000.00				666,639,987.85				38,071,282.24	465,337,306.25	1,061,373,963.84
<b>III. Change in increase or decrease of the current years (decrease to be listed with "+")</b>											
(I) Total comprehensive income											
(II) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment recognized as shareholders' equity											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Transfer from capital reserves to capital stock											
2. Transfer from surplus reserves to capital stock											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried over from changes in defined benefit plans											
5. Retained earnings carried over from other comprehensive income											
6. Others											
(V) Special reserves											
1. Appropriation in current year											
2. Use in current year											
(VI) Others											
<b>IV. Closing balance of the current year</b>	422,000,000.00				666,639,987.85				38,071,282.24	46,994,089.14	1,059,717,180.95

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong



# SECTION 10 FINANCIAL REPORT

## I. BASIC INFORMATION OF THE COMPANY

Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the "Company", collectively referred to as the Group if it includes subsidiary), formerly Beiren Printing Machinery Co., Ltd., is a limited company established by fund solely initiated by Beiren Group Corporation. Registered on July 13, 1993, it was transferred to a limited liability company which could publicly offer the stock 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 ZJFXZ [2002] No. 133 File issued by China Securities Regulatory Commission, the Company successfully increased issues in 22,000,000 RMB ordinary shares (A-shares) to the public stock shareholders between December 26, 2002 and January 07, 2003, with 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 JGZQZ [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-share 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; and after the share transfer, the Company's total capital stock remained the same, and Jingcheng Holding held 201,620,000 shares of the Company stock which accounted for 47.78% of total capital stock 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.* (ZJXK [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-share 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-share, accounting for 42.80% of the Company's total stock issue.

Jingcheng Holding bought 2,115,052 shares of the Company's A-share through the trading system of Shanghai Stock Exchange on August 03, 2016, accounting for 0.50% of the Company's total capital stock. 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 capital stock 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.

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, mechanical equipment and electrical equipment; technical consulting; technical service; economic trade consulting; goods import and export; technical import and export; and agency for import and export.

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

# SECTION 10 FINANCIAL REPORT

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's consolidated financial statements cover Jingcheng Holding (Hong Kong) Co., Ltd., Beijing Tianhai Industry Co., Ltd. and its subsidiaries Tianjin Tianhai High Pressure Container Co., Ltd., Shanghai Tianhai Composite Cylinders Co., Ltd., Beijing Tianhai Cryogenic Equipment Co., Ltd., Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (Former Beijing Pioneer Up Lifter Co., Ltd.), Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd., Kuancheng Tianhai Pressure Container Co., Ltd. and BTIC AMERICA CORPORATION.

See relevant contents of "VII. Changes in Consolidation Scope" and "VIII. Interests in Other Entities" in the Notes for details.

## III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

### (1) Preparation basis

On the going-concern basis, the financial statements of the Group have been prepared in accordance with actually-occurring transactions and items, the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and other relevant regulations (hereinafter collectively referred to as "ASBE"), *Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15 – General Provisions on Financial Reports* (revised in 2014) issued by China Securities Regulatory Commission (CSRC) and relevant regulations, disclosure requirements in Companies Ordinance of Hong Kong and *Rules Governing the Listing of Securities/ Rules Governing the Listing of GEM Securities* issued by Hong Kong Exchange, and accounting policies and accounting estimates stated in "IV. Significant Accounting Policies and Accounting Estimates" of the Notes.

### (2) Going concern

The Group has evaluated the going concern ability within 12 months since June 30, 2019 and has not found any event and condition causing substantial doubt about the going concern ability. Therefore, the financial statements were prepared on the basis of the going concern assumption.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates will indicate: specific accounting policies developed by the Group according to the characteristics of actual production and operation and accounting estimates including business cycle, the recognition and measurement of bad debt provision 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, operating results 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

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

### 4. Recording currency

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

### 5. Accounting treatment method for business combination under common control and not under common control

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 controlling party consolidated statements of the combined party on the combination date. The balance between the book value of the net assets obtained and the book value of the consolidated consideration paid shall be used to adjust the capital reserves; and 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 combination not under common control are measured at fair value on the acquisition date. The combined cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining the control right of the acquiree and various direct expenses in business combination (in the business merger realized step by step through several transactions, the combined cost is the sum of the cost for each single transaction). Positive balance between the combined cost and the fair value of the identifiable net assets of the acquiree obtained during the combination shall be recognized as goodwill; and if the combined cost 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 combination and the fair value of non-cash assets of consolidated consideration or equity security issued shall be re-checked first. If the combined cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in the current non-operating revenue.



# SECTION 10 FINANCIAL REPORT

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

### 6. Preparation methods of consolidated financial statements

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

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

All significant internal transactions, current balances and unrealized profits within the consolidation scope are offset in preparing consolidated statements. Shares in owner's 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 minority interest in total comprehensive income shall be presented in consolidated financial statements as "minority interest, non-controlling interests, 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 combination under common control are included in the consolidated financial statements at the beginning of the current period of the combination. 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 combination as if it might have existed since the time when final controlling party begin to take the control.

As to the equity of the investee under common control obtained step by step through multiple transactions and the business combination finally formed, when preparing the consolidated statements, it shall be deemed as the adjustment in the beginning of the control of the ultimate controlling party, namely, in the current state. When preparing the comparative statements, with the limit of being not earlier than the time point that the Group and the combined party are under the control of ultimate controlling party, relevant assets and liabilities of the combined party will be incorporated into the comparative statements of the Group's consolidated financial statements, and the combined and increased net assets will be adjusted in the relevant items under the owner's equity in the comparative statements. In order to avoid repeated calculation of value of net assets of the combined party, the long-term equity investment held by the Group before the combination is achieved, the changes in relevant profits and losses, other comprehensive income 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 combined party are under the final control of the same party, to the combination date, shall respectively be applied to write down the opening retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business combination not under common 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.

As to the equity of the investee not under common control obtained step by step through multiple transactions and the business combination finally formed, when preparing the consolidated statements, the equity held by the acquiree before the acquisition date shall be remeasured according to the fair value of the equity on the acquisition date, the difference between the fair value and its book value shall be included in the current investment income. If the relevant equity held by the acquiree before the acquisition date is involved in other comprehensive income and changes in other owners' equity other than the net profit and loss, other comprehensive income and profit distribution under the accounting of equity method, it shall be transferred as the investment profit and loss in the current period of the acquisition date, except for other comprehensive income incurred by the changes in the net liabilities or net assets due to the investee's remeasurement of the defined benefit plan.

The Group disposes of the long-term equity investment against subsidiaries partially without losing control right; in the consolidated financial statements, as for the balance between the disposing amount and the net asset continuously calculated from the purchase date or combining date of the subsidiary enjoyed correspondingly in disposing long-term equity investment, capital premium or share premium shall be adjusted; and 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 combining date shall be included in the investment income of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive income related with the equity investment of the original subsidiaries shall be transferred as 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 transactions till losing the control right, if various transactions from disposal of equity investment of subsidiaries till losing the control right belong 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 disposal price 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 transferred into the current profit and loss when losing control right.

# SECTION 10 FINANCIAL REPORT

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

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

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

### 8. Cash and cash equivalents

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

#### (1) Foreign currency transaction

The amount of the Group's foreign currency transactions 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 included in the 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; and income and expenses in income statements are translated at the spot rate of the date when transactions occur. Translation balance in the foreign currency statements arising from translations above shall be presented 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.

### 10. Financial assets and financial liabilities

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

#### (1) Financial assets

##### 1) Classification, recognition and measurement of financial assets

According to the business mode of financial assets management and the contractual cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through current profits and losses.

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: ① the business mode of the financial assets management takes the collection of contractual cash flow as the objective. ② The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated for the hedged items, and the gain or loss arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profits and losses.

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets at fair value through other comprehensive income: ① the business mode of the financial assets management takes the collection of contractual cash flow and the of such financial assets as the objective. ② The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated for the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profits and losses.

# SECTION 10 FINANCIAL REPORT

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

### 10. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 1) Classification, recognition and measurement of financial assets (Continued)

The Group recognizes the interest income by the effective interest method. The interest income shall be determined by multiplying the book balance of financial assets by the effective interest rate, except for the following circumstances: ① for the purchased or originated financial assets that the credit impairment has occurred, their interest incomes shall be determined at their amortized costs and by the effective interest rate adjusted through credit from the initial recognition. ② For purchased or originated financial assets that the credit impairment has not occurred but the credit impairment has occurred in the subsequent period, their interest incomes shall be determined at their amortized costs and by the effective interest rate during the subsequent period.

The Group shall designate the non-trading equity instrument investment as the financial assets at fair value through other comprehensive income. This designation shall not be revoked once made. The non-trading equity instrument investment at fair value through other comprehensive income that the Group designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profits and losses subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When it is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive incomes and included in retained earnings.

The Group will classify the financial assets other than the above financial assets measured at the amortized cost and the financial assets at fair value through other comprehensive income into the financial assets at fair value through current profits and losses. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profits and losses directly. The gain or loss of such financial assets shall be included in the current profits and losses.

The financial assets will be classified as the financial assets at fair value through current profits and losses if they are recognized by the Group in the business combination not under common control and constituted by the contingent consideration.

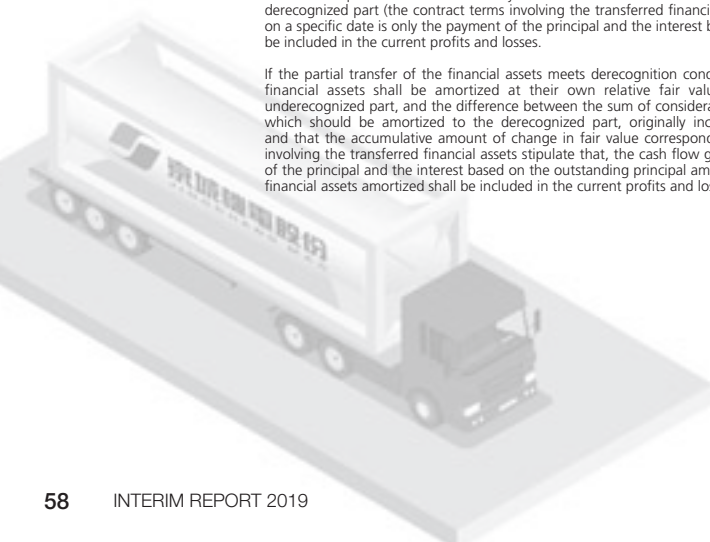
The Group will reclassify all affected financial assets when changing the business mode of financial assets management.

##### 2) Recognition and measurement of transfer of financial assets

The Group will derecognize the financial assets that meet one of the following conditions: the contractual right of collecting the cash flow of such financial assets is terminated; the financial assets are transferred, and the Group has transferred almost all risks and rewards related to the ownership of the financial assets; and the financial assets are transferred, and the Group neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets derecognition conditions, the entire book value of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underrecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire book value of the aforesaid financial assets amortized shall be included in the current profits and losses.



# SECTION 10 FINANCIAL REPORT

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

### 10. Financial assets and financial liabilities (Continued)

#### (2) Financial liabilities

##### 1) *Classification, recognition and measurement of financial liabilities*

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through current profits and losses and other financial liabilities.

The financial liability at fair value through current profits and losses is measured subsequently, including financial liabilities held for trading and financial liabilities designated at fair value through current profits and losses 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 included in the current profits and losses.

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

The financial liabilities recognized by the Group as the acquirer in the business combination not under common control and constituted by the contingent consideration shall be subjected to the accounting treatment at fair value through current profits and losses.

##### 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 derecognition 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.

##### (3) *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 should 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 should be observable input values directly or indirectly related to assets or liabilities, except for the input value of the first level; and 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, and 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.

The investment of the Group in the equity investment shall be measured at the fair value. However, under the limited circumstances, if the recent information for determining the fair value is insufficient and the cost represents the best estimate for the fair value within this range, such cost could represent its appropriate estimate for the fair value within this distribution range.

##### (4) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: (1) The Group has a legal right to offset the recognized amount and that such legal rights are currently enforceable; and (2) The Group plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

# SECTION 10 FINANCIAL REPORT

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

### 10. Financial assets and financial liabilities

#### (2) Financial liabilities (Continued)

##### (5) *Difference between financial liability and equity instrument and related treatment method*

The Group distinguishes financial liabilities and equity instruments according to the following principles: (1) if the Group fails to unconditionally perform one contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions. (2) If one financial instrument must or may be settled by the Group's own equity instrument, the Group's own equity instrument used for settling such instrument shall be considered as an substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liability of the issuer. If it is the latter, the instrument is the equity instrument of the issuer. Under certain circumstances, a financial instrument contract requires that the Group must or may settle the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contractual right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Group's own equity instrument (such as interest rates, the price of a good or the price of a financial instrument), the contract is classified as financial liabilities.

When classifying a financial instrument (or its components) in the consolidated financial statements, the Group takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc., are included in the current profits and losses.

Where the financial instruments or their components are classified as equity instrument, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity, and the change in fair value of the equity instrument is not recognized.

### 11. Notes receivable

Determination method and accounting treatment of expected credit losses of notes receivable:

The Group always measures the loss provisions for the receivables which are formed by the transaction specified by the *Accounting Standards for Business Enterprises No. 14 – Revenue* and do not include the significant financing component according to the amount of expected credit loss in the whole duration.

Judgment of significant increase of credit risk after the initial recognition. The Group will judge whether the credit risk of the financial instrument significantly increases by comparing the default probability of this financial instrument determined during the initial recognition in the expected duration with its default probability determined on the balance sheet date in the expected duration. However, if the Group determines that the financial instrument has only a low credit risk on the balance sheet date, the Group could assume that the credit risk of the financial instrument has not increased significantly since the initial recognition. Under normal circumstances, if it is overdue for more than 30 days, it indicates that the credit risk of the financial instrument has significantly increased, except that the Group obtains the reasonable and well-founded information without unnecessary additional cost or effort to prove that the credit risk has not yet significantly increased since the initial recognition even if overdue for more than 30 days. When determining whether the credit risk has significantly increased since the initial recognition, the Group considers the reasonable and well-founded information obtained by it without unnecessary additional cost or effort, including the forward-looking information.

Portfolio-based assessment. For notes receivable, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, initial recognition date and remaining contract term as the common risk characteristics, the Group groups notes receivable and considers whether credit risk increases significantly on a portfolio basis.

Measurement of expected credit loss. The expected credit loss means that the risk of default is the weighted average of credit list of weighted financial instrument. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows receivable, that is, the present value of all cash shortages.

The Group calculates expected credit loss of notes receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of impairment provision of the current notes receivable, the Group will recognize the difference as impairment loss on notes receivable, debit "credit impairment loss" and credit "bad debt provision". On the contrary, the Group recognizes the difference as impairment gains and makes opposite accounting records.

# SECTION 10 FINANCIAL REPORT

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

### 11. Notes receivable (Continued)

If the Group actually suffers a credit loss and determines that the relevant notes receivable cannot be taken back and are approved to be written off, the "bad debt provision" shall be debited and the "notes receivable" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

Based on the actual credit losses of previous years and considering the forward-looking information for this year, the Group's accounting estimation policies for measuring expected credit losses based on individual instruments and portfolios are as follows:

#### Individual instrument

##### Individual asset

##### Provision for bad debt

Notes receivable

No credit impairment occurs

### 12. Accounts receivable

Determination method and accounting treatment of expected credit losses of accounts receivable:

The Group always measures the loss provisions for the receivables which are formed by the transaction specified by the *Accounting Standards for Business Enterprises No. 14 – Revenue* and do not include the significant financing component according to the amount of expected credit loss in the whole duration.

Judgment of significant increase of credit risk after the initial recognition. The Group will judge whether the credit risk of the financial instrument significantly increases by comparing the default probability of this financial instrument determined during the initial recognition in the expected duration with its default probability determined on the balance sheet date in the expected duration. However, if the Group determines that the financial instrument has only a low credit risk on the balance sheet date, the Group could assume that the credit risk of the financial instrument has not increased significantly since the initial recognition. Under normal circumstances, if it is overdue for more than 30 days, it indicates that the credit risk of the financial instrument has significantly increased, except that the Group obtains the reasonable and well-founded information without unnecessary additional cost or effort to prove that the credit list has not yet significantly increased since the initial recognition even if overdue for more than 30 days. When determining whether the credit risk has significantly increased since the initial recognition, the Group considers the reasonable and well-founded information obtained by it without unnecessary additional cost or effort, including the forward-looking information.

Portfolio-based assessment. For accounts receivable, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, initial recognition date and remaining contract term as the common risk characteristics, the Group groups accounts receivable and considers whether credit risk increases significantly on a portfolio basis.

Measurement of expected credit loss. The expected credit loss means that the risk of default is the weighted average of credit list of weighted financial instrument. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows receivable, that is, the present value of all cash shortages.

The Group calculates expected credit loss of accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of impairment provision of the current accounts receivable, the Group will recognize the difference as impairment loss on accounts receivable, debit "credit impairment loss" and credit "bad debt provision". On the contrary, the Group recognizes the difference as impairment gains and makes opposite accounting records.

If the Group actually suffers a credit loss and determines that the relevant notes receivable and accounts receivable cannot be taken back and are approved to be written off, the "bad debt provision" shall be debited and the "accounts receivable" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

Based on the actual credit losses of previous years and considering the forward-looking information for this year, the Group's accounting estimation policies for measuring expected credit losses based on individual instruments and portfolios are as follows:

#### Individual instrument

##### Individual asset

##### Provision for bad debt

Related parties within the consolidation scope  
Downgrade of credit rating of the counterparty  
Aging portfolio

No credit impairment occurs  
Significant increase in credit risk  
Measurement of loss given default on a portfolio basis

# SECTION 10 FINANCIAL REPORT

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

### 13. Other receivables

Determination method and accounting treatment of expected credit losses of other receivables:

The Group shall measure loss provisions for other receivables according to the following situations: ① for financial assets whose credit risk has not increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount of the expected credit loss in the next 12 months; ② for financial assets whose credit risk has increased significantly since the initial recognition, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; ③ for the purchase or underlying financial assets that have occurred credit impairments, the Group shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration.

Portfolio-based assessment. For other receivables, the Group, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, initial recognition date and remaining contract term as the common risk characteristics, the Group groups other receivables and considers whether credit risk increases significantly on a portfolio basis.

#### Individual instrument

##### Individual asset

Dividends receivable and interest receivable  
Related parties within the consolidation scope  
Downgrade of credit rating of the counterparty  
Aging portfolio

##### Provision for bad debt

No credit impairment occurs  
No credit impairment occurs  
Significant increase in credit risk  
Measurement of loss given default on a portfolio basis

### 14. Inventories

The Group's inventory mainly includes raw materials, packing materials, low-value consumables, products in process, finished goods, goods shipped in transit, contract performance cost, 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; and low-value consumables and packages are amortized by one-off amortization method.

For the finished goods, products in process, 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.

### 15. Contractual assets

#### (1) Recognition methods and standards for the contractual assets

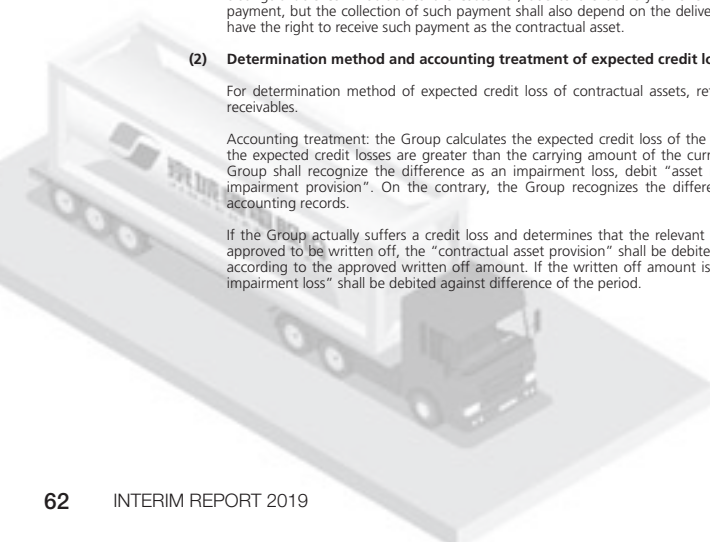
Contractual assets refer to the right of the Group who transferred the commodity to the customer to receive the consideration, and the right depends on other factors excluding the passage of time. If the Group sells two clearly distinguishable commodities to the customer, due to the delivery of one of the commodities, it has the right to receive payment, but the collection of such payment shall also depend on the delivery of the other commodity, and the Group shall have the right to receive such payment as the contractual asset.

#### (2) Determination method and accounting treatment of expected credit loss of contractual assets

For determination method of expected credit loss of contractual assets, refer to the above 12. Related contents of other receivables.

Accounting treatment: the Group calculates the expected credit loss of the contractual assets on the balance sheet date, if the expected credit losses are greater than the carrying amount of the current contractual asset impairment provision, the Group shall recognize the difference as an impairment loss, debit "asset impairment loss" and credit "contractual asset impairment provision". On the contrary, the Group recognizes the difference as impairment gains and makes opposite accounting records.

If the Group actually suffers a credit loss and determines that the relevant contractual assets cannot be recovered and are approved to be written off, the "contractual asset provision" shall be debited and the "contractual assets" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "asset impairment loss" shall be debited against difference of the period.



# SECTION 10 FINANCIAL REPORT

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

### 16. Contract cost

#### (1) Determination method of assets related to contract costs

The Group's assets related to contract costs include contract performance cost and contract acquisition costs.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

Contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract and expected to be recovered, as the contract acquisition cost, it shall be recognized as an asset; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost (such as sales commissions) that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered (such as the travel expenses incurred regardless of whether or not the contract is obtained), include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.

#### (2) Amortization of assets related to contract costs

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

#### (3) Impairment of assets related to contract costs

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the book value and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the book value and the estimated costs due to the transfer of the relevant commodity, the excess shall be accrued as impairment provision and recognized as asset impairment loss.

If the factors of impairment in the previous period change later, making the aforesaid difference higher than the book value of the asset, the originally made asset impairment provision shall be reversed and included in the current profits and losses, but the book value of the reversed asset shall not exceed the book value of the asset on the reversal date assuming that no impairment provision is made.

### 17. Long-term equity investment

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

The Group judges the common control based on the point 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 a significant influence on the investee. When the Company 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 Company 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 combination under 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 combined party on the combining date is negative, the cost of long-term equity investment shall be determined as zero.

As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If the transactions do not belong to "package deal", the share of book value of net asset of the combined party in consolidated financial statements of the ultimate controlling party on the combining date 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 combination and the book value of new payment consideration obtained under the combining date 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 combination not under common control, consolidated cost shall be recognized as initial investment cost.



# SECTION 10 FINANCIAL REPORT

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

### 17. Long-term equity investment (Continued)

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income 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 available-for-sale financial assets, and then accumulative change of the fair value originally included in other comprehensive income shall be transferred into current investment profits and losses on the combining date.

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

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

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 incurred. Cash dividends or profits that the investee declares to distribute shall be recognized as the current investment profits as per the amount enjoyed.

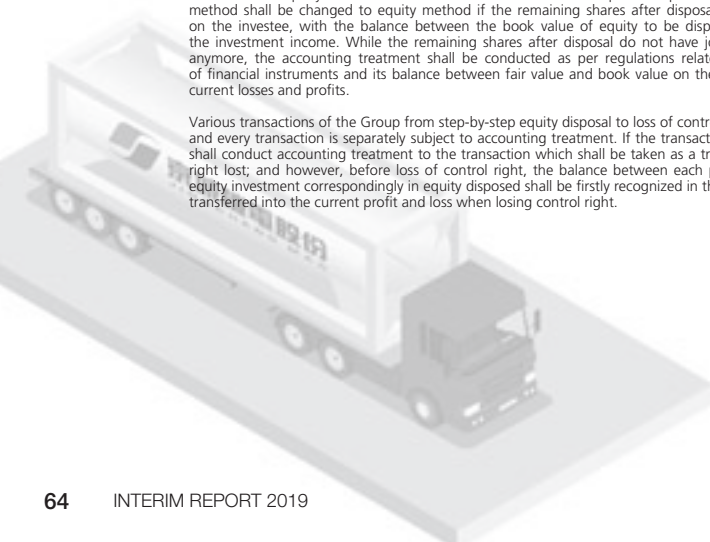
For long-term equity investment subsequently measured by equity method, the book value of long-term equity investment shall be accordingly increased or decreased as the owner's equity of the investee changes. Wherein, the Group shall, when recognizing the shares of the net losses of the investee that 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 in the current investment income. If the long-term equity investment calculated by equity method is included in the owner's equity due to other change of the owner's equity of the investee other than 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 investments, the accounting method shall be changed to equity method if the remaining shares after disposal still have joint control or significant influence on the investee, with the balance between the book value of equity to be disposed and consideration of disposal included in the investment income. While the remaining shares after disposal do not have joint control or significant influence 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 to the transaction which shall be taken as a transaction for disposing subsidiaries with control right lost; and 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.



## SECTION 10 FINANCIAL REPORT

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

#### 18. Investment properties

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

#### 19. Fixed assets

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.

Except for the fully depreciated fixed assets that are still in use, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for calculating depreciation. The depreciation life by category, estimated residuals rate and depreciation rate of the fixed assets of the Group are as follows:

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

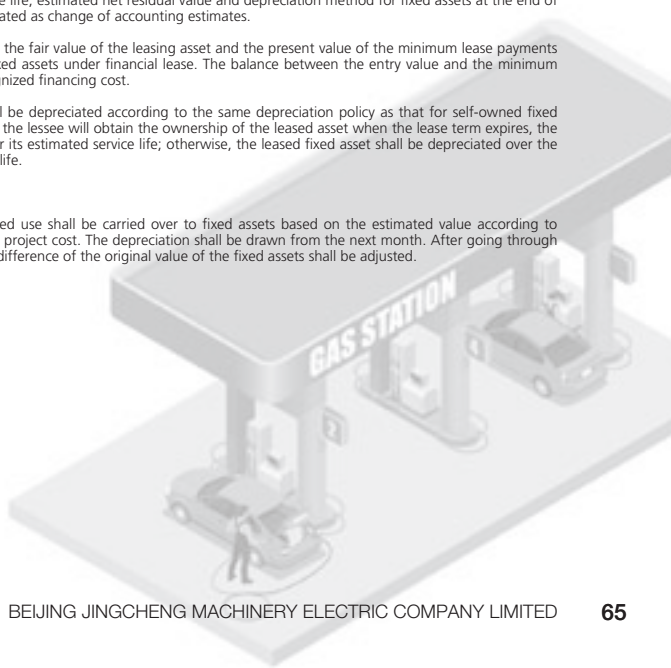
The Group will review the estimated service life, estimated net residual value and depreciation method for fixed assets at the end of each year. In case of change, it shall be treated as change of accounting estimates.

The Company will record the lower one of the fair value of the leasing asset and the present value of the minimum lease payments as the entering value in an account for fixed assets under financial lease. The balance between the 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 determine 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.

#### 20. Construction in progress

Construction in progress ready for intended use shall be carried over 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.



# SECTION 10 FINANCIAL REPORT

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

### 21. Right-of-use assets

The right-of-use assets shall be initially calculated as per the cost. The cost includes:

- (1) Initial measurement amount of lease liabilities;
- (2) Lease payments paid on or before the commencement of the lease term. The relevant amount of lease incentives enjoyed shall be deducted if such incentives exist;
- (3) Initial direct cost of the lessee;
- (4) Cost expected to be incurred by the lessee due to dismantling and removing the leasing asset, recovering its location or recovering it to the state agreed in the leasing terms.

After the commencement of the lease term, the lessee will adopt the cost model to perform the subsequent measurement to the right-of-use assets. If the lessee can reasonably determine that the ownership of leasing asset is obtained at the expiration of lease term, the depreciation shall be made within the remaining service life of leasing asset. Otherwise, the depreciation shall be made within the lease term or the remaining service life of leasing assets, whichever is shorter.

### 22. Borrowing costs

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 to be ready for intended 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.

### 23. Intangible assets

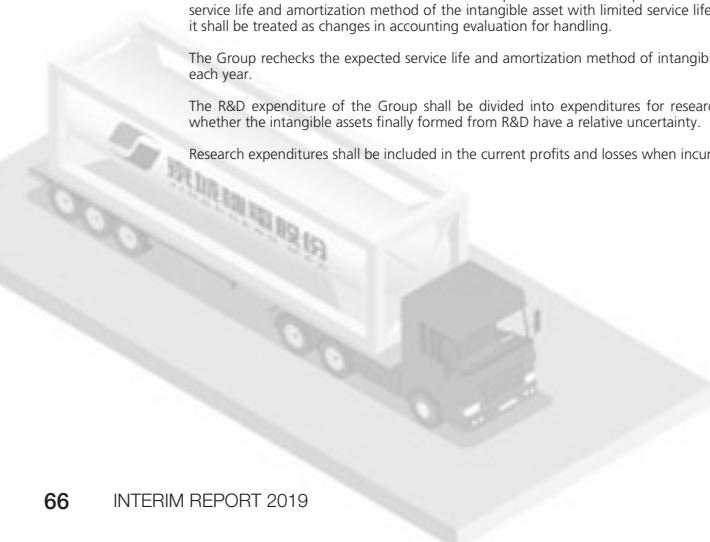
The intangible assets of the Group include land use right, patented technology, non-patented technology, etc., which shall be measured at actual cost when being obtained; for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; and for the 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; and intangible assets such as patented technology and non-patented technology shall be amortized at average as per the shortest one 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 R&D expenditure of the Group shall be divided into expenditures for research and development as per its nature and that whether the intangible assets finally formed from R&D have a relative uncertainty.

Research expenditures shall be included in the current profits and losses when incurring.



# SECTION 10 FINANCIAL REPORT

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

### 23. Intangible assets (Continued)

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.

### 24. Impairment of long-term assets

As for fixed asset, projects under construction, the intangible asset with limited service life, the investment properties measured at cost pattern, the long-term equity investment on subsidiaries, joint ventures and associated enterprises, the Group will make impairment test if there is an 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. Impairment provisions of assets shall be calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable value of the single assets, the recoverable value shall be recognized as per the asset portfolio to which the single asset belongs. The asset group refers to the minimum combination of assets that can independently generate cash inflow.

Goodwill separately presented 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 value of an asset portfolio or group of asset portfolios, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss shall be recognized. The impairment loss shall be first deducted from the book value of goodwill that is allocated to the asset portfolio or group of asset portfolios, and then deducted from the carrying amounts of other assets within the asset portfolios or groups of asset portfolios in proportion to the book values of assets other than goodwill.

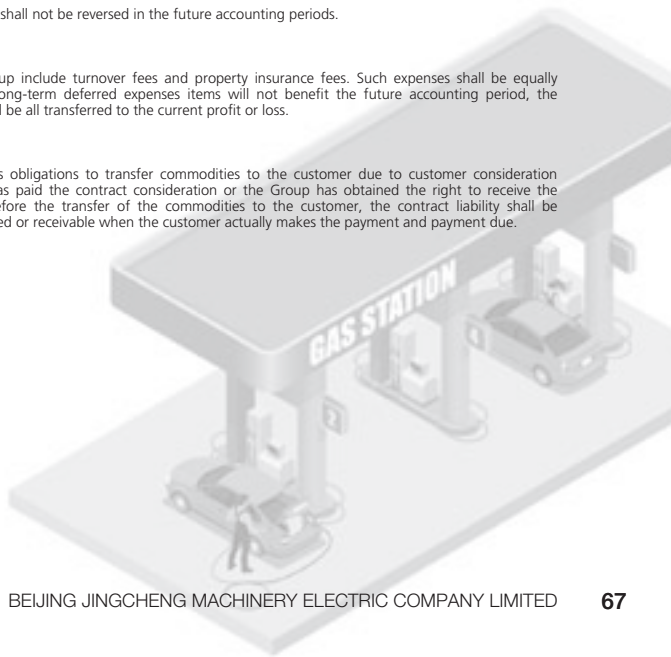
Once any impairment loss is recognized, it shall not be reversed in the future accounting periods.

### 25. Long-term deferred expenses

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.

### 26. Contractual liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liability shall be confirmed according to the amount received or receivable when the customer actually makes the payment and payment due.



# SECTION 10 FINANCIAL REPORT

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

### 27. Employee compensation

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

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

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.

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. For employees who have not terminated the labor contract with the Group but will no longer provide services for the Group in the future and cannot bring economic benefits to the Group, if the Group is committed to providing economic compensation with the nature of dismissal welfare, in case of "early retirement", economic compensation shall be treated as dismissal welfare before the official retirement date, and shall be treated as post-employment benefits after the official retirement date. In the event that the Group provides dismissal welfare, when the Group cannot unilaterally withdraw the dismissal welfare provided due to the labor relationship termination plan or the redundancy offer, or when the costs or expenses (whichever is earlier) related to reorganization concerning the dismissal welfare payment are recognized, the liabilities of the employee compensation arising from dismissal welfare shall be recognized and included in current profits and losses. If the dismissal welfare is not expected to be fully paid before 12 months after the end of the reporting period, the substantive dismissal work is completed within one year but the compensation payments exceed the dismissal plan of one-year payment, the Group will choose the appropriate discount rate, and the dismissal welfare of the current profits and losses will be measured according to the amount after discounting.

Other long-term employee welfare refers to the employee benefits except for short-term benefits, post-employment welfare and dismissal welfare, including long-term compensated absences, long-term disability welfare, long-term profit sharing plan, etc. Other long-term employee welfare provided by the Group to employees that meet the conditions of defined contribution plan, the accounting shall be treated as per the provisions in above defined contribution plan. Net liabilities or assets of other long-term employee welfares provided by the Group to employees and satisfying conditions of the defined benefit plan shall be recognized and measured as per provisions of the defined benefit plan. At the end of the reporting period, the Group recognizes employee payroll cost generated from other long-term employee welfares as the following components: service cost; net interest amount of net liabilities or assets of other long-term employee welfares; changes generated from re-measurement of net liabilities or assets of other long-term employee welfares. The total net amount of the above item shall be included in current profits and losses or relevant asset cost.

### 28. Lease liabilities

Lease liabilities shall be initially measured according to the present value of lease payments that has not yet been made on the commencement of lease term. The interest expenses of the lease liabilities within each lease term shall be calculated subsequently according to the fixed periodic rate, and included in the current profits and losses.

### 29. Estimated liabilities

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

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

### 30. Share-based payment

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

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

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

If the Group cancels the equity instruments granted in the waiting period (except for those canceled due to failing to meet 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.

### 31. Recognition principles and measuring methods of revenue

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.

The Group has fulfilled its performance obligations of the contract, means it confirms the revenue when the customer has obtained the control rights of the relevant commodities or services.

If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance obligation, and measure the revenue according to the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive for the transfer of commodities or services to the customer, excluding payments received on behalf of third parties. The transaction price confirmed by the Group shall not exceed the amount of accumulative confirmed revenue that will most likely not be great reverse when the relevant uncertainty is removed. The amount expected to be refunded to the consumer shall not be included in the transaction price as the liabilities. Where there is a material financing element in the contract, the Group determines the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods or services at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest rate method. By the commence date of the contract, if the Group estimates that the interval between customer's control rights of goods or services and the payments of the customer is not more than one year, the significant financing components existing in the contract shall not be considered.

In case one of the following conditions is met, the Group will perform the performance obligations within a period of time. Otherwise, it will perform the performance obligations at a time point:

- (1) The customer obtains and consumes the economic benefits brought by the Group while performing the contract.
- (2) The customer can control the goods under construction during the Group's performance.
- (3) The goods generated during the performance of the Group are irreplaceable, and the Group is entitled to collect the amount for the performance accumulatively completed so far throughout the term of the Contract.

For the performance obligations performed within a certain period of time, the Group shall confirm the revenue according to the performance progress during that period and determine the performance progress according to the percentage of completion method. If the performance progress cannot be reasonably confirmed, and the costs incurred by the Group can be expected to be compensated, the revenue shall be confirmed according to the amount of costs incurred until the performance progress can be reasonably confirmed.

# SECTION 10 FINANCIAL REPORT

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

### 31. Recognition principles and measuring methods of revenue (Continued)

For performance obligations performed at a certain time point, the Group shall confirm the revenue at the time point when the customer gains control rights of the relevant commodities or services. In determining whether a customer has obtained the control rights of the goods or services, the Group shall take the following indications into consideration:

- (1) The Group enjoys the current collection right in regard to such goods or services.
- (2) The Group has transferred the legal ownership of such goods to the customer.
- (3) The Group has transferred to the physical goods to the customer.
- (4) The Group has transferred the main risk and rewards of such goods in terms of ownership to the customer.
- (5) The customer has accepted such goods or services, etc.

The right that the Group has the right to collect the consideration because it has transferred such goods or services to the customer shall be presented as the contractual asset, and the contractual assets take the expected credit loss as the base to make the impairment. The Group's unconditional right to collect consideration from customers shall be presented as receivables. The Group's obligations to transfer goods or services to the customer due to customer consideration received or receivable shall be presented as the contractual liabilities.

### 32. Government grants

Government grants include asset-related government grants and revenue-related government grants. The asset-related government grants 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 grants refer to those other than the asset-related government grants. 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 grants.

Where the government grants belong to 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 grants do not belong to 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).

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.

The revenue-related government grants 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 grants related to daily activities shall be included in other incomes based on the substance of business transactions. The government grants not related to daily activities shall be included in the non-operating revenue and expenses.

For repayment of government grants already recognized, if there is related deferred income balance, balance is included in current profits and losses after the offset of the carrying amount of the deferred income. In other cases, the government grants are directly included in current profits and losses.

### 33. Deferred income tax assets and deferred income tax liabilities

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 to taxable income with deductible loss and tax deduction that can be deducted in the future as specified by tax laws, corresponding deferred tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred tax liabilities will not be recognized. For the temporary difference from initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred tax assets and deferred tax liabilities will not be recognized. Deferred tax assets and deferred tax liabilities at the balance sheet date shall be valued according to applicable tax rate during anticipated period for withdrawing such assets or during period for paying off such liabilities.

The Group recognizes the deferred tax assets to the extent of any future taxable incomes that are likely to be obtained to deduct temporary differences, deductible losses and tax deduction.

# SECTION 10 FINANCIAL REPORT

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

### 34. Lease

As the lessee, the Group will recognize all other leases other than the short-term lease and low-value asset lease as the right-of-use asset and lease liabilities on the commencement of lease term, and respectively make the depreciation and accrue the interest expense. If the lessee has the renewal option, namely, having the right to select to renew this asset, and reasonably determines to exercise this option, the lease term should also include the period covered by the renewal option.

As the lessor, the Group will divide the lease into the finance leases and operating lease on the commencement of lease term. Currently, the Group performs the operating lease completely as the lessor. In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method. The occurred initial direct cost related to the operating lease shall be capitalized, amortized within the lease term according to the same base with the recognition of rental income, and included in the current profits and losses by stages. The Group will make the depreciation for the fixed assets in the assets under operating lease by the depreciation policies of the asset.

### 35. 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.



# SECTION 10 FINANCIAL REPORT

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

### 35. Held-for-sale (Continued)

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.

### 36. 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 non-current 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.

### 37. Other significant accounting policies and accounting estimates

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

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

#### (1) Impairment for receivables

In accordance with the *Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments*, the Group applies a simplified approach to make the loss provision for the receivables (including bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables) which are specified in the *Accounting Standards for Business Enterprises No.14 – Revenue* and do not contain significant financing components (including the financing components in contracts not exceeding one year according to the Standards) according to the amount of expected credit losses throughout the duration based on the expected credit loss.

The Group will consider the possibility of bad debt when the receivables are initially recognized, and judge whether the credit risk of the financial instrument significantly increases by comparing the default probability determined during the initial recognition in the expected duration with the default probability of this instrument determined on the balance sheet date in the expected duration. When determining whether the credit risk has significantly increased since the initial recognition, the Group considers the reasonable and well-founded information obtained by it without unnecessary additional cost or effort, including the forward-looking information. The information considered by the Group includes macroeconomic information, credit policies, etc. If all assumptions and estimation in the process of comparison have changed, the change will affect loss provision of receivables in the changing process of assumptions.

#### (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.

# SECTION 10 FINANCIAL REPORT

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

### 37. Other significant accounting policies and accounting estimates (Continued)

#### (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.

#### (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

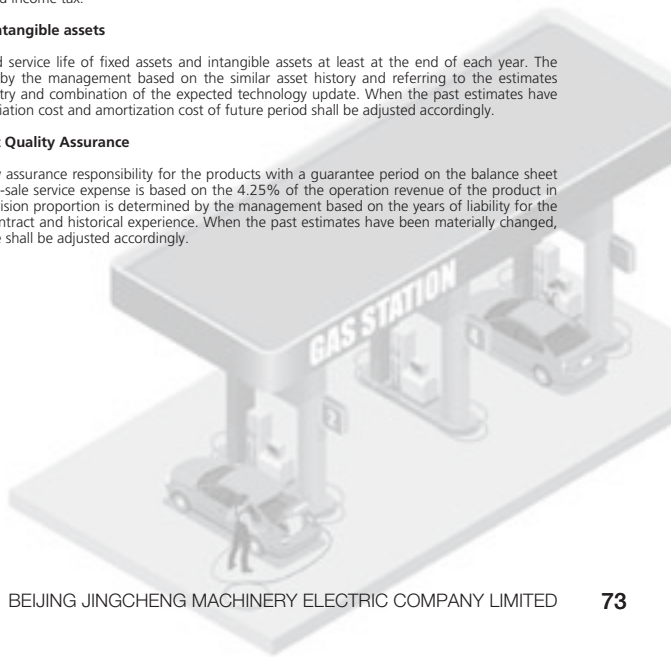
For the estimate of the deferred income tax assets, it is required to estimate the taxable income and applicable tax rate of each year. The realization of the deferred income tax assets depends on the possibility of the company's obtaining adequate taxable income in the future. The change of the future 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

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

### 38. Changes in significant accounting policies and accounting estimates

#### (1) Changes in significant accounting policies

- 1) The Group would prepare the 2019 interim financial statements, annual financial statement and the financial statements of subsequent periods in accordance with the *Notice on Revising and Issuing the Format of 2019 General Enterprise Financial Statements* by the Ministry of Finance (CK [2019] No.6), its interpretation and the requirements of the Accounting Standards for Business Enterprises, and accordingly performs the retroactive adjustment to the comparative data of financial statements as stipulated. The specific adjustment is as follows:

Consolidated Balance Sheet Affected as at December 31, 2018

Item	Consolidated Balance Sheet	
	Before adjustment	After adjustment
Notes receivable and accounts receivable	246,254,665.67	N/A
Notes receivable	N/A	23,161,071.50
Accounts receivable	N/A	223,093,594.17
Notes payable and accounts payable	264,374,639.10	N/A
Notes payable	N/A	30,000,000.00
Accounts payable	N/A	234,374,639.10

- 2) On December 07, 2018, the Ministry of Finance revised and issued the *Accounting Standards for Business Enterprises No. 21 – Leases* (CK [2018] No. 35, hereinafter referred to as the new leasing standards). The Group performed the relevant accounting standards when preparing the financial statements of January – June 2019, and handled it according to the relevant linkage provisions.

#### (2) Situation of first performance of the new leasing standards to relevant items that the financial statements at the beginning of that year are first performed

The first performance of the new leasing standards has no impact on the relevant items that the financial statements at the beginning of that year are first performed.

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

None.

## V. TAXES

### 1. Main taxes and tax rates

Tax category	Taxation basis	Tax rate
Value-added tax	Taxable added value	16%, 13%, 6%, 5% and 0%
City maintenance and construction tax	VAT payable	5% and 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 tax rate

Taxpayer's description for the tax rates of different corporate income taxes:

Names of the taxpayer	Income tax rate
The Company	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Cylinders Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	25%
Kuancheng Tianhai Pressure Container Co., Ltd.	25%
BTIC America Corporation	Progressive tax rate
Jingcheng Holding (Hong Kong) Co., Ltd.	16.50%

BTIC America Corporation is a company registered in America, whose corporate income tax is based on the extra progressive tax rate, and the tax rates of different taxable incomes range from 15% to 39%.

## SECTION 10 FINANCIAL REPORT

### V. TAXES (CONTINUED)

#### 2. Tax preference

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 2019.

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 2019.

### VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless specially noted, among the following disclosed data in the financial statements, “beginning of the period” refers to January 01, 2019; “end of the period” refers to June 30, 2019; “current period” runs from January 01, 2019 to June 30, 2018; “previous period” runs from January 01, 2018 to June 30, 2017; and the monetary unit is RMB.

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

Item	Ending balance	Beginning balance
Cash on hand	138,073.67	92,197.03
Deposit in bank	77,132,700.17	46,569,924.31
Other cashes at bank and on hand	2,553,000.00	14,500,000.00
<b>Total</b>	<b>79,823,773.84</b>	<b>61,162,121.34</b>
Including: total amount deposited abroad	31,571,618.67	5,862,523.66

Other cashes at bank and on hand are U/C guarantee deposits with limited use.

#### 2. Notes receivable

##### (1) Classified presentation of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bill	18,363,421.77	23,161,071.50

##### (2) Notes receivable which have not been pledged at the end of the period

##### (3) Notes receivable which have been endorsed or discounted but not yet expired on the balance sheet date at the end of the period

Item	Ending amount derecognized	Ending amount underecognized
Bank acceptance bill	172,256,583.37	0.00
Commercial acceptance bill	0.00	0.00
<b>Total</b>	<b>172,256,583.37</b>	<b>0.00</b>

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

# SECTION 10 FINANCIAL REPORT

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

### 2. Notes receivable (Continued)

#### (5) Presentation by bad debt accrual method

Category	Ending balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made individually	18,363,421.77	100.00	0.00	0.00	18,363,421.77
Bad debt provision made as per portfolio	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>18,363,421.77</b>	<b>100.00</b>	<b>0.00</b>	<b>-</b>	<b>18,363,421.77</b>

(Continued)

Category	Beginning balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made individually	23,161,071.50	100.00	0.00	0.00	23,161,071.50
Bad debt provision made as per portfolio	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>23,161,071.50</b>	<b>100.00</b>	<b>0.00</b>	<b>-</b>	<b>23,161,071.50</b>

#### 1) Bad debt provision for notes receivable made individually

Name	Ending balance			Reasons for provision
	Book balance	Bad debt provision	Provision proportion (%)	
Bank acceptance bill	18,363,421.77	0.00	0.00	No credit impairment occurs

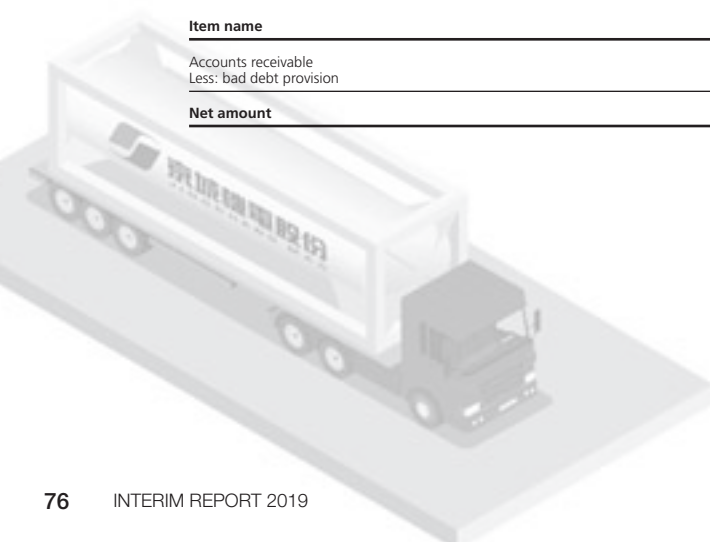
(6) There is bad debt provision for notes receivable withdrawn, recovered or reversed in the current period.

(7) There is no notes receivable actually written off in the current period.

(8) The ending receivable notes mentioned above are aged within 365 days.

### 3. Accounts receivable

Item name	Ending balance	Beginning balance
Accounts receivable	311,017,512.51	274,653,919.11
Less: bad debt provision	57,167,120.57	51,560,324.94
<b>Net amount</b>	<b>253,850,391.94</b>	<b>223,093,594.17</b>



# SECTION 10 FINANCIAL REPORT

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

### 3. Accounts receivable (Continued)

#### (1) Classified presentation of accounts receivable by bad debt accrual method

Category	Ending balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable with significant single amount and bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
Accounts receivable with bad debt provision made by portfolio of credit risk features	279,907,392.09	90.00	26,057,000.15	-	253,850,391.94
Including: portfolio by aging	279,907,392.09	90.00	26,057,000.15	9.31	253,850,391.94
Accounts receivable with insignificant single amount but bad debt provision made individually	31,110,120.42	10.00	31,110,120.42	100.00	0.00
<b>Total</b>	<b>311,017,512.51</b>	<b>100.00</b>	<b>57,167,120.57</b>	<b>-</b>	<b>253,850,391.94</b>

(Continued)

Category	Beginning balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable with significant single amount and bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
Accounts receivable with bad debt provision made by portfolio of credit risk features	243,363,798.69	88.61	20,270,204.52	-	223,093,594.17
Including: portfolio by aging	243,363,798.69	88.61	20,270,204.52	8.33	223,093,594.17
Accounts receivable with insignificant single amount but bad debt provision made individually	31,290,120.42	11.39	31,290,120.42	100.00	0.00
<b>Total</b>	<b>274,653,919.11</b>	<b>100.00</b>	<b>51,560,324.94</b>	<b>-</b>	<b>223,093,594.17</b>

#### (2) In portfolio, accounts receivable with bad debt provision made by aging analysis

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Within 1 year	219,657,695.98	2,042,816.62	0.93
1-2 years	23,058,610.11	1,784,736.42	7.74
2-3 years	5,973,370.84	943,792.59	15.80
3-4 years	14,188,875.21	5,448,528.08	38.40
4-5 years	3,681,536.98	2,489,823.46	67.63
Over 5 years	13,347,302.97	13,347,302.98	100.00
<b>Total</b>	<b>279,907,392.09</b>	<b>26,057,000.15</b>	<b>-</b>

# SECTION 10 FINANCIAL REPORT

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

### 3. Accounts receivable (Continued)

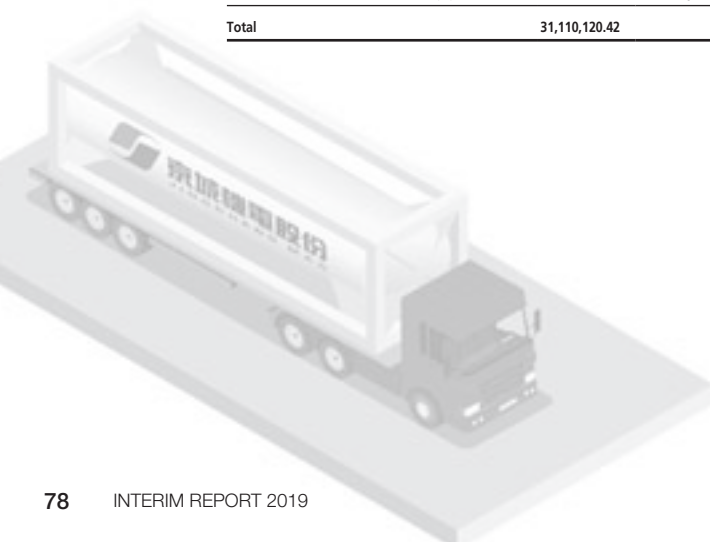
#### (2) In portfolio, accounts receivable with bad debt provision made by aging analysis (Continued)

(Continued)

Aging	Beginning balance		Provision proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year	190,894,343.48	1,775,317.41	0.93
1-2 years	14,881,804.84	1,151,851.69	7.74
2-3 years	17,382,716.67	2,746,469.23	15.80
3-4 years	3,986,371.85	1,530,766.79	38.40
4-5 years	9,739,766.62	6,587,004.17	67.63
Over 5 years	6,478,795.23	6,478,795.23	100.00
<b>Total</b>	<b>243,363,798.69</b>	<b>20,270,204.52</b>	<b>-</b>

#### (3) In portfolio, accounts receivable with insignificant single amount but bad debt provision made individually

Name	Ending balance				Reasons for provision
	Accounts receivable	Aging	Bad debt provision	Provision proportion (%)	
Baotou Huafeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	Over 5 years	1,929,000.00	100.00	Downgrade of credit rating of the counterparty, and significant increase in credit risk
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	Over 3 years	2,395,213.90	100.00	
Baotou Xinneng Technology Co., Ltd.	543,425.00	Over 5 years	543,425.00	100.00	
Beijing Shengbao Liyuan Technology Co., Ltd.	666,300.00	4-5 years	666,300.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	Over 4 years	613,598.66	100.00	
Jilin Jingwei New Energy Technology Co., Ltd.	610,000.00	3-4 years	610,000.00	100.00	
Linfen Jinbaifeng New Energy Technology Co. Ltd.	2,771,125.00	2-3 years	2,771,125.00	100.00	
Lvliang Dongsen Gas Energy Co., Ltd.	2,720,000.00	3-4 years	2,720,000.00	100.00	
Shaanxi Yulin Orient New Energy Special Purpose Vehicle Co., Ltd.	1,824,775.00	Over 5 years	1,824,775.00	100.00	
Shijiazhuang Northern Hardware & Electrical Co., Ltd.	685,864.81	2-5 years	685,864.81	100.00	
Sichuan Hengruifeng International Trade Co., Ltd.	4,238,181.00	1-2 years	4,238,181.00	100.00	
		Over 5 years			
Tianjin Xihuan Chengguan Trading Co., Ltd.	5,075,527.29	Over 4 years	5,075,527.29	100.00	
Xinjiang Jinguan Automotive Supplies Co., Ltd.	1,202,850.00	Over 5 years	1,202,850.00	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	Over 3 years	961,666.50	100.00	
Xinxing Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	3-4 years	1,770,000.00	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,658,177.77	Over 4 years	1,658,177.77	100.00	
Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	Over 4 years	1,444,415.49	100.00	
<b>Total</b>	<b>31,110,120.42</b>	<b>-</b>	<b>31,110,120.42</b>	<b>-</b>	



# SECTION 10 FINANCIAL REPORT

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

### 3. Accounts receivable (Continued)

#### (3) In portfolio, accounts receivable with insignificant single amount but bad debt provision made individually (Continued)

(Continued)

Name	Beginning balance				Reasons for provision
	Accounts receivable	Aging	Bad debt provision	Provision proportion (%)	
Baotou Huaifeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	Over 5 years	1,929,000.00	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2-3 years 4-5 years	2,395,213.90	100.00	
Baotou Xinneng Technology Co., Ltd.	643,425.00	Over 5 years	643,425.00	100.00	
Beijing Shengbao Liyuan Technology Co., Ltd.	666,300.00	3-4 years	666,300.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	3-5 years	613,598.66	100.00	
Jilin Jingwei New Energy Technology Co., Ltd.	610,000.00	2-3 years	610,000.00	100.00	Downgrade
Linfen Jinbaifeng New Energy Technology Co. Ltd.	2,771,125.00	1-2 years	2,771,125.00	100.00	of credit
Lvliang Dongsen Gas Energy Co., Ltd.	2,800,000.00	2-3 years	2,800,000.00	100.00	rating of the
Shaanxi Yulin Orient New Energy Special Purpose Vehicle Co., Ltd.	1,824,775.00	4-5 years	1,824,775.00	100.00	counterparty,
Shijiazhuang Northern Hardware & Electrical Co., Ltd.	685,864.81	1-5 years	685,864.81	100.00	and significant
Sichuan Hengrui Feng International Trade Co., Ltd.	4,238,181.00	Within 1 year, 4-5 years	4,238,181.00	100.00	increase in credit risk
Tianjin Xihuan Chengguan Trading Co., Ltd.	5,075,527.29	Over 3 years	5,075,527.29	100.00	
Xinjiang Jinguang Automotive Supplies Co., Ltd.	1,202,850.00	Over 5 years	1,202,850.00	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	2-5 years	961,666.50	100.00	
Xinxian Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	2-3 years	1,770,000.00	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,658,177.77	3-5 years	1,658,177.77	100.00	
Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	Over 3 years	1,444,415.49	100.00	
<b>Total</b>	<b>31,290,120.42</b>	<b>-</b>	<b>31,290,120.42</b>	<b>-</b>	

#### (4) Bad debt provision of accounts receivable

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as at January 01, 2019			51,560,324.94	51,560,324.94
In the current year, as at January 01, 2019, the book balance of accounts receivable	-	-	-	-
- Be transferred to Stage 2				
- Be transferred to Stage 3				
- Be transferred back to Stage 2				
- Be transferred back to Stage 1				
Provision made in the current year			6,021,592.94	6,021,592.94
Amount transferred back in the current year			180,000.00	180,000.00
Amount charged off in the current year				
Amount written off in the current year			235,000.00	235,000.00
Other changes			202.69	202.69
Balance as at June 30, 2019			57,167,120.57	57,167,120.57

Other changes are the impact of change in exchange rate.



## SECTION 10 FINANCIAL REPORT

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

#### 3. Accounts receivable (Continued)

##### (5) Accounts receivable presented by aging

Aging	Closing balance	Opening balance
Within 1 year	191,548,430.38	189,119,026.07
1-2 years	43,937,602.75	13,729,953.15
2-3 years	8,432,298.17	14,636,247.44
Over 3 years	9,932,060.64	5,608,367.51
Including: 3-4 years	8,740,347.13	2,455,605.06
4-5 years	1,191,713.51	3,152,762.45
Over 5 years	0.00	0.00
<b>Total</b>	<b>253,850,391.94</b>	<b>223,093,594.17</b>

The basis of aging analysis of the Group is presented based on the relevant transaction dates.

##### (6) Bad debt provision for account receivable in the current year

Category	Beginning balance	Change of current period			Ending balance
		Provision	Accounts recovered or transferred back	Amounts charged or written off	
Bad debt provision of accounts receivable	51,560,324.94	6,021,795.63	180,000.00	235,000.00	57,167,120.57

In the provision made in the current period, RMB202.69 is caused by the impact of change in exchange rate, and RMB6,021,592.94 is included in the credit impairment loss.

##### (7) Accounts receivable actually written off in the current period

Item	Amount written off
Accounts receivable actually written off	235,000.00

Important accounts receivable written off among above accounts receivable:

Company name	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Is the payment caused by related party transaction
Qiqihar Longwang Ruixing Trading Co., Ltd.	Sale of goods	80,000.00	Irrecoverable	Consideration of the Board of Directors of the Subsidiary	No
Zhengzhou Lianzhong Electromechanical Equipment Co., Ltd.	Sale of goods	155,000.00	Irrecoverable	Consideration of the Board of Directors of the Subsidiary	No

##### (8) Accounts receivable actually transferred back (or recovered) in the current period

Item	Amount transferred back
Accounts receivable actually transferred back	180,000.00

Important accounts receivable transferred back among above accounts receivable:

Company name	Amount transferred back (or recovered) in the current year	Mode of recovery	Reason for transfer-back (or recovery) in the current year
Baotou Xinneng Technology Co., Ltd.	100,000.00	Telegraphic transfer	Repayment by the customer
Lvliang Dongsen Gas Energy Co., Ltd.	80,000.00	Telegraphic transfer	Repayment by the customer

## SECTION 10 FINANCIAL REPORT

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

#### 3. Accounts receivable (Continued)

##### (9) Accounts receivable with top five ending balances collected as per the borrowers

Company name	Closing balance	Aging	Proportion in total closing balance of accounts receivable (%)	Ending balance of bad debt provision
Shaanxi Datong Special Purpose Automobile Co., Ltd.	23,052,160.18	Within 1 year	7.41	214,385.09
Zhunshida Energy Technology (Shanghai) Co., Ltd.	21,391,952.07	Within 1 year	6.88	198,945.15
Top Speed Energy Oversea Corp	19,337,097.35	Within 1 year	6.22	179,835.01
Chengdu Dayun Automobile Co., Ltd., Yuncheng Branch	16,181,133.65	Within 1 year	5.20	150,484.54
Shaanxi Wuhai Special Purpose Vehicle Co., Ltd.	16,000,346.73	Within 1 year	5.14	148,803.22
<b>Total</b>	<b>95,962,689.98</b>	-	<b>30.85</b>	<b>892,453.01</b>

#### 4. Advances to suppliers

##### (1) Age of advances to suppliers

Item	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	50,485,358.27	97.32	56,855,460.90	97.36
1-2 years	748,676.21	1.44	1,020,813.13	1.75
2-3 years	184,562.22	0.36	287,749.64	0.49
Over 3 years	457,463.10	0.88	231,198.01	0.40
<b>Total</b>	<b>51,876,059.80</b>	<b>100.00</b>	58,395,221.68	100.00

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.

##### (2) Advances to suppliers with top five ending balances collected as per the suppliers

Company name	Ending balance	Aging	Proportion in total ending balance of advances to suppliers (%)
Tianjin Runde Zhongtian Steel Pipe Co., Ltd.	6,972,348.54	Within 1 year	13.44
TORAY INTERNATIONAL INC	3,733,318.21	Within 1 year	7.20
Beijing Baosteel Northern Trading Co., Ltd.	3,498,480.00	Within 1 year	6.74
Huai'an Zhenda Steel Tube Manufacturing Co., Ltd.	2,871,112.80	Within 1 year	5.53
Shanxi Taiyuan Iron & Steel Group Co., Ltd.	2,745,432.90	Within 1 year	5.29
<b>Total</b>	<b>19,820,692.45</b>	-	<b>38.20</b>

#### 5. Other receivables

Item	Ending balance	Beginning balance
Dividends receivable	6,075,169.12	6,075,169.12
Other receivables	19,893,240.52	14,395,606.63
<b>Total</b>	<b>25,968,409.64</b>	20,470,775.75

## SECTION 10 FINANCIAL REPORT

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

#### 5. Other receivables (Continued)

##### 5.1 Dividends receivable

###### (1) Classification of dividends receivable

Investees	Ending balance	Beginning balance
Shandong Tianhai High Pressure Container Co., Ltd.	6,075,169.12	6,075,169.12

###### (2) Significant dividends receivable with aging over 1 year

Item (or the investee)	Ending balance	Aging	Reasons for failure to recovery	Depreciation and judgment basis
Shandong Tianhai High Pressure Container Co., Ltd.	6,075,169.12	2-3 years	Fund shortage	The operation is normal and no impairment has occurred.

##### 5.2 Other receivables

Item name	Ending balance	Beginning balance
Other receivables	21,480,826.05	16,009,399.17
Less: bad debt provision	1,587,585.53	1,613,792.54
<b>Net amount</b>	<b>19,893,240.52</b>	<b>14,395,606.63</b>

###### (1) Classified presentation of accounts receivable by bad debt accrual method

Category	Ending balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables with significant single amount and bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
Other receivables with bad debt provision made by portfolio of credit risk features	21,480,826.05	100.00	1,587,585.53	-	19,893,240.52
Aging portfolio	21,480,826.05	100.00	1,587,585.53	7.39	19,893,240.52
Other receivables with insignificant single amount but bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>21,480,826.05</b>	<b>100.00</b>	<b>1,587,585.53</b>	<b>-</b>	<b>19,893,240.52</b>

(Continued)

Category	Beginning balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables with significant single amount and bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
Other receivables with bad debt provision made by portfolio of credit risk features	16,009,399.17	100.00	1,613,792.54	-	14,395,606.63
Aging portfolio	16,009,399.17	100.00	1,613,792.54	10.08	14,395,606.63
Other receivables with insignificant single amount but bad debt provision made individually	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>16,009,399.17</b>	<b>100.00</b>	<b>1,613,792.54</b>	<b>-</b>	<b>14,395,606.63</b>

## SECTION 10 FINANCIAL REPORT

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

#### 5. Other receivables (Continued)

##### 5.2 Other receivables (Continued)

###### (1) *Classified presentation of accounts receivable by bad debt accrual method (Continued)*

In portfolio, other receivables with bad debt provision made by aging analysis

Aging	Ending balance		
	Other receivables	Bad debt provision	Provision proportion
Within 1 year	16,334,658.47	13,067.72	0.08
1-2 years	3,502,235.10	24,515.65	0.70
2-3 years	83,900.00	2,357.59	2.81
3-4 years	10,723.46	1,268.59	11.83
4-5 years	8,800.00	5,866.96	66.67
Over 5 years	1,540,509.02	1,540,509.02	100.00
<b>Total</b>	<b>21,480,826.05</b>	<b>1,587,585.53</b>	<b>-</b>

(Continued)

Aging	Beginning balance		
	Other receivables	Bad debt provision	Provision proportion
Within 1 year	11,807,854.36	9,446.29	0.08
1-2 years	2,184,039.15	15,288.27	0.70
2-3 years	380,847.72	10,701.82	2.81
3-4 years	62,948.92	7,446.86	11.83
4-5 years	8,400.00	5,600.28	66.67
Over 5 years	1,565,309.02	1,565,309.02	100.00
<b>Total</b>	<b>16,009,399.17</b>	<b>1,613,792.54</b>	<b>-</b>

###### (2) *Classification of other payables by nature*

Nature of amount	Ending book balance	Beginning book balance
Pretty cash	3,648,938.85	1,570,148.48
Deposit, security, etc.	3,506,434.82	1,431,480.12
Advances to suppliers more than five years	1,470,689.02	1,502,689.02
Export rebates	0.00	3,052,752.08
Intercourse funds	12,854,763.36	8,452,329.47
<b>Total</b>	<b>21,480,826.05</b>	<b>16,009,399.17</b>

# SECTION 10 FINANCIAL REPORT

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

### 5. Other receivables (Continued)

#### 5.2 Other receivables (Continued)

##### (3) *Withdrawal of bad debt provision of other accounts receivable*

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as at January 01, 2019			1,613,792.54	1,613,792.54
In the current year, the book balance of other receivables on January 01, 2019	-	-	-	-
- Be transferred to Stage 2				
- Be transferred to Stage 3				
- Be transferred back to Stage 2				
- Be transferred back to Stage 1				
Provision made in the current year			-26,207.01	-26,207.01
Amount transferred back in the current year				
Amount charged off in the current year				
Amount written off in the current year				
Other changes				
Balance as at June 30, 2019			1,587,585.53	1,587,585.53

##### (4) *Other receivables listed as per aging*

Aging	Ending balance	Beginning balance
Within 1 year	16,321,590.75	11,798,408.07
1-2 years	3,477,719.45	2,168,750.88
2-3 years	81,542.41	370,145.90
Over 3 years	12,387.91	58,301.78
Including: 3-4 years	9,454.87	55,502.06
4-5 years	2,933.04	2,799.72
Over 5 years	0.00	0.00
<b>Total</b>	<b>19,893,240.52</b>	<b>14,395,606.63</b>

##### (5) *Bad debt provision of other accounts receivable*

Category	Beginning balance	Change of current period		Ending balance
		Provision	Accounts recovered or transferred back	
Bad debt provision of other receivables	1,613,792.54	-26,207.01		1,587,585.53

##### (6) No other receivables are actually written off in the current period.

##### (7) *Other receivables with top five ending balance collected as per the borrowers*

Company name	Nature of amount	Ending balance	Aging	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Intercourse funds	9,320,608.21	Within 2 year	43.39	22,134.24
Tianjin TEDA Binhai Clean Energy Group Co., Ltd.	Gas fee	1,749,482.09	Within 2 year	8.14	4,760.21
Huaxia Bank Co., Ltd., Beijing Guanghua Sub-branch	Intercourse funds	917,775.06	Within 1 year	4.27	734.22
Shandong Tianhai High Pressure Container Co., Ltd.	Intercourse funds	211,953.48	Within 1 year	0.99	169.56
Jiangsu Tianhai Special Equipment Co., Ltd.	Intercourse funds	168,283.81	Within 1 year	0.78	134.63
<b>Total</b>	-	12,368,102.65	-	57.57	27,932.86

# SECTION 10 FINANCIAL REPORT

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

### 6. Inventories

#### (1) Classification of inventories

Item	Ending amount		
	Book balance	Inventory falling price reserves	Book value
Raw materials	136,868,159.06	21,264,024.80	115,604,134.26
Products in process	112,525,056.88	20,189,940.37	92,335,116.51
Finished goods	98,242,272.67	6,334,917.77	91,907,354.90
Goods shipped	2,159,024.97		2,159,024.97
<b>Total</b>	<b>349,794,513.58</b>	<b>47,788,882.94</b>	<b>302,005,630.64</b>

(Continued)

Item	Beginning amount		
	Book balance	Inventory falling price reserves	Book value
Raw materials	127,242,404.35	14,463,717.85	112,778,686.50
Products in process	113,976,015.97	22,890,265.23	91,085,750.74
Finished goods	122,478,090.02	10,947,457.01	111,530,633.01
Goods shipped	10,776,371.78	470,576.02	10,305,795.76
<b>Total</b>	<b>374,472,882.12</b>	<b>48,772,016.11</b>	<b>325,700,866.01</b>

#### (2) Inventory falling price reserves

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Write-off	Reversal	
Raw materials	14,463,717.85	8,929,130.74		2,128,823.79		21,264,024.80
Products in process	22,890,265.23	1,480,815.32		4,181,140.18		20,189,940.37
Finished goods	10,947,457.01	-226,425.61		4,386,113.63		6,334,917.77
Goods shipped	470,576.02	0.00		470,576.02		0.00
<b>Total</b>	<b>48,772,016.11</b>	<b>10,183,520.45</b>		<b>11,166,653.62</b>		<b>47,788,882.94</b>

(3) Refer to Note "IV.14 Inventories" for drawing method of inventory falling price reserves.

### 7. Other current assets

Item	Ending balance	Beginning balance
Added-value tax retained	45,681,814.07	45,739,052.87
Input tax to be verified	3,921,736.29	4,922,987.62
Enterprise income tax prepaid	142,706.17	979,179.20
<b>Total</b>	<b>49,746,256.53</b>	<b>51,641,219.69</b>

# SECTION 10 FINANCIAL REPORT

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

### 8. Long-term equity investments

#### (1) Classification

Investees	Beginning balance	Added investment	Decreased investment	Increase or decrease in the current period					Ending balance	Ending balance of impairment provision
				Investment profits and losses recognized under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision of impairment reserves		
I. Joint ventures										
Shandong Tankhai High Pressure Container Co., Ltd.	52,570,075.75			1,411,405.01					53,981,480.76	
II. Associated enterprises										
Jiangsu Tankhai Special Equipment Co., Ltd.	25,579,811.64			1,163,119.98					26,742,931.62	
Beijing Solken Energy Technology Inc.	18,163,548.23			299,300.20					18,422,854.43	
Beijing Jingcheng Hailong Technology and Culture Development Co., Ltd.	28,585,513.77			-2,672,030.01					25,913,483.76	
<b>Total</b>	<b>124,898,949.39</b>			<b>161,801.18</b>					<b>125,060,750.57</b>	

#### (2) Analysis of long-term equity investments

Item	Ending amount	Beginning amount
<b>Listed</b>	—	—
China (excluding Hong Kong)	<b>18,422,854.43</b>	18,163,548.23
Hong Kong		
Other regions		
Subtotal	<b>18,422,854.43</b>	18,163,548.23
<b>Unlisted</b>	<b>106,637,896.14</b>	106,735,401.16
<b>Total</b>	<b>125,060,750.57</b>	124,898,949.39

### 9. Investment properties

#### (1) Investment properties in the mode of cost measurement

Item	Plant & buildings	Land use right	Total
I. Original book value			
1. Beginning balance	65,425,484.59	9,008,627.00	74,434,111.59
2. Increase in current period			
3. Decrease in current period			
4. Ending balance	65,425,484.59	9,008,627.00	74,434,111.59
II. Accumulated depreciation and accumulated amortization			
1. Beginning balance	43,893,471.11	1,816,737.90	45,710,209.01
2. Increase in current period	251,069.76	90,086.12	341,155.88
(1) Provision or amortization	251,069.76	90,086.12	341,155.88
3. Decrease in current period			
4. Ending balance	44,144,540.87	1,906,824.02	46,051,364.89
III. Impairment provision			
1. Beginning balance			
2. Increase in current period			
3. Decrease in current period			
4. Ending balance			
IV. Book value			
1. Ending book value	21,280,943.72	7,101,802.98	28,382,746.70
2. Beginning book value	21,532,013.48	7,191,889.10	28,723,902.58

(2) There is no investment property in the process of title certificate handling at the end of the period.

(3) The amount of depreciation and amortization for investment properties recognized as profits or losses is RMB341,155.88 (amount of previous period: RMB201,512.01) in the current period.

# SECTION 10 FINANCIAL REPORT

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

### 10. Fixed assets

Item	Ending book value	Beginning book value
Fixed assets	685,149,234.52	707,396,045.56
Disposal of fixed assets	0.00	0.00
<b>Total</b>	<b>685,149,234.52</b>	<b>707,396,045.56</b>

### 10.1 Fixed assets

#### (1) Details

Item	Plant & buildings	Machinery equipment	Transportation equipment	Office equipment	Electrical equipment	Total
I. Original book value						
1. Beginning balance	469,426,839.22	635,232,862.38	20,781,542.05	7,986,874.28	4,516,784.64	1,137,944,902.57
2. Increase in current period		4,945,223.00	383,105.17	286,322.69		5,614,650.86
(1) Purchase		920,242.61	383,105.17	284,993.91		1,588,341.69
(2) Transferred from construction in progress		4,024,980.39				4,024,980.39
(3) Exchange rate changes				1,328.78		1,328.78
3. Decrease in current period		396,144.46	758,801.96	354,042.72		1,508,989.14
(1) Disposal or scrapping		396,144.46	758,801.96	354,042.72		1,508,989.14
(2) Other decreases						
4. Ending balance	469,426,839.22	639,781,940.92	20,405,845.26	7,919,154.25	4,516,784.64	1,142,050,564.29
II. Accumulated depreciation						
1. Beginning balance	77,794,994.80	315,543,208.40	15,949,971.91	5,905,519.13	2,840,153.70	418,033,847.94
2. Increase in current period		5,445,858.03	21,321,755.89	430,083.00	340,794.17	70,328.04
(1) Provision		5,445,858.03	21,321,755.89	430,083.00	339,711.02	70,328.04
(2) Exchange rate changes				1,083.15		1,083.15
3. Decrease in current period			682,921.76	573,424.61		1,256,346.37
(1) Disposal or scrapping			682,921.76	573,424.61		1,256,346.37
4. Ending balance	83,240,852.83	336,864,964.29	15,697,133.15	5,672,888.69	2,910,481.74	444,386,320.70
III. Impairment provision						
1. Beginning balance		12,394,226.37			120,782.70	12,515,009.07
2. Increase in current period						
3. Decrease in current period						
4. Ending balance		12,394,226.37			120,782.70	12,515,009.07
IV. Book value						
1. Ending book value	386,185,986.39	290,522,750.26	4,708,712.11	2,246,265.56	1,485,520.20	685,149,234.52
2. Beginning book value	391,631,844.42	307,295,427.61	4,831,570.14	2,081,355.15	1,555,848.24	707,396,045.56

Note 1: The Property Ownership Certificate (JZ No. 115031501859) and Certificate of Land Use Right (DHB-32-2) for the plant & buildings 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 Huaxia Bank Co., Ltd., Tianjin Branch, involving RMB115,587,900 of the assessed value. The land is located on No. 268, Jinbin Avenue, Free Trade Zone, with the area of 50,378.4 m<sup>2</sup>. The mortgage contract No. is TJ06 (GD 2 No. 20180216), with the maximum debt limit of RMB40,000,000. The loan period is from November 22, 2018 to November 22, 2019. The Property Ownership Certificate (JZ No. 115021201217) and Certificate of Land Use Right (DHB-31-6) for the plant & buildings are used as mortgage on notes to Huaxia Bank Co., Ltd., Tianjin Branch, involving RMB87,329,500 of the assessed value. The land is located on No. 306, Xingang Avenue, Free Trade Zone, with the area of 45,489.2 m<sup>2</sup>. The maximum amount of debt is RMB40,000,000 in the contract No. TJ06 (GD1) 20180216. The loan period is from November 22, 2018 to November 22, 2019.

Note 2: The Property Ownership Certificate 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 Bank of China Limited Chengde Branch, involving RMB39,556,300 of the assessed value, the maximum debt limit of RMB18,000,000, 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 Xiaolongxumen Village, Longxumen Town, Kuancheng Manchu Autonomous County, with the area of 30207.04 m<sup>2</sup> and the plant & buildings area of 17,772.27 m<sup>2</sup>.



# SECTION 10 FINANCIAL REPORT

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

### 10. Fixed assets (Continued)

#### 10.1 Fixed assets (Continued)

##### (1) Details (Continued)

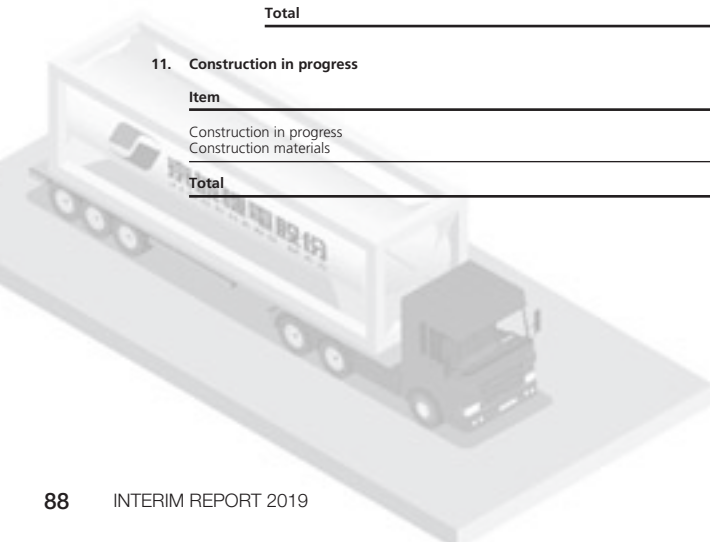
Note 3: On October 22, 2018, Beijing Tianhai, a subsidiary of the Company, signed a comprehensive credit contract No. 0513051 with Bank of Beijing Co., Ltd, Taoran Sub-branch. The credit line is RMB80,000,000. The validity period is one year from the date of contract conclusion, and the loan interest rate is 4.35%. The collateral is the ending fixed assets of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the company: ① plant and building certificate J (2017) TBDCQ No. 0029569, with an area of 34,727.98 m<sup>2</sup>, located at 101, Floors 1 to 4, No. 1, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB170.67 million; ② plant and building certificate J (2017) TBDCQ No. 0029570, with an area of 8,893.46 m<sup>2</sup>, located at 101, Floors-1 to 6, No. 2, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB43.71 million; ③ plant and building certificate J (2017) TBDCQ No. 0029563, with an area of 196.51 m<sup>2</sup>, located at 101, Floor 1, No. 4, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB970,000; ④ plant and building certificate J (2017) TBDCQ No. 0029564, with an area of 368.45 m<sup>2</sup>, located at 101, Floor 1, No. 5, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB1.81 million; ⑤ plant and building certificate J (2017) TBDCQ No. 0029556, covering an area of 160.78 m<sup>2</sup>, is located at 101, Floor 1, No. 6, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB790,000; ⑥ plant and building certificate J (2017) TBDCQ No. 0029561, with an area of 422.15 m<sup>2</sup>, located at 101, Floors 1 to 2, Building 7, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB2.07 million; and ⑦ Land Use Right Land No. JTYG (2013C) 00061, with an area of 66,167.64 m<sup>2</sup>, located in the central district of Huoxian Town, Tongzhou District. It is used to provide maximum loan mortgage to Bank of Beijing Co., Ltd., Taoran Sub-branch by Beijing Tianhai Industry Co., Ltd., involving an estimated value of RMB220.02 million, with the mortgage contract No. 0513051-001, and the maximum amount of creditor's rights is RMB80 million, of which the load term of RMB28,376,365.50 is from May 14, 2019 to May 08, 2020, and that of RMB49,998,153.04 is from November 06, 2018 to November 01, 2019.

- (2) The amount of depreciation for fixed assets recognized as profits or losses is RMB27,607,735.98 (amount of previous period: RMB27,171,835.61) in the current period.
- (3) Increase of fixed assets of the current period includes RMB4,024,980.39 transferred from construction in progress.
- (4) **Analysis of plant & buildings based on location and service life:**

Item	Ending amount	Beginning amount
Within China	<b>386,185,986.39</b>	391,631,844.42
Long-term (more than 50 years)		
Mid-term (10-50 years)	<b>386,185,986.39</b>	391,631,844.42
Short-term (within 10 years)		
Outside China		
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
<b>Total</b>	<b>386,185,986.39</b>	391,631,844.42

### 11. Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	<b>23,769,589.54</b>	11,653,942.58
Construction materials	<b>0.00</b>	0.00
<b>Total</b>	<b>23,769,589.54</b>	11,653,942.58



# SECTION 10 FINANCIAL REPORT

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

### 11. Construction in progress (Continued)

#### 11.1 Construction in progress

##### (1) Information of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Buildings under construction and equipment in the process of installation	14,594,392.58		14,594,392.58	9,163,159.80		9,163,159.80
Fatigue explosion laboratory project	2,165,639.41		2,165,639.41	1,512,559.22		1,512,559.22
CNG-IV cylinder (plastic liner composite cylinder)	7,009,557.55		7,009,557.55	978,223.56		978,223.56
<b>Total</b>	<b>23,769,589.54</b>		<b>23,769,589.54</b>	<b>11,653,942.58</b>		<b>11,653,942.58</b>

##### (2) Changes in major construction in progress

Project name	Beginning balance	Increase in the current period	Decrease in the current period		Ending balance
			Transferred-in fixed assets	Other decreases	
CNG-IV cylinder (plastic liner composite cylinder)	978,223.56	6,031,333.99			7,009,557.55
Gas cylinder production line of Kuancheng Tianhai	878,805.19	4,117,432.93			4,996,238.12
Gas cylinder production line of Tianjin Tianhai	5,170,002.39	4,656,540.84	3,522,532.65		6,304,010.58
Fatigue explosion laboratory project	1,512,559.22	653,080.19			2,165,639.41
<b>Total</b>	<b>8,539,590.36</b>	<b>15,458,387.95</b>	<b>3,522,532.65</b>	<b>0.00</b>	<b>20,475,445.66</b>

(Continued)

Project name	Budget (RMB10,000)	Proportion of project investment in the budget (%)	Construction progress (%)	Accumulated amount of capitalized interest	Including: amount of capitalized interest in current period	Capitalization rate of interest in current year (%)	Source of funds
CNG-IV cylinder (plastic liner composite cylinder)	5,200.00	13.48	13.48				Self-raised
Gas cylinder production line of Kuancheng Tianhai	7,000.00	99.00	99.00				Self-raising + borrowings
Gas cylinder production line of Tianjin Tianhai	3,000.00	72.16	83.00				Self-raised
Fatigue explosion laboratory project	216.98	99.81	99.81				Self-raised
<b>Total</b>	<b>15,416.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### (3) Depreciation reserves of project under construction in the current year

Item	Provision in current period	Reason for provision
Construction in progress	0.00	No indication of impairment

# SECTION 10 FINANCIAL REPORT

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

### 12. Intangible assets

#### (1) Details

Item	Land use right	Patent rights	Software	Total
I. Original book value				
1. Beginning balance	145,164,762.08	11,707,050.00	3,194,590.95	160,066,403.03
2. Increase in current period				
3. Decrease in current period				
4. Ending balance	145,164,762.08	11,707,050.00	3,194,590.95	160,066,403.03
II. Accumulated amortization				
1. Beginning balance	18,565,849.17	10,909,417.33	2,064,584.43	31,539,850.93
2. Increase in current period	1,517,711.52	703,999.98	276,238.96	2,497,950.46
(1) Provision	1,517,711.52	703,999.98	276,238.96	2,497,950.46
3. Decrease in current period				
4. Ending balance	20,083,560.69	11,613,417.31	2,340,823.39	34,037,801.39
III. Impairment provision				
1. Beginning balance				
2. Increase in current period				
3. Decrease in current period				
4. Ending balance				
IV. Book value				
1. Ending book value	125,081,201.39	93,632.69	853,767.56	126,028,601.64
2. Beginning book value	126,598,912.91	797,632.67	1,130,006.52	128,526,552.10

Note: For the detailed mortgage of the land use right of the Group at the end of the period, refer to Note VI. 10.1 Fixed Assets.

- (2) There are no intangible assets formed through internal R&D in the Company at the end of the period.
- (3) There is no land use right for property that certificate of title has not been handled at the end of the period.
- (4) The amount of amortization for intangible assets recognized as losses is RMB2,497,950.46 (amount of previous period: RMB2,294,662.79) in the current period.

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

Item	Ending amount	Beginning amount
Within China	125,081,201.39	126,598,912.91
Long-term (more than 50 years)		
Mid-term (10-50 years)	125,081,201.39	126,598,912.91
Short-term (within 10 years)		
Outside China		
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
<b>Total</b>	<b>125,081,201.39</b>	<b>126,598,912.91</b>

### 13. Goodwill

#### (1) Original value of goodwill

Name of the investee	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
BTIC AMERICA CORPORATION	6,562,344.06	0.00	0.00	6,562,344.06

#### (2) Impairment provision of goodwill

Name of the investee	Beginning balance	Provision in current period	Disposal in the current period	Ending balance
BTIC AMERICA CORPORATION	6,562,344.06	0.00	0.00	6,562,344.06

The impairment provision of the Group's goodwill has been fully made. No impairment test of goodwill is required at the end of the current period.

# SECTION 10 FINANCIAL REPORT

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

### 14. Long-term deferred expenses

Item	Beginning balance	Increase in the current period	Amortization in current period	Ending balance
Amortization of turnover fees	10,216,541.59	258,213.45	2,327,943.02	<b>8,146,812.02</b>
Amortization of installation cost of power transmission and distribution projects	81,875.13	0.00	15,846.78	<b>66,028.35</b>
<b>Total</b>	<b>10,298,416.72</b>	<b>258,213.45</b>	<b>2,343,789.80</b>	<b>8,212,840.37</b>

### 15. Deferred income tax assets

#### (1) Deferred income tax assets not offset

Item	Ending balance		Beginning balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Provision for assets impairment	292,166.90	1,125,976.24	249,398.34	997,593.36
Depreciation life difference	142,118.45	406,052.70	113,688.91	324,825.46
<b>Total</b>	<b>434,285.35</b>	<b>1,532,028.94</b>	<b>363,087.25</b>	<b>1,322,418.82</b>

#### (2) Details of unrecognized deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference		
Deductible loss	<b>511,905,405.39</b>	511,905,405.39
Provision for assets impairment	<b>106,543,589.04</b>	120,025,893.36
<b>Total</b>	<b>618,448,994.43</b>	<b>631,931,298.75</b>

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

Year	Ending amount	Beginning amount
2019	<b>14,347,457.83</b>	14,347,457.83
2020	<b>116,010,136.26</b>	116,010,136.26
2021	<b>100,450,155.59</b>	100,450,155.59
2022	<b>34,552,762.03</b>	34,552,762.03
2023	<b>246,544,893.68</b>	246,544,893.68
<b>Total</b>	<b>511,905,405.39</b>	<b>511,905,405.39</b>

### 16. Short-term borrowings

#### (1) Classification

Category	Ending balance	Beginning balance
Mortgage borrowing	<b>135,374,518.54</b>	119,998,046.30
Guaranteed borrowing	<b>178,000,000.00</b>	158,000,000.00
Credit borrowings	<b>89,635.71</b>	0.00
<b>Total</b>	<b>313,464,154.25</b>	<b>277,998,046.30</b>

# SECTION 10 FINANCIAL REPORT

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

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

#### (1) Classification (Continued)

- 1) On October 10, 2018, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180134) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB30,000,000, lasting for from October 10, 2018 to October 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 two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB30 million.
- 2) On October 22, 2018, Beijing Tianhai, a subsidiary of the Company, signed a comprehensive credit contract No. 0513051 with Bank of Beijing Co., Ltd, Taoran Sub-branch. The credit line is RMB80,000,000. The validity period is one year from the date of contract conclusion, and the loan interest rate is 4.35%. The collateral is the ending fixed assets of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the company: ① housing and building certificate J (2017) TBDCQ No. 0029569, with an area of 34,727.98 m<sup>2</sup>, located at 101, Floors 1 to 4, No. 1, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB170.67 million; ② plant and building certificate J (2017) TBDCQ No. 0029570, with an area of 8,893.46 m<sup>2</sup>, located at 101, Floors-1 to 6, No. 2, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB43.71 million; ③ plant and building certificate J (2017) TBDCQ No. 0029563, with an area of 196.51 m<sup>2</sup>, located at 101, Floor 1, No. 4, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB970,000; ④ plant and building certificate J (2017) TBDCQ No. 0029564, with an area of 368.45 m<sup>2</sup>, located at 101, Floor 1, No. 5, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB1.81 million; ⑤ plant and building certificate J (2017) TBDCQ No. 0029556, covering an area of 160.78 m<sup>2</sup>, is located at 101, Floor 1, No. 6, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB790,000; ⑥ plant and building certificate J (2017) TBDCQ No. 0029561, with an area of 422.15 m<sup>2</sup>, located at 101, Floors 1 to 2, Building 7, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB2.07 million; and ⑦ Land Use Right Land No. JTYG (2013C) 00061, with an area of 66,167.64 m<sup>2</sup>, located in the central district of Huoxian Town, Tongzhou District. It is used to provide maximum loan mortgage to Bank of Beijing Co., Ltd., Taoran Sub-branch by Beijing Tianhai Industry Co., Ltd., involving an estimated value of RMB220.02 million, with the mortgage contract No. 0513051-001, and the maximum amount of creditor's rights is RMB80 million, of which the load term of RMB28,376,365.50 is from May 14, 2019 to May 08, 2020, and that of RMB49,998,153.04 is from November 06, 2018 to November 01, 2019. By the end of the period, the bank has lent RMB78,370,000.
- 3) On October 23, 2018, Beijing Tianhai, a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180145) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB28,000,000, lasting for from October 23, 2018 to October 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 two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB28,000,000.
- 4) On November 16, 2018, Beijing Tianhai, a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120180153) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB20,000,000, lasting for from November 16, 2018 to November 04, 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 two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB20,000,000.
- 5) On December 05, 2018, Tianjin Tianhai, a subsidiary of the Company, signed a loan contract (No. TJ0610120180216) with Tianjin Branch of Huaxia Bank, with the loan amount of RMB40,000,000.00, lasting for 12 months from December 05, 2018 to November 19, 2019 and with the loan rate of 6.525%. The Company took its property (Number of Property Ownership Certificate: FDZJZ No. 115031501859) and land (Number of Certificate of Land Use Right: DHB-32-2) worthy of RMB115,587,900 as assessed in total for pledge from December 05, 2018 to the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB40,000,000.00.
- 6) On April 15, 2019, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed an issuing contract of domestic letter of credit (No. YYB1240520190001) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB17,000,000, lasting for from April 18, 2019 to April 12, 2020 and with the loan rate of 5.15%. The bank charges 10% of deposits as the mortgage.
- 7) On April 15, 2019, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120190036) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB10,000,000, lasting for from April 16, 2019 to April 16, 2020 and with the loan rate of 5.87%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB10,000,000.

# SECTION 10 FINANCIAL REPORT

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

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

#### (1) Classification (Continued)

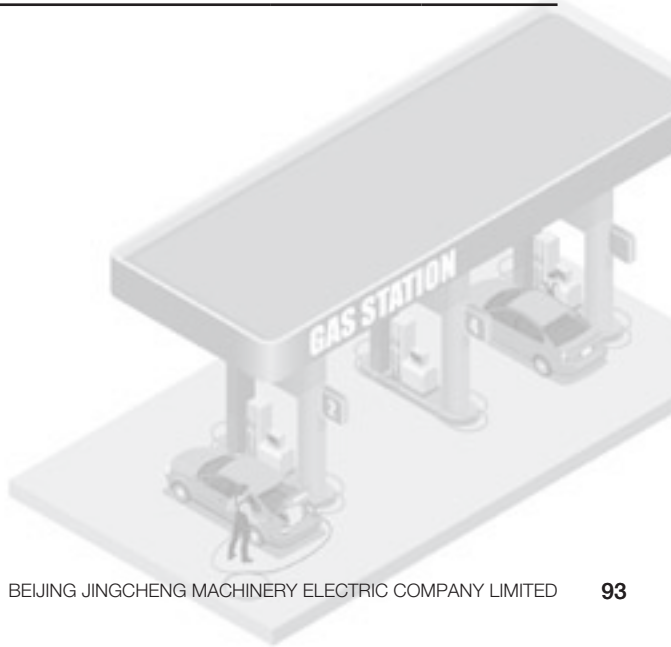
- 8) On April 26, 2019, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120190041) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB30,000,000, lasting for from April 26, 2019 to April 26, 2020 and with the loan rate of 5.87%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB30 million.
- 9) On May 16, 2019, Kuancheng Tianhai, a subsidiary of the Company, signed a working capital loan contract (No. Y-04-2019-013) with Bank of China Limited Chengde Branch, with the loan amount of RMB20,000,000, lasting from May 16, 2019 to May 15, 2020 and with the loan rate of 5.22%. Kuancheng State-owned Holding Group Co., Ltd. and Shanghai Tianhai Composite Cylinders Co., Ltd. will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB20,000,000.00.
- 10) On June 10, 2019, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120190056) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB20,000,000, lasting for from June 11, 2019 to June 11, 2020 and with the loan rate of 5.87%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB20,000,000.00.
- 11) On June 21, 2019, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120190066) with Huaxia Bank Co., Ltd., Beijing Guanghua Branch, with the loan amount of RMB20,000,000, lasting for from June 25, 2019 to June 25, 2020 and with the loan rate of 5.87%. Beijing Jingcheng Machinery Electric Holding Co., Ltd. will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB20,000,000.00.

(2) There is no short-term borrowing which has been overdue but unpaid at the end of the period.

(3) The weighted average annual interest rate of short-term borrowings at the end of the period is 5.54% (5.65% at the end of previous year).

### 17. Notes payable

Type of notes	Ending balance	Beginning balance
Bank acceptance bill	0.00	30,000,000.00



## SECTION 10 FINANCIAL REPORT

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

#### 18. Accounts payable

##### (1) Presentation of accounts payable

Item	Ending balance	Beginning balance
Material payment, etc.	285,078,454.58	228,858,941.62
Project payment	2,163,366.52	5,515,697.48
<b>Total</b>	<b>287,241,821.10</b>	<b>234,374,639.10</b>

##### (2) Significant accounts payable with the aging over 1 year

Company name	Ending balance	Reasons for failing to pay or carry over
Tianjin TPCO Investment Co., Ltd.	2,590,165.89	Unsettled
Tianjin Xingrong Mechanical Equipment Co., Ltd.	1,636,992.00	Unsettled
Beijing Zhisheng Cryogenic Equipment Maintenance Co., Ltd.	1,622,304.40	Unsettled
Nanpi Taixin Machinery Manufacturing Co., Ltd.	1,428,673.25	Unsettled
Zhongtai Jiecheng (Tianjin) Freight Forwarding Co., Ltd.	1,310,959.93	Unsettled
<b>Total</b>	<b>8,589,095.47</b>	<b>-</b>

##### (3) Presentation of accounts payable as per aging

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	268,205,538.67	216,935,540.14
1-2 years	6,062,672.47	12,401,987.78
2-3 years	9,098,490.85	1,467,709.80
Over 3 years	3,875,119.11	3,569,401.38
<b>Total</b>	<b>287,241,821.10</b>	<b>234,374,639.10</b>

#### 19. Contractual liabilities

##### (1) Contractual liabilities

Item	Ending balance	Beginning balance
Goods payment made in advance	50,282,176.61	48,104,438.48
Including: more than one year	13,415,835.77	14,130,097.95

##### (2) Significant change in book value of contractual liabilities in the current period

Item	Amount changed	Reason of change
Shanghai Qingsu Energy Co., Ltd.	13,508,400.00	New contract not performed
Beijing Yuding Leiruo Gas Technology Co., Ltd.	3,380,165.00	New contract not performed
LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD.	1,673,050.53	New contract not performed
DRAEGER SAFETY TAIWAN CO., LTD	1,616,147.47	New contract not performed
Beijing Zhongtie New Material Technology Co., Ltd.	1,404,000.00	New contract not performed
<b>Total</b>	<b>21,581,763.00</b>	<b>-</b>

##### (3) Significant contractual liabilities aged over 1 year

Company name	Ending balance	Reasons for failing to pay or carry over
WESTPORT POWER INC.	5,588,774.11	The contract has not been completely fulfilled.
Liuyang Binhai Gas Co., Ltd.	2,272,000.00	The contract has not been completely fulfilled.
EUROTECH CYLINDERS PVT. LTD	999,612.86	The contract has not been completely fulfilled.
Tangshan Caofeidian District Huarui Gas Co., Ltd.	980,000.00	The contract has not been completely fulfilled.
Zhangjiagang Furui Hydrogen Power Equipment Co., Ltd.	596,000.00	The contract has not been completely fulfilled.
<b>Total</b>	<b>10,436,386.97</b>	<b>-</b>

# SECTION 10 FINANCIAL REPORT

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

### 20. Employee benefits payable

#### (1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term benefits	18,688,738.83	86,355,111.18	87,820,263.96	17,223,586.05
Post-employment benefits-defined contribution plan	1,192,806.67	12,549,224.28	12,641,323.54	1,100,707.41
Dismissal welfare	0.00	33,642.00	33,642.00	0.00
Other welfare due within one year	3,048,278.29	0.00	416,732.93	2,631,545.36
<b>Total</b>	<b>22,929,823.79</b>	<b>98,937,977.46</b>	<b>100,911,962.43</b>	<b>20,955,838.82</b>

#### (2) Short-term benefits

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salary, bonus, allowance and subsidy	11,530,802.01	70,679,065.25	72,000,813.91	10,209,053.35
Employee welfare expenses	0.00	1,265,225.68	1,265,225.68	0.00
Social insurance premium	938,160.36	7,984,385.47	8,205,925.39	716,620.44
Including: medical insurance premium	835,601.80	6,835,678.02	7,035,578.73	635,701.09
Work-related injury insurance premium	50,558.49	638,131.07	643,406.68	45,282.88
Childbearing insurance premium	52,000.07	510,576.38	526,939.98	35,636.47
Housing provident fund	125,855.00	4,167,022.00	4,245,426.06	47,450.94
Labor union expenditure & personnel education fund	4,342,181.46	1,887,659.78	1,721,719.92	4,508,121.32
Housing allowance	1,751,740.00	371,753.00	381,153.00	1,742,340.00
<b>Total</b>	<b>18,688,738.83</b>	<b>86,355,111.18</b>	<b>87,820,263.96</b>	<b>17,223,586.05</b>

#### (3) Defined contribution plan

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance	1,155,205.90	12,096,411.58	12,180,401.24	1,071,216.24
Unemployment insurance premium	37,600.77	452,812.70	460,922.30	29,491.17
<b>Total</b>	<b>1,192,806.67</b>	<b>12,549,224.28</b>	<b>12,641,323.54</b>	<b>1,100,707.41</b>

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.

The Group shall deposit RMB12,549,224.28 (PRIOR YEAR AMOUNT: RMB11,702,391.16) into the defined contribution plan for the year in which it participates. On June 30, 2019, the Group still has RMB1,100,707.41 (beginning amount: RMB1,192,806.67) for deposit, which are due and unpaid during the reporting period. The relevant deposit fees have been deposited after the reporting period.



## SECTION 10 FINANCIAL REPORT

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

#### 21. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	1,179,567.91	10,821,378.77
Corporate income tax	2,087,330.17	1,700,302.30
Individual income tax	1,691,546.71	1,626,473.04
City maintenance and construction tax	87,086.65	641,751.15
Property tax	765,438.53	86,238.15
Education surcharge	58,683.78	292,625.36
Local education surcharge	17,906.28	169,149.49
Stamp duty	208,347.18	384,853.32
Flood prevention charge	0.00	86,608.90
Environmental protection tax	8,699.52	12,704.44
Land use tax	103,496.66	0.00
Employment security payments for the disabled	295,000.00	0.00
<b>Total</b>	<b>6,503,103.39</b>	<b>15,822,084.92</b>

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

#### 22. Other payables

Item	Ending balance	Beginning balance
Interests payable	0.00	72,000.00
Other payables	84,780,978.53	80,552,608.94
<b>Total</b>	<b>84,780,978.53</b>	<b>80,624,608.94</b>

##### 22.1 Interests payable

###### (1) Classification

Item	Ending balance	Beginning balance
Interest payable of short-term borrowing	0.00	72,000.00

###### (2) *There is no overdue and unpaid interest at the end of the period*

##### 22.2 Other payables

###### (1) Classification of other payables by nature

Nature of amount	Ending balance	Beginning balance
Related party borrowing	48,863,082.67	47,233,297.95
Funds disbursed for others, etc.	27,247,701.38	26,123,097.49
Intercourse funds among related parties	6,704,203.53	6,704,203.53
Rental fees	1,958,571.44	487,359.09
Return of social insurance	7,419.51	4,650.88
<b>Total</b>	<b>84,780,978.53</b>	<b>80,552,608.94</b>

###### (2) Payables with significant amount and aged of over 1 year

Company name	Ending balance	Reasons for failing to pay or carry over
Tianjin TPCO Investment Co., Ltd.	1,704,203.53	Unsettled
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	8,863,082.67	Unsettled
Economic Development Service Center in Mulin Town, Shunyi District, Beijing	1,000,000.00	Unsettled
<b>Total</b>	<b>11,567,286.20</b>	

# SECTION 10 FINANCIAL REPORT

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

### 23. Current portion of non-current liabilities

Item	Ending balance	Beginning balance	Remarks
Special payables due within one year	11,000,000.00	11,000,000.00	–
Including: skid-mounted liquefied natural gas (LNG) fueling station	5,000,000.00	5,000,000.00	Note 1
Self-compression-adding liquefied natural gas (LNG) welding thermal insulation cylinder products for motor vehicles	2,000,000.00	2,000,000.00	Note 2
Liquefied natural gas low temperature storage tank product for HPDI-T6 MOTOR Vehicles	4,000,000.00	4,000,000.00	Note 3
Long-term borrowings due within one year	9,000,000.00	7,000,000.00	Note 4
<b>Total</b>	<b>20,000,000.00</b>	<b>18,000,000.00</b>	

Note 1: On December 25, 2012, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a "Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technology Research and Development Projects". Jingcheng Holding granted a supporting fund of RMB5,000,000 on skid-mounted liquefied natural gas (LNG) refilling stations of Beijing Tianhai Industry Co., Ltd. Beijing Tianhai Industry Co., Ltd. would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 01, 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 01, 2014. The repayment, however, has not been made at the end of the period.

Note 3: On December 22, 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted Beijing Tianhai Industry Co., Ltd. a supporting fund of RMB4,000,000.00 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 01, 2014 and December 01, 2015, respectively. Such non-current liability has not been repaid at the end of the period.

Note 4: 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 5.70%. 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 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. The borrowing of RMB3,500,000.00 has been returned in the current period, and RMB9,000,000.00 current portion of non-current liabilities is reclassified.

### 24. Other current liabilities

Item	Ending balance	Beginning balance
Pending changeover VAT on sales	201,563.68	286,545.11

### 25. Long-term borrowings

#### (1) Classification

Category	Ending balance	Beginning balance
Mortgage borrowing	5,500,000.00	11,000,000.00

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 Bank of China Limited Chengde Branch, 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 5.70%. 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 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 December 31, 2018, the bank has made a loan of RMB18,000,000.00. The borrowing of RMB3,500,000 has been returned in the current period, and RMB9,000,000 current portion of non-current liability is reclassified.

The Group's long-term borrowing rate is 5.70%.

## SECTION 10 FINANCIAL REPORT

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

#### 25. Long-term borrowings (Continued)

##### (2) Analysis on maturity dates of long-term borrowings:

Item	Ending amount	Beginning amount
1-2 years	5,500,000.00	
2-5 years		11,000,000.00
More than five years		
<b>Total</b>	<b>5,500,000.00</b>	<b>11,000,000.00</b>

Note: The long-term borrowings due within one year are reclassified as the "current portion of non-current liabilities".

#### 26. Long-term payables

Item	Ending amount	Beginning amount
Long-term payables	39,200,000.00	39,200,000.00
Special payables	103,900,000.00	103,900,000.00
<b>Total</b>	<b>143,100,000.00</b>	<b>143,100,000.00</b>

##### 26.1 Long-term payables

##### (1) Long-term payables classified by nature of payments

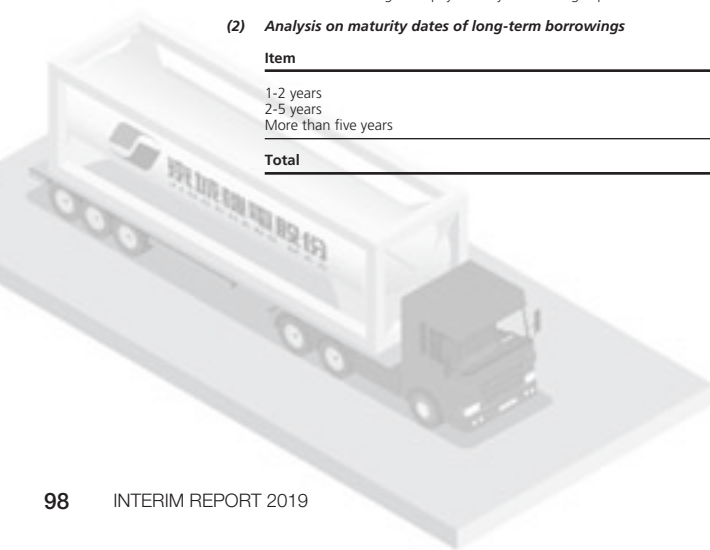
Nature of amount	Ending balance	Beginning balance
Subscribed capital contribution	39,200,000.00	39,200,000.00

Note: The subscribed capital contribution is the equity contribution committed by Beijing Tianhai, a subsidiary of the Company, to Jingcheng Haitong.

Jingcheng Haitong was jointly established by Beijing Tianhai and Beijing Neutron Leasing Co., Ltd. on August 30, 2018. It is mainly engaged in the operation and management of a comprehensive industrial park with garden-style high-end technological innovation, cultural creativity and business office as its main functions. The registered capital of Jingcheng Haitong was RMB80.00 million. Beijing Tianhai subscribed RMB39.20 million in cash, holding 49% of the shares, and the subscription date is before September 01, 2021. Article 5.5 of the Jingcheng Haitong Shareholders' Cooperation Agreement stipulates: "In the event of losses at the initial stage of the establishment and operation of the Company, the parties shall bear the losses according to their respective equity proportions" and "the shareholders shall distribute the profits made by the Company according to the equity proportions". Beijing Tianhai recognized long-term equity investment and long-term payables by committing capital contribution.

##### (2) Analysis on maturity dates of long-term borrowings

Item	Ending balance	Beginning balance
1-2 years		39,200,000.00
2-5 years	39,200,000.00	
More than five years		
<b>Total</b>	<b>39,200,000.00</b>	<b>39,200,000.00</b>



# SECTION 10 FINANCIAL REPORT

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

### 26. Long-term payables (Continued)

#### 26.2 Special payables

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause
Project of aluminum lined fully-wrapped composite gas cylinder for Tianhai vehicles	3,900,000.00	0.00	0.00	<b>3,900,000.00</b>	Note 1
Construction Project for Production Base of Gas Storage and Transportation Equipment	100,000,000.00	0.00	0.00	<b>100,000,000.00</b>	Note 2
<b>Total</b>	<b>103,900,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>103,900,000.00</b>	–

Note 1: Beijing Tianhai signed a "Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technology Research and Development Projects" with Jingcheng Holding in 2009; and Jingcheng Holding provided RMB10,000,000 for supporting the Project of Aluminum Lined Fully-wrapped Composite Gas Cylinder for Tianhai Vehicles of Beijing Tianhai. The balance unpaid at the end of the period is RMB3,900,000.

Note 2: State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality issued Notice about Appropriation of 2013 State-owned Capital Operation Budget on June 04, 2013 (JGZ [2013] No.96) to Jingcheng Holding and notified to arrange RMB100,000,000 for the Construction Project of Production Base for Gas Storage and Transportation Equipment. Beijing Tianhai received the above funds in August 2013.

### 27. Long-term employee benefits payable

#### (1) Classification

Item	Ending balance	Beginning balance
Post-employment Benefits – Net Liabilities in Defined Benefit Plan	<b>26,022,342.56</b>	24,637,440.48

#### (2) Changes in defined benefit plan – present value of obligations in defined benefit plan

Item	Amount in current period	Amount in previous period
<b>Opening balance</b>	<b>27,685,718.77</b>	36,902,191.09
Defined benefit cost included in the current profits and losses	<b>1,427,647.67</b>	-6,049,101.67
1. Current service cost	<b>745,842.74</b>	1,244,276.71
2. Previous service cost		-8,677,210.55
3. Settlement gains (losses to be listed with "-")		
4. Net interests	<b>681,804.93</b>	1,383,832.17
Defined benefit cost included in other comprehensive income		
1. Actuarial gains (losses to be listed with "-")		
<b>Other changes</b>	<b>-459,478.52</b>	-3,167,370.65
1. Liabilities eliminated when settling		
2. Paid welfare	<b>-459,478.52</b>	-3,167,370.65
<b>Ending balance</b>	<b>28,653,887.92</b>	27,685,718.77
Less: welfare due within one year	<b>2,631,545.36</b>	3,048,278.29
Deduction of closing balance of welfare due within one year	<b>26,022,342.56</b>	24,637,440.48

#### (3) Change of defined benefit plan-net liabilities (net assets) in defined benefit plan

Item	Amount in current period	Amount incurred in previous period
Opening balance	<b>27,685,718.77</b>	36,902,191.09
Defined benefit cost included in the current profits and losses	<b>1,427,647.67</b>	-6,049,101.67
Defined benefit cost included in other comprehensive income		
Other changes	<b>-459,478.52</b>	-3,167,370.65
Closing balance	<b>28,653,887.92</b>	27,685,718.77

# SECTION 10 FINANCIAL REPORT

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

### 27. Long-term employee benefits payable (Continued)

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

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

#### (5) Explanations on significant actuarial assumptions and results of sensitive analysis for defined benefit plan:

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

### 28. Estimated liabilities

Item	Ending balance	Beginning balance	Cause
Product quality assurance	3,251,807.32	3,251,807.32	Quality bond

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

### 29. Deferred income

#### (1) Classification

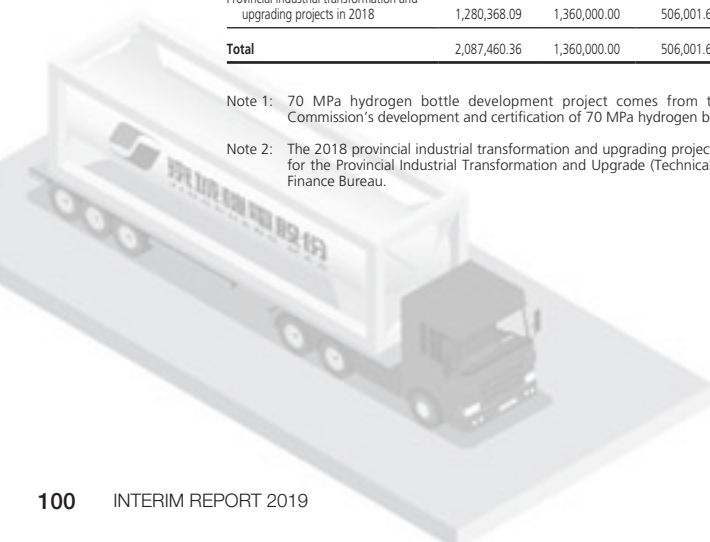
Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause
Government grants	2,087,460.36	1,360,000.00	506,001.66	2,941,458.70	Note

#### (2) Projects using government grants

Projects using government grants	Beginning balance	Amount of new grants in current period	Amount included in other incomes in the current period	Amount of costs and expenses offset	Ending balance	Asset-related/revenue-related
70 MPa hydrogen cylinder development project	807,092.27	0.00	0.00	0.00	807,092.27	Revenue-related
Provincial industrial transformation and upgrading projects in 2018	1,280,368.09	1,360,000.00	506,001.66	0.00	2,134,366.43	Assets-related
<b>Total</b>	2,087,460.36	1,360,000.00	506,001.66	0.00	2,941,458.70	-

Note 1: 70 MPa hydrogen bottle development project comes from the Beijing Municipal Science & Technology Commission's development and certification of 70 MPa hydrogen bottles for fuel cell cars.

Note 2: The 2018 provincial industrial transformation and upgrading project is sourced from the Notice on the Special Fund for the Provincial Industrial Transformation and Upgrade (Technical Reform) in 2018 issued by Chengde Municipal Finance Bureau.



# SECTION 10 FINANCIAL REPORT

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

### 30. Capital stock

The change of the legal, issued and paid capital stock of the Company is as follows. All the shares of the Company are ordinary one with the book value of RMB1 per share.

(Unit: RMB1,000)

Item	Beginning amount		Change in the current period				Ending amount		
	Amount	Proportion (%)	Issue of new shares	Bonus shares	Transfer from capital surplus to capital stock	Others	Sub total	Amount	Proportion (%)
Total restricted shares	-	-	-	-	-	-	-	-	-
Unrestricted shares	322,000.00	76.30	-	-	-	-	-	322,000.00	76.30
RMB ordinary shares	100,000.00	23.70	-	-	-	-	-	100,000.00	23.70
Overseas listed foreign share	-	-	-	-	-	-	-	-	-
<b>Total unrestricted shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>
<b>Total shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>

### 31. Capital

Item	Beginning amount	Increase in the current period	Decrease in the current period	Ending amount
Share premiums	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
<b>Total</b>	<b>687,349,089.60</b>	<b>0.00</b>	<b>0.00</b>	<b>687,349,089.60</b>

### 32. Other comprehensive income

Item	Beginning balance	Amount in the current period				Ending balance
		Amount incurred before income tax in current period	Less: amount included in other comprehensive income in the previous period and carried over to current profits and losses	Less: income tax expenses	Attributable to parent company after tax	
I. Other comprehensive income that cannot be reclassified into profits and losses in the future. Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	160,000.00					160,000.00
II. Other comprehensive income that will be reclassified into profits and losses	160,000.00					160,000.00
Translated balance in foreign currency financial statements	2,148,000.57	-315,646.89		-160,691.37	-154,955.52	1,987,309.20
	2,148,000.57	-315,646.89		-160,691.37	-154,955.52	1,987,309.20
<b>Total of other comprehensive income</b>	<b>2,308,000.57</b>	<b>-315,646.89</b>		<b>-160,691.37</b>	<b>-154,955.52</b>	<b>2,147,309.20</b>

### 33. Surplus reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	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
<b>Total</b>	<b>45,665,647.68</b>	<b>0.00</b>	<b>0.00</b>	<b>45,665,647.68</b>

# SECTION 10 FINANCIAL REPORT

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

### 34. Undistributed profit

Item	Current period	Previous period
<b>Ending balance in the previous period</b>	<b>-690,446,430.91</b>	-567,793,525.60
Add: adjustment of undistributed profits at the beginning of the period	0.00	0.00
<b>Beginning balance in the current period</b>	<b>-690,446,430.91</b>	-567,793,525.60
Add: net profits attributable to parent company in the current period	<b>-35,573,865.71</b>	-28,682,450.33
Less: appropriation of statutory surplus reserve	0.00	0.00
<b>Ending balance in the current period</b>	<b>-726,020,296.62</b>	-596,475,975.93

### 35. Net current assets

Item	Ending amount	Beginning amount
Current assets	<b>781,633,944.16</b>	763,624,870.14
Less: current liabilities	<b>783,429,636.38</b>	728,140,186.64
<b>Net current assets</b>	<b>-1,795,692.22</b>	35,484,683.50

### 36. Total assets minus current liabilities

Item	Ending amount	Beginning amount
Total assets	<b>1,778,671,992.85</b>	1,775,485,766.32
Less: current liabilities	<b>783,429,636.38</b>	728,140,186.64
<b>Total assets minus current liabilities</b>	<b>995,242,356.47</b>	1,047,345,579.68

### 37. Debit/credit

The debit/credit of the Group is summarized as follows:

Item	Ending amount	Beginning amount
Short-term bank loan	<b>313,464,154.25</b>	277,998,046.30
Special payables due within one year	<b>11,000,000.00</b>	11,000,000.00
Long-term bank loan	<b>14,500,000.00</b>	18,000,000.00
Special payables	<b>103,900,000.00</b>	103,900,000.00
Borrowing from Jingcheng Holding	<b>45,000,000.00</b>	45,000,000.00
<b>Total</b>	<b>487,864,154.25</b>	455,898,046.30

#### (1) Analysis of debit and credit

Item	Ending amount	Beginning amount
Bank loan		
– Need to repay within one year	<b>322,464,154.25</b>	277,998,046.30
– Need to repay after one year	<b>5,500,000.00</b>	18,000,000.00
Subtotal	<b>327,964,154.25</b>	295,998,046.30
Other loans		
– Need to repay within one year or as required	<b>159,900,000.00</b>	159,900,000.00
– Need to repay after one year	<b>159,900,000.00</b>	159,900,000.00
Subtotal	<b>159,900,000.00</b>	159,900,000.00
<b>Total</b>	<b>487,864,154.25</b>	455,898,046.30

## SECTION 10 FINANCIAL REPORT

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

#### 37. Debit/credit (Continued)

##### (2) Analysis of due date of debit and credit

Bank loan:

Item	Ending amount	Beginning amount
Repay as required or repay within one year	322,464,154.25	277,998,046.30
1-2 years	5,500,000.00	
2-5 years		18,000,000.00
More than five years		
<b>Total</b>	<b>327,964,154.25</b>	<b>295,998,046.30</b>

Other loans:

Item	Ending amount	Beginning amount
Repay as required or repay within one year	159,900,000.00	159,900,000.00
1-2 years		
2-5 years		
More than five years		
<b>Total</b>	<b>159,900,000.00</b>	<b>159,900,000.00</b>

#### 38. Operating revenue and operating costs

##### (1) Operating revenue and operating costs

Item	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Main businesses	575,703,089.13	522,388,206.41	444,860,486.27	373,253,895.23
Other businesses	19,454,529.51	7,462,525.64	30,112,025.76	39,464,591.47
<b>Total</b>	<b>595,157,618.64</b>	<b>529,850,732.05</b>	<b>474,972,512.03</b>	<b>412,718,486.70</b>

##### (2) Income arising from the contract

Contract classification	Current period		Previous period	
	Income	Cost	Income	Cost
<b>Classification by type of goods</b>				
Including: seamless steel gas cylinder	233,574,260.28	182,876,864.69	128,041,670.04	95,893,079.74
Full-wrapped cylinder	74,864,185.85	71,671,527.24	102,317,911.84	87,392,763.66
Cryogenic cylinder	120,390,292.13	121,633,984.89	124,560,936.16	108,315,696.84
Cryogenic storage and transportation equipment	79,551,266.97	80,297,876.50	967,870.98	985,671.51
Others	67,323,083.90	65,907,953.09	88,972,097.25	80,666,683.48
<b>Classification by business area</b>				
Including: domestic	324,229,415.12	291,571,976.04	170,354,656.68	120,584,015.57
Overseas	251,473,674.01	230,816,230.37	274,505,829.59	252,669,879.66
<b>Total</b>	<b>575,703,089.13</b>	<b>522,388,206.41</b>	<b>444,860,486.27</b>	<b>373,253,895.23</b>

##### (3) Information relating to performance obligations

The Group shall normally perform its obligations within three months and sell products directly as the principal responsible person. Generally, the goods are delivered at the place designated by the customer or in the factory, and the control right over the products is transferred. The payment methods usually includes the following three situations: the goods with credit line are delivered within the credit line of the Group; the customers without credit line receive full payment before delivery, or arrange delivery after receiving a certain proportion of money according to the relevant clauses of the contract. At the same time of delivery or when the goods are delivered to the destination designated by the customer, the control right over the goods is transferred to the customer, and the Group obtains unconditional payment right. The Group does not undertake the similar obligations such as expected refunding of payment to the customers, and its product quality assurance is implemented according to the legal product quality requirements.



# SECTION 10 FINANCIAL REPORT

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

### 38. Operating revenue and operating costs (Continued)

#### (4) Information relating to transaction price allocated to the remaining performance obligation

The Group assesses the contract on the commencement date of the contract, believing that the commitment of transferring the goods to the consumer could not separately distinguished from other commitments in the contract, and each contract shall be taken as a single performance obligation as a whole.

#### (5) Gross profits from main businesses

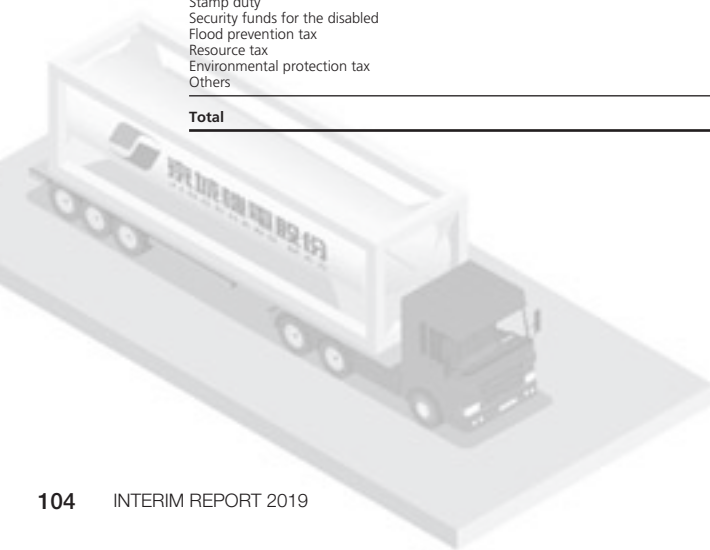
Item	Amount in the current period	Amount in the previous period
Main business income	575,703,089.13	444,860,486.27
Main business cost	522,766,838.76	373,253,895.23
<b>Gross profits</b>	<b>52,936,250.37</b>	<b>71,606,591.04</b>

#### (6) Total operating revenue from the top 5 customers of the Group is RMB279,043,264.49 in the current period, which represents 24.87% of the total operating revenue. (Previous period: 20.03%), as listed below:

Company name	Operating revenue	Proportion to total operating revenue (%)
Western International Gasand Cylinders	37,019,807.42	6.23
Zhunshida Energy Technology (Shanghai) Co., Ltd.	22,909,657.95	3.86
Shaanxi Datong Special Purpose Automobile Co., Ltd.	20,434,291.35	3.44
Jiangsu Tianhai Special Equipment Co., Ltd.	16,284,362.89	2.74
Jiangsu Tianhai Special Equipment Co., Ltd.	5,227,972.36	0.88
<b>Total</b>	<b>101,876,091.97</b>	<b>17.15</b>

### 39. Taxes and surcharges

Item	Amount in current period	Amount in previous period
City maintenance and construction tax	819,479.05	1,291,387.82
Education surcharge	383,990.53	568,173.11
Local education surcharge	214,191.42	400,922.07
Property tax	1,856,881.40	2,546,220.64
Land use tax	608,481.69	461,274.91
Vehicle and vessel use tax	0.00	625.00
Stamp duty	99,733.82	424,640.24
Security funds for the disabled	295,000.00	639,570.42
Flood prevention tax	0.00	24,622.62
Resource tax	6,238.39	8,470.96
Environmental protection tax	18,001.21	8,895.26
Others	409.35	0.00
<b>Total</b>	<b>4,302,406.86</b>	<b>6,374,803.05</b>



# SECTION 10 FINANCIAL REPORT

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

### 40. Selling expenses

Item	Amount in current period	Amount in previous period
Employee compensation	11,766,366.05	9,969,837.38
Operational funds	827,999.45	933,081.08
Transportation expenses	8,735,775.52	7,662,854.14
Warehousing and maintenance fees	774,159.11	353,109.79
Exhibition fees	354,988.89	285,923.99
After-sales service charges	4,149,692.15	2,222,520.14
Repair cost	422,636.83	7,273.85
Office fees	339,385.78	188,335.00
Traveling expenses	1,606,833.01	1,242,373.26
Advertisement promotion expense	37,068.38	0.00
Insurance premium	0.00	29,420.87
Others	1,015,047.74	709,115.95
<b>Total</b>	<b>30,029,952.91</b>	<b>23,603,845.45</b>

### 41. Administrative expenses

Item	Amount in current period	Amount in previous period
Office fees	2,135,882.12	1,554,371.84
Traveling expenses	518,495.75	540,150.18
Energy fees	162,273.81	668,640.55
Repair cost	215,256.79	295,051.26
Depreciation expense	2,176,326.10	3,585,718.94
Employee compensation	33,396,466.56	34,698,319.90
Vehicle fees	1,567,142.28	1,520,667.41
Publicity expenses	333,145.79	182,346.18
Business entertainment expenses	285,560.01	256,608.50
Amortization of intangible assets	1,514,059.93	1,389,683.33
Fees for employing intermediary organs	2,422,949.20	942,827.14
– Audit service fees	389,501.55	170,125.49
– Tax service fees	66,037.73	47,169.81
– Other service fees	723,515.31	396,600.25
– Lawyer service fees	1,243,894.61	328,931.59
Conference expenses	73,190.06	154,219.82
Insurance premium	186,868.48	200,783.35
Rental fees	728,028.80	392,496.95
Material consumption		848,146.31
Labor protection fees	10,357.38	143,337.03
Property fees	13,088.93	187,935.00
Activity funds for Party members	261,095.15	
Others	1,713,883.12	2,219,372.78
<b>Total</b>	<b>47,714,070.26</b>	<b>49,780,676.47</b>

### 42. R&D expenses

Item	Amount in current period	Amount in previous period
R & D expense	4,488,434.23	1,486,494.42

# SECTION 10 FINANCIAL REPORT

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

### 43. Financial expenses

#### (1) Details of financial expenses

Item	Amount in current period	Amount in previous period
Interest expenses	10,606,563.98	12,465,065.58
Less: interest incomes	63,953.07	1,022,640.84
Add: exchange losses	-137,532.79	340,564.78
Add: other expenditures	540,212.15	229,287.13
<b>Total</b>	<b>10,945,290.27</b>	<b>12,012,276.65</b>

#### (2) Details of interest expenses

Item	Amount in current period	Amount in previous period
Bank loans and overdraft interests	7,942,908.90	9,328,733.41
Other interests	1,981,850.15	1,752,500.00
– Other loan interests that shall be due and repaid within five years	1,981,850.15	1,752,500.00
– Other loan interests that shall be due and repaid after five years		
Interest of long-term employee benefits payable withdrawn according to the effective interest rate	681,804.93	1,383,832.17
Subtotal	10,606,563.98	12,465,065.58
Less: capitalized interests		
<b>Total</b>	<b>10,606,563.98</b>	<b>12,465,065.58</b>

#### (3) Details of interest incomes

Item	Amount in current period	Amount in previous period
Income from bank deposit interests	63,953.07	1,022,640.84

### 44. Other incomes

Sources of other incomes	Amount in current period	Amount in previous period
Transferring-in of deferred revenue	506,001.66	0.00

### 45. Investment incomes

Item	Amount in current period	Amount in previous period
Long-term equity investment incomes calculated at equity method	161,801.18	3,195,881.57

The investment incomes in the current period are all from listed investments of RMB259,306.20 and non-listed investments of RMB-97,505.02.

### 46. Credit impairment loss

Item	Amount in current period	Amount in previous period
Loss on bad debts of notes receivable	5,841,592.94	7,490,901.84
Loss on bad debts of other receivables	-26,207.01	156,631.82
<b>Total</b>	<b>5,815,385.93</b>	<b>7,647,533.66</b>

## SECTION 10 FINANCIAL REPORT

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

#### 47. Assets impairment losses

Item	Amount in current period	Amount in previous period
Inventory depreciation loss and contract performance cost impairment loss	10,183,520.45	5,153,782.49

#### 48. Non-operating revenue

##### (1) Details of non-operating revenue

Item	Amount in current period	Amount in previous period	Amount included in current non-recurring profits and losses
Gains from debt restructuring		423,181.50	
Government grants	632,066.00	1,816,557.00	632,066.00
Funds unnecessary to be paid	27,905.00	0.00	27,905.00
Revenue from breach indemnity	26,810.31	0.00	26,810.31
Others	296,758.01	232,765.18	296,758.01
<b>Total</b>	<b>983,539.32</b>	<b>2,472,503.68</b>	<b>983,539.32</b>

RMB983,539.32 is included in the current non-recurring profit and loss (previous period: RMB2,472,503.68).

##### (2) Details of government grants

Item	Amount in current period	Amount in previous period	Item	Assets-related/Revenue-related
Funds for supporting short-term export credit insurance premiums provided by Beijing Municipal Commission of Commerce	12,675.00	35,282.00	Application of Funds for Supporting Short-term Export Credit Insurance Premiums in Beijing Note of Appropriating Supporting Fund (second batch) of Zhongguancun International Innovation Resources in 2018	Revenue-related
Funding of Zhongguancun international innovation resources Beijing Agency of Patent Office of National Intellectual Property Administration, PRC	1,500.00		Notice on Declaring the 2019 Beijing Patent Grants Overview for low nitrogen transformation project of gas (oil) boiler	Revenue-related
Rewards for improvement of gas boiler	490,500.00	905,895.00	Government subsidies for "dual-autonomous" enterprises	Revenue-related
Government subsidies for "dual-autonomous" enterprises			Funds Management Methods for Guiding Energy-saving Development in Chaoyang District	Revenue-related
Award funds for energy conservation target assessment of Chaoyang District Commission of Development and Reform of Beijing Municipality		200,000.00	Notice on the Announcement of Evaluation Results of Subsidized Projects for the Development (Revision) of Technical Standards in Chaoyang District for the year 2018	Revenue-related
Subsidies for Technical Standards from the Science Technology Commission of Chaoyang District, Beijing, China		22,500.00	(CZW) [2016] No. 7: Detailed Rules for the Implementation of Patent Subsidy and Reward Measures in Chaoyang District	Revenue-related
Patent Award issued by the Science Technology Commission of Chaoyang District Beijing China		4,880.00		Revenue-related
Subsidies for employment of redundant employees from iron and steel enterprises with excessive manufacturing capacity		648,000.00	JRSJF [2016] No. 80	Revenue-related
<b>Total</b>	<b>632,066.00</b>	<b>1,816,557.00</b>	-	-

## SECTION 10 FINANCIAL REPORT

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

#### 49. Non-operating expenses

Item	Amount in current period	Amount in previous period	Amount included in non-recurring profits and losses in the current year
Losses from damage and scrapping of non-current assets	109,556.58	42,610.67	109,556.58
Including: loss from write-off and retirement of fixed assets	109,556.58	42,610.67	109,556.58
Liquidated damages, fines and overdue fines	0.00	45,250.00	0.00
Others	309,222.38	226,358.89	309,222.38
<b>Total</b>	<b>418,778.96</b>	<b>314,219.56</b>	<b>418,778.96</b>

RMB418,778.96 is included in the current non-recurring profit and loss (previous year: RMB314,219.56).

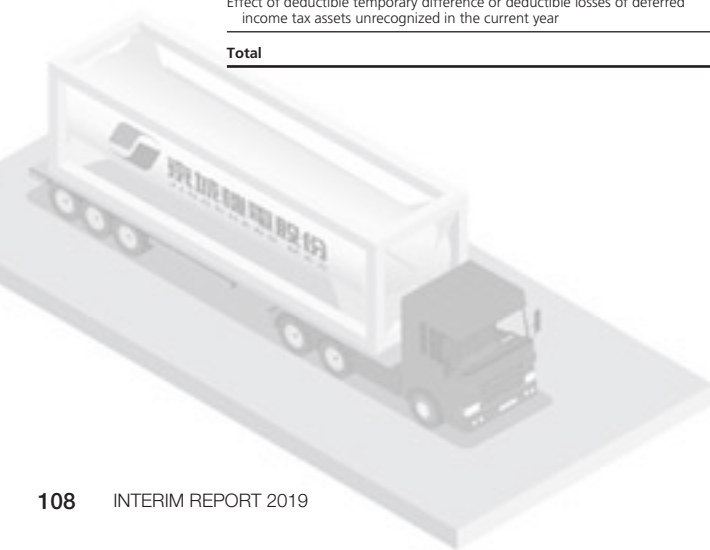
#### 50. Income tax expenses

##### (1) Income tax expenses

Item	Amount in the current period	Amount in the previous period
Income tax expense for the current period-corporate income tax	<b>1,658,063.72</b>	2,673,283.91
1. Mainland China corporate income tax	<b>587,510.28</b>	1,115,023.11
2. Hong Kong income tax		
3. Other regions (USA)	<b>1,070,553.44</b>	1,519,315.93
4. Over-measurement in the previous years (under-measurement)		38,944.87
Deferred income tax expenses	<b>-71,198.10</b>	
<b>Total</b>	<b>1,586,865.62</b>	2,673,283.91

##### (2) Adjustment process of accounting profits and tax expenses

Item	Amount in the current period	Amount in the previous period
Gross profits consolidated in the current year	<b>-46,939,611.12</b>	-38,451,221.17
Income taxes expense calculated at legal or applicable tax rate	<b>-11,734,902.78</b>	-9,612,805.29
Effect of different tax rates applicable to subsidiaries	<b>1,040,331.03</b>	2,199,483.15
Effect of adjustment of income tax in the previous period	<b>0.00</b>	38,944.87
Effect of costs, expenses and losses that cannot be deducted	<b>1,056,547.43</b>	916,742.22
Effect of using the deductible losses of unrecognized deferred income tax assets	<b>0.00</b>	0.00
Effect of deductible temporary difference or deductible losses of deferred income tax assets unrecognized in the current year	<b>11,224,889.94</b>	9,130,918.96
<b>Total</b>	<b>1,586,865.62</b>	2,673,283.91



## SECTION 10 FINANCIAL REPORT

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

#### 51. Other comprehensive income

See "VI. 32 Other Comprehensive Income" in the Notes for details.

#### 52. Depreciation and amortization

The depreciation/amortization recognized in the income statement is RMB32,790,632.12 in the current period (previous period: RMB29,466,498.40).

#### 53. Expenditures for operating lease

The expenditure for operating lease in the current period is RMB728,028.80 (previous period: RMB668,687.43), without expenditures for rents for industrial equipment and machinery.

#### 54. Rental income

The rental income from lands and buildings in the current period is RMB2,937,269.64.

#### 55. Items of cash flow statement

##### (1) Other cash receipts/payments related to operating/investing/financing activities

##### 1) Other cash received relating to operating activities

Item	Amount in current period	Amount in previous period
Margins, deposits and pretty cash recovered	2,118,076.23	461,121.03
Interest incomes	58,679.43	1,022,640.84
Government grants	2,002,066.00	1,816,557.00
Intercourse funds	9,838,079.23	2,064,330.36
Penalty	11,350.00	0.00
Others	1,038,542.33	77,111.15
<b>Total</b>	<b>15,066,793.22</b>	<b>5,441,760.38</b>

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

Item	Amount in current period	Amount in previous period
All expenses	21,979,467.62	17,808,985.96
Margin and deposit	2,275,563.25	1,078,016.67
Intercourse funds	6,123,596.85	1,833,632.31
Fees	61,804.12	0.00
Others	131,514.00	291,164.37
<b>Total</b>	<b>30,571,945.84</b>	<b>21,011,799.31</b>

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

Item	Amount in current period	Amount in previous period
Margins for notes	0.00	18,000,000.00

# SECTION 10 FINANCIAL REPORT

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

### 55. Items of cash flow statement (Continued)

#### (2) Supplementary information to consolidated cash flow statement

Item	Amount in the current period	Amount in the previous period
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	-48,526,476.74	-41,124,505.08
Add: provision for assets impairment	10,183,520.45	5,153,782.49
Credit impairment provision	5,815,385.93	7,647,533.66
Depreciation and amortization of investment properties	341,155.88	0.00
Depreciation of fixed assets	27,607,735.98	27,171,835.61
Amortization of intangible assets	2,497,950.46	2,294,662.79
Amortization of long-term deferred expenses	2,343,789.80	1,652,264.23
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")		
Losses on retirement of fixed assets (gains to be listed with "-")	109,556.58	42,610.67
Profits and losses of changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	10,542,610.91	13,601,195.20
Losses on investment (gains to be listed with "-")	-161,801.18	-3,195,881.57
Decrease on deferred income tax asset (increase to be listed with "-")	-71,198.10	0.00
Increase in deferred income tax liabilities (decrease to be listed with "-")	0.00	0.00
Decrease in inventory (increase to be listed with "-")	13,511,714.92	-65,480,626.07
Decrease in operating receivables (increase to be listed with "-")	-30,518,208.67	56,367,236.80
Increase in operating payables (decrease to be listed with "-")	21,622,286.57	23,275,403.13
Others		
Net cash flows from operating activities	15,298,022.79	27,405,511.86
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Translation of debt into capital		
Convertible company bonds due within one year		
Fixed assets acquired under finance leases		
<b>3. Net change in cash and cash equivalents:</b>		
Closing balance of cash	77,270,773.84	109,045,463.00
Less: opening balance of cash	46,662,121.34	76,867,503.16
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
<b>Net increase in cash and cash equivalents</b>	<b>30,608,652.50</b>	<b>32,177,959.84</b>

#### (3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	77,270,773.84	46,662,121.34
Including: cash on hand	138,073.67	92,197.03
Cash at bank available for payment at any time	77,132,700.16	46,569,924.31
Other current funds available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Including: bond investment due within three months	0.00	0.00
Closing balance of cash and cash equivalents	77,270,773.84	46,662,121.34
Including: cash and cash equivalents that the parent company or subsidiaries of the Group are limited to use	0.00	0.00

# SECTION 10 FINANCIAL REPORT

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

### 56. Assets with restricted ownership or use right

Item	Ending book value	Reasons
Cash at bank and on hand	2,553,000.00	L/C deposits
Fixed assets	247,455,366.13	Pledge for obtaining bank loans and bills
Intangible assets	68,013,669.58	Pledge for obtaining bank loans and bills
<b>Total</b>	<b>318,022,035.71</b>	-

### 57. Monetary items in foreign currency

#### (1) Monetary items for foreign currency

Item	Ending foreign currency balance	Exchange rate for translation	RMB balance converted at the end of period
Cash at bank and on hand	-	-	43,960,256.40
Including: USD	6,301,862.25	6.8747	43,323,412.41
EUR	78,990.16	7.8170	617,466.08
HKD	22,027.86	0.8797	19,377.91
Accounts receivable	-	-	51,510,841.10
Including: USD	7,226,510.42	6.8747	49,680,091.18
EUR	234,201.09	7.8170	1,830,749.92
Accounts payable	-	-	19,006,432.90
Including: USD	2,764,692.70	6.8747	19,006,432.90
Other payables	-	-	7,980.36
Including: USD	1,160.83	6.8747	7,980.36

#### (2) Oversea business entity

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 is registered in Hong Kong, with USD as the recording currency.

### 58. Government grants

#### (1) Basic information about government grants

Category	Amount incurred in the current period/ Ending balance	Item presented	Amount included in the current profits and losses
Revenue-related	632,066.00	Non-operating revenue	632,066.00
Assets-related	2,134,366.43	Deferred incomes	506,001.66
Revenue-related	807,092.27	Deferred incomes	0.00

#### (2) Refund of government grants

The Group has no refund of government grants in the current year

## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business combination not under common control

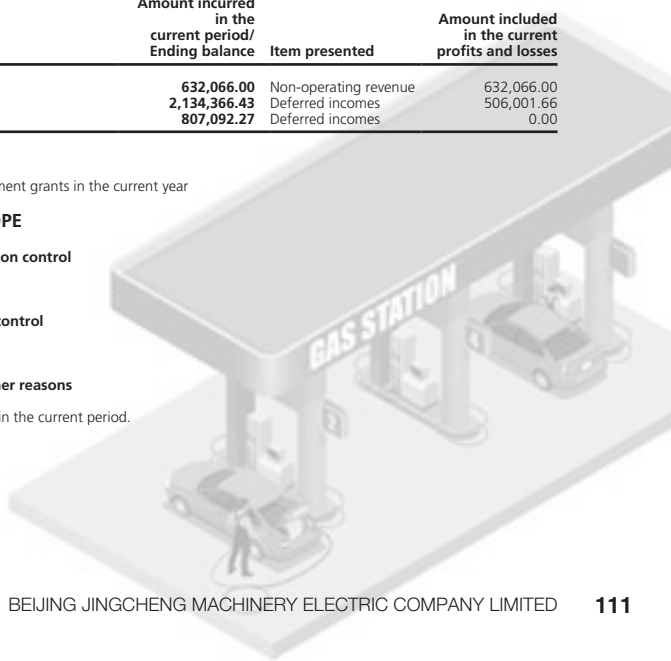
None.

### 2. Business combination under common control

None.

### 3. Changes in consolidation scope for other reasons

There is no change in consolidation scope in the current period.





# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

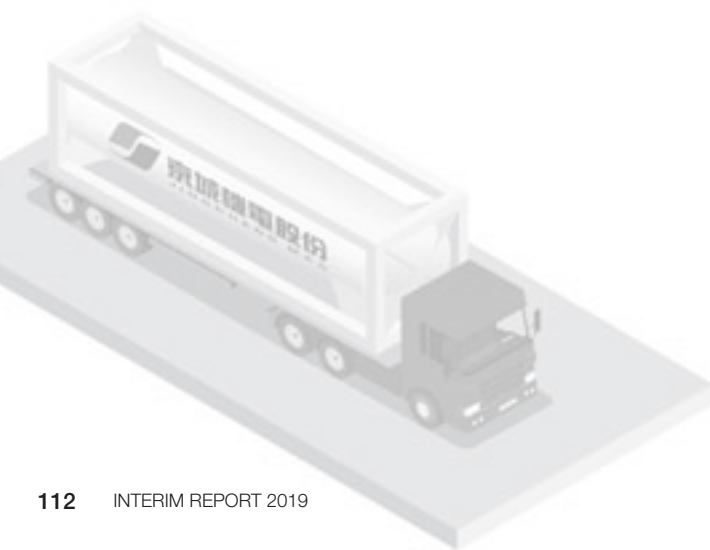
#### (1) Composition of the Group

Name of subsidiary	Principal place of business	Registration place	Nature of business
Beijing Tianhai Industry Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	Production
Tianjin Tianhai High Pressure Container Co., Ltd.	Tianjin Port Free Trade Zone	Tianjin Port Free Trade Zone	Production
Shanghai Tianhai Composite Cylinders Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai	Production
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	Production
Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	Production
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	Production
BTIC America Corporation	Houston, USA	Houston, USA	Sales
Kuancheng Tianhai Pressure Container Co., Ltd.	Chengde, Hebei	Chengde, Hebei	Production
Jingcheng Holding (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Trading and investment

(Continued)

Name of subsidiary	Registered capital	Shareholding proportion (%)		Acquisition method
		Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	USD 61,401,800	100.00		Business combination under common control
Tianjin Tianhai High Pressure Container Co., Ltd.	RMB225,578,400		55.00	Establishment
Shanghai Tianhai Composite Cylinders Co., Ltd.	USD 30,17,400		87.84	Business combination under common control
Beijing Tianhai Cryogenic Equipment Co., Ltd.	RMB40,000,000.00		75.00	Establishment
Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	RMB20,000,000.00		100.00	Business combination under common control
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	RMB545,225,228		38.51	Establishment
BTIC America Corporation	1,200 shares		51.00	Business combination not under common control
Kuancheng Tianhai Pressure Container Co., Ltd.	RMB81,584,000		61.10	Establishment
Jingcheng Holding (Hong Kong) Co., Ltd.	HKD 1,000	100.00		Business combination under common control

Note: On April 18, 2019, Beijing Pioneer Up Lifter Co., Ltd. was renamed as Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. Scope of business: manufacturing of special equipment for environmental protection; production and design of aerial work equipment; sale and maintenance of self-produced products; import and export of goods; and retail of cars, auto parts, mechanical equipment. (The enterprise shall independently choose the business items and carry out the business activities in accordance with the law; and shall carry out business activities upon approval of applicable departments with regard to the items operated upon approval according to the law; and the enterprise may not engage in any business activities prohibited and restricted by the industrial policies of this city.)



# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (2) Important non-wholly-owned subsidiaries

Name of subsidiary	Shareholding proportion of minority shareholders (%)	Profit and loss attributable to minority shareholders in current period	Dividends declared to be distributed to minority shareholders in current period	Ending balance of minority interest
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	61.49	-6,824,089.98		228,887,187.31
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	-2,675,201.83		-691,750.60
BTIC America Corporation	49.00	1,746,159.27		26,639,636.42
Shanghai Tianhai Composite Cylinders Co., Ltd.	12.16	205,765.94		5,939,810.97
Tianjin Tianhai High Pressure Container Co., Ltd.	45.00	-3,627,106.35		97,989,109.54
Kuancheng Tianhai Pressure Container Co., Ltd.	38.90	-1,933,093.60		24,521,004.39
<b>Total</b>	<b>-</b>	<b>-13,107,566.55</b>		<b>383,284,998.03</b>

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 of 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 Jinguofa 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 Jinguofa 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.

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

Name of subsidiary	Ending balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	165,022,033.95	453,009,955.80	618,031,989.75	245,581,218.66	3,251,807.32
Beijing Tianhai Cryogenic Equipment Co., Ltd.	133,459,171.18	68,642,776.59	202,101,947.77	204,868,950.13	204,868,950.13
BTIC America Corporation	64,970,712.78	189,169.19	65,159,881.97	10,793,277.01	10,793,277.01
Shanghai Tianhai Composite Cylinders Co., Ltd.	31,516,951.86	16,484,990.62	48,001,942.48	2,189,349.40	2,189,349.40
Tianjin Tianhai High Pressure Container Co., Ltd.	190,407,809.05	188,094,065.37	378,501,874.42	158,448,913.20	158,448,913.20
Kuancheng Tianhai Pressure Container Co., Ltd.	67,484,604.20	114,692,374.26	182,176,978.46	111,280,088.51	7,634,366.43

(Continued)

Name of subsidiary	Beginning balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	168,754,944.54	467,229,747.45	635,984,691.99	252,436,035.09	3,251,807.32
Beijing Tianhai Cryogenic Equipment Co., Ltd.	110,415,206.85	70,189,957.24	180,605,164.09	172,671,359.14	172,671,359.14
BTIC America Corporation	67,902,170.75	260,287.21	68,162,457.96	17,359,443.35	17,359,443.35
Shanghai Tianhai Composite Cylinders Co., Ltd.	30,111,868.21	16,707,265.45	46,819,133.66	2,698,694.70	2,698,694.70
Tianjin Tianhai High Pressure Container Co., Ltd.	180,094,179.14	191,772,750.15	371,866,929.29	143,753,731.73	143,753,731.73
Kuancheng Tianhai Pressure Container Co., Ltd.	55,095,331.98	115,902,236.49	170,997,568.47	90,485,284.58	12,280,368.09

# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

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

(Continued)

Name of subsidiary	Amount in current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	130,540,793.90	-14,345,518.46	-14,345,518.46	962,522.14
Beijing Tianhai Cryogenic Equipment Co., Ltd.	78,774,771.47	-10,700,807.31	-10,700,807.31	-1,700,712.70
BTC America Corporation	100,152,717.10	3,879,826.10	3,563,590.25	25,708,807.50
Shanghai Tianhai Composite Cylinders Co., Ltd.	19,845,471.66	1,692,154.12	1,692,154.12	-132,300.76
Tianjin Tianhai High Pressure Container Co., Ltd.	194,636,842.45	-8,060,236.34	-8,060,236.34	2,498,215.14
Kuancheng Tianhai Pressure Container Co., Ltd.	58,632,537.93	-4,969,392.28	-4,969,392.28	-14,998,197.22

(Continued)

Name of subsidiary	Amount in previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
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
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

### 2. Conditions for change in the owner's equity portion in the subsidiaries and the subsidiaries still being under control

None.

### 3. Interests in joint ventures or associated enterprises

#### (1) Joint ventures or associated enterprises

Name	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		51.00	Equity method
Jiangsu Tianhai Special Equipment Co., Ltd.	Zhenjiang, Jiangsu	Zhenjiang, Jiangsu	Production		35.00	Equity method
Beijing Bolken Energy Technology Inc.	Beijing	Beijing	Production		10.91	Equity method
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Beijing	Beijing	Leasing		49.00	Equity method

- 1) 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. Beijing Tianhai contributed RMB15,300,000 (51%) and Shandong Yongan Heli Steel Cylinder Co., Ltd. (hereinafter referred to as Yongan Heli) contributed RMB14,700,000 (49%). After capital increments, the registered capital of Shandong Tianhai was increased to RMB114,550,000, including RMB58,420,500 (51%) and RMB56,129,500 (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, 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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

#### (1) Joint ventures or associated enterprises (Continued)

- 2) Bolken Energy was established in March 2005 with a registered capital of RMB63 million. On July 29, 2015, it was listed on National Equities Exchange and Quotations, with the code of 833077. On August 15, 2018, Aerospace Science and Technology listed its shareholding in Beacon Energy's 10.91% equity (6,876,000 shares) for transfer. Beijing Tianhai received the equity mentioned above by the mode of transfer agreement on September 06, 2018, and paid the full price on October 30. The equity change registration was completed at China Securities Depository and Clearing Corporation Limited on November 07, 2018, as well as procedures for industrial and commercial registration of changes on February 22, 2019.

Beijing Tianhai sent delegates in the Bolken Energy Board of Directors on December 07, 2018, and participated in making financial and business policies of Bolken Energy to exert significant influence on it and used the equity method to account.

- 3) The registered capital of Jingcheng Haitong was RMB80 million. Beijing Tianhai subscribed RMB39.20 million in cash, holding 49% of the shares, and the subscription date is before September 01, 2021. Beijing Neutron Leasing Co., Ltd. subscribed RMB40.80 million in cash, holding 51% of the shares. The subscription date was October 15, 2018 for RMB20.40 million, and March 01, 2019 for RMB20.10 million. Up to the date of the report, Beijing Neutron Leasing Co., Ltd. has already fulfilled all its capital contribution obligations.

Article 5.5 of the Jingcheng Haitong Shareholders' Cooperation Agreement stipulates: "In the event of losses at the initial stage of the establishment and operation of the Company, the parties shall bear the losses according to their respective equity proportions" and "the shareholders shall distribute the profits made by the Company according to the equity proportions". Beijing Tianhai confirmed the long-term equity investments and long-term payables on the basis of the subscribed capital for commitments, and that it shall enjoy the net profit of Jingcheng Haitong according to the proportion of the shareholding.

#### (2) Main financial information of important joint ventures

<b>Shandong Tianhai</b>	<b>Ending balance/ Amount incurred in current period</b>	Beginning balance/ amount in the previous period
Current assets	<b>127,841,994.36</b>	125,108,151.40
Including: cash and cash equivalents	<b>13,588,467.49</b>	3,701,153.41
Non-current assets	<b>119,382,314.61</b>	120,047,456.14
Total assets	<b>247,224,308.97</b>	245,155,607.54
Current liabilities	<b>134,060,961.10</b>	131,704,324.84
Non-current liabilities		
Total liabilities	<b>134,060,961.10</b>	131,704,324.84
Minority interest		
Equity attributable to shareholders of the parent company	<b>113,163,347.87</b>	113,451,282.70
Net assets share calculated at shareholding proportion	<b>57,713,307.42</b>	57,860,154.18
Adjustments	<b>-3,731,826.66</b>	-5,290,078.43
– Goodwill		
– Unrealized profit of internal transaction	<b>-3,731,826.66</b>	-5,290,078.43
– Others		
Book value of equity investment to joint ventures	<b>53,981,480.76</b>	52,570,075.75
Fair value of joint venture equity investments with public offer		
Operating revenue	<b>503,466,202.10</b>	352,670,468.29
Financial expenses	<b>1,328,141.08</b>	1,132,214.49
Income tax expenses		
Net profit	<b>2,767,460.81</b>	2,617,777.82
Total comprehensive income	<b>2,767,460.81</b>	2,617,777.82
Dividends received from joint ventures of the current year		

# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

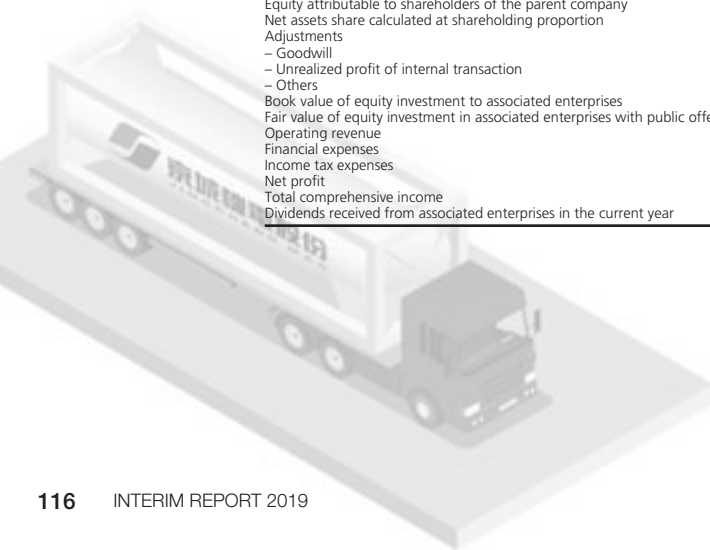
#### (3) Main financial information of important associated enterprises

##### 1) Jiangsu Tianhai (associated enterprise)

Item	Ending balance/ Amount incurred in current period	Beginning balance/ amount in the previous period
Current assets	46,164,228.75	43,058,277.20
Including: cash and cash equivalents	17,444,796.99	6,877,818.99
Non-current assets	77,519,671.29	79,138,310.35
Total assets	123,683,900.04	122,196,587.55
Current liabilities	27,692,785.68	29,520,895.97
Non-current liabilities		400,000.00
Total liabilities	27,692,785.68	29,920,895.97
Minority interest		
Equity attributable to shareholders of the parent company	95,991,114.36	92,275,691.58
Net assets share calculated at shareholding proportion	33,596,890.02	32,296,492.05
Adjustments	-6,853,958.40	-6,716,680.41
– Goodwill		
– Unrealized profit of internal transaction	-6,853,958.40	-6,594,918.64
– Others		-121,761.77
Book value of equity investment to associated enterprises	26,742,931.62	25,579,811.64
Fair value of equity investment in associated enterprises with public offer		
Operating revenue	54,661,838.44	47,004,191.97
Financial expenses	151,749.41	53,144.86
Income tax expenses		29,685.18
Net profit	3,323,199.93	3,876,166.91
Total comprehensive income	3,323,199.93	3,876,166.91
Dividends received from associated enterprises in the current year		

##### 2) Jingcheng Haitong (associated enterprise)

Item	Ending balance/ Amount incurred in current period	Beginning balance/ amount in the previous period
Current assets	19,537,436.24	
Including: cash and cash equivalents	13,497,875.00	
Non-current assets	15,598,599.70	
Total assets	35,136,035.94	
Current liabilities	16,164,349.00	
Non-current liabilities		
Total liabilities	16,164,349.00	
Minority interest		
Equity attributable to shareholders of the parent company	18,971,686.94	
Net assets share calculated at shareholding proportion	9,296,126.64	
Adjustments	16,617,357.12	
– Goodwill		
– Unrealized profit of internal transaction		
– Others	16,617,357.12	
Book value of equity investment to associated enterprises	25,913,483.76	
Fair value of equity investment in associated enterprises with public offer		
Operating revenue	12,556.58	
Financial expenses	10,715.19	
Income tax expenses		
Net profit	-5,453,122.47	
Total comprehensive income	-5,453,122.47	
Dividends received from associated enterprises in the current year		



# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

#### (4) Summary of financial information of unimportant associated enterprises

Item	Ending balance/ Amount incurred in current period	Beginning balance/ amount in the previous period
<b>Associated enterprise:</b>		
Total book value of investment	<b>18,422,854.43</b>	
Total amount of following items according to shareholding proportion		
– Net profit	<b>2,376,775.42</b>	
– Total comprehensive income	<b>2,376,775.42</b>	

- (5) The Group does not have any significant restrictions on the ability of joint venture and associated enterprise to transfer funds to the Company.
- (6) The Group does not have any excess loss for associated enterprise.
- (7) The Group does not have any unconfirmed commitments related to joint venture investment.
- (8) The Group does not have contingent liabilities related to investment in joint ventures or associated enterprises.

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Group include loans, receivables, payables, etc; refer to Note VI for detailed information of all financial instruments. 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 and Jingcheng Holding (Hong Kong) Co., Ltd., the subsidiaries of the Company that uses USD to purchase and sell, other main business activities of the Group are priced and settled in RMB. On June 30, 2019, except balances expressed at USD, EUR, KHD and GBP of the assets and liabilities mentioned below, the balances of assets and liabilities of the Group are expressed at RMB. Foreign exchange risk of assets and liabilities of such foreign currency balances might influence the business performance of the Group.

Item	Ending amount		Beginning amount	
	Original currency	Equivalent to RMB	Original currency	Equivalent to RMB
<b>Cash at bank and on hand</b>	–	<b>43,960,256.40</b>	–	15,511,559.84
USD	<b>6,301,862.25</b>	<b>43,323,412.41</b>	2,256,508.49	15,486,869.07
EUR	<b>78,990.16</b>	<b>617,466.08</b>	686.21	5,384.90
HKD	<b>22,027.86</b>	<b>19,377.91</b>	22,033.63	19,305.87
<b>Accounts receivable</b>	–	<b>51,510,841.10</b>	–	26,559,259.55
USD	<b>7,226,510.42</b>	<b>49,680,091.18</b>	3,705,433.70	25,431,132.57
EUR	<b>234,201.09</b>	<b>1,830,749.92</b>	143,759.89	1,128,126.98
<b>Advances to suppliers</b>	–	<b>8,975,644.52</b>	–	6,996,267.27
USD	<b>1,305,604.56</b>	<b>8,975,639.97</b>	950,230.00	6,521,618.54
EUR	<b>0.62</b>	<b>4.85</b>	60,485.61	474,648.73
<b>Accounts payable</b>	–	<b>19,006,432.90</b>	–	21,424,456.19
USD	<b>2,764,692.70</b>	<b>19,006,432.90</b>	3,121,637.07	21,424,419.54
EUR	–	–	4.67	36.65
<b>Advances from customers</b>	–	<b>4,854,887.63</b>	–	22,521,389.53
USD	<b>706,196.29</b>	<b>4,854,887.63</b>	3,259,483.53	22,370,487.36
EUR	–	–	19,229.82	150,902.17
<b>Other payables</b>	–	<b>7,980.36</b>	–	7,967.01
USD	<b>1,160.83</b>	<b>7,980.36</b>	1,160.83	7,967.01

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

# SECTION 10 FINANCIAL REPORT

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

### 1. Risk management objectives and policies (Continued)

#### (1) Market risk (Continued)

##### 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.

#### (2) Credit risk

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

In order to reduce credit risk, the Company organized a group to control credit line, conduct credit approval and other supervision procedures to ensure to adopt necessary measures to recover overdue creditor's rights. Besides, the Group reviews the recovery situation of each single receivable on each balance sheet date, to ensure drawing of sufficient bad debt provision 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, 7.41% (12.07% for the previous year) and 30.85% (30.23% for the previous year) 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 year. At the end of this year, Shaanxi Heavy Duty Automobile Co., Ltd, the biggest client for the account receivable balance, has been a high quality company and established a long-term cooperative relationship with the Group. Thus, the Group has no significant credit risk.

The top five receivables total to RMB95,962,689.98.

#### (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, 2019, the unused bank borrowing limit of the Group was RMB52,350,000 (RMB80,802,000 as at December 31, 2018) 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, 2019

Item	Within one year	1-2 years	2-5 years	More than five years	Total
<b>Financial assets</b>					
Cash at bank and on hand	79,823,773.84				79,823,773.84
Notes receivable	18,363,421.77				18,363,421.77
Accounts receivable	311,017,512.51				311,017,512.51
Other receivables	25,968,409.64				25,968,409.64
<b>Financial liabilities</b>					
Short-term borrowings	358,464,154.25				358,464,154.25
Accounts payable	287,241,821.10				287,241,821.10
Other payables	41,914,440.65				41,914,440.65
Employee benefits payable	20,955,838.82				20,955,838.82
Current portion of non-current liabilities	20,000,000.00				20,000,000.00
Long-term payables	103,900,000.00		39,200,000.00		143,100,000.00
Long-term borrowings		5,500,000.00			5,500,000.00

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) Relationship of related parties

#### 1. Controlling shareholder and ultimate controlling party

##### (1) Controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controlling party	Registration place	Nature of business	Registered capital	Shareholding proportion (%) to the Company	Proportion (%) of voting right to the Company
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Chaoyang District, Beijing	State-owned assets	RMB2,044,687,100	43.30	43.30

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

Controlling shareholder	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	204,468.71	0.00	0.00	204,468.71

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

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

#### 2. Subsidiaries

For details of subsidiaries, please refer to contents of “VIII. 1. (1) Composition of the Group” in the Notes.

#### 3. Joint ventures and associated enterprises

For details of important joint ventures or associated enterprises of the Company, please refer to contents of “VIII. 3. (1) Important joint ventures or associated enterprises” in the Notes. The information of other joint ventures or associated enterprises which produced balance for conducting related-party transaction with the Company in this year or in the earlier period is shown as follows:

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
Beijing Bolken Energy Technology Inc.	Associated enterprise
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Associated enterprise

#### 4. Other related parties

Name of other related parties	Relationship with the Company
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Other enterprises under the control of the same controlling shareholder and ultimate controller
Beijing First Machine Tool Plant	Other enterprises under the control of the same controlling shareholder and ultimate controller
Beijing Jingcheng Industrial Logistics Co., Ltd.	Other enterprises under the control of the same controlling shareholder and ultimate controller
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Related party of minority shareholders of subsidiary
Tianjin TPCO Investment Co., Ltd.	Minority shareholders of the subsidiary
Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	Minority shareholders of the subsidiary



# SECTION 10 FINANCIAL REPORT

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

### (II) Related party transaction

#### 1. Related party transactions of purchasing or selling goods and rendering or receiving services

##### (1) Purchasing goods/receiving services

Related party	Content of related transactions	Amount in current period	Amount in previous period
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Purchasing goods	42,861,450.13	49,254,460.16
Shandong Tianhai High Pressure Container Co., Ltd.	Purchasing goods/receiving services	424,655.19	794,632.96
Jiangsu Tianhai Special Equipment Co., Ltd.	Purchasing goods	28,947,168.26	7,385,168.37
<b>Total</b>	–	<b>72,233,273.58</b>	57,434,261.49

##### (2) Selling goods/rendering services

Related party	Content of related transactions	Amount in current period	Amount in previous period
Jiangsu Tianhai Special Equipment Co., Ltd.	Sale of goods	21,512,335.25	9,482,063.60
Shandong Tianhai High Pressure Container Co., Ltd.	Selling goods/rendering services	43,103.45	0.00
<b>Total</b>	–	<b>21,555,438.70</b>	9,482,063.60

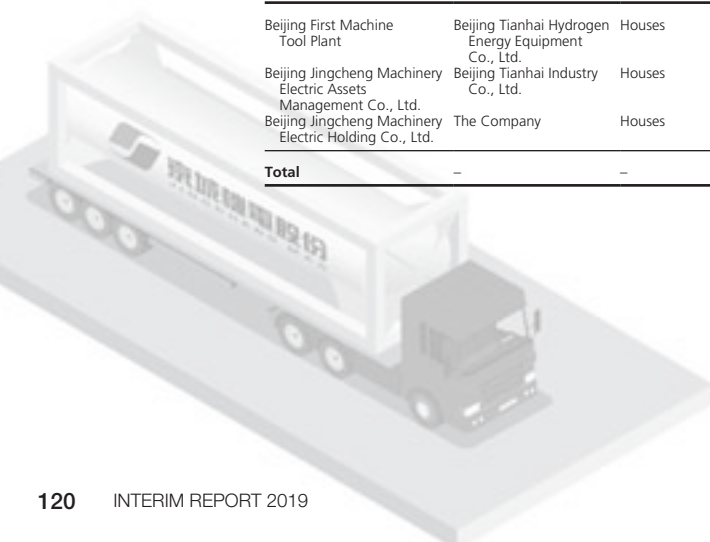
#### 2. Related lease

##### (1) Lease

Name of lessor	Name of lessee	Type of leasing assets	Leasing income recognized in the current period	Lease income recognized in the previous period
Beijing Tianhai Industry Co., Ltd.	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Land and buildings	2,937,269.64	–

##### (2) Leasing conditions

Name of lessor	Name of lessee	Type of leasing assets	Rental fees recognized in current period	Rental fees recognized in previous period
Beijing First Machine Tool Plant	Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	Houses	160,000.00	90,000.00
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Houses		300,000.00
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	The Company	Houses	271,925.00	
<b>Total</b>	–	–	<b>431,925.00</b>	390,000.00



## SECTION 10 FINANCIAL REPORT

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

#### (II) Related party transaction (Continued)

##### 3. Related party guarantees

Guarantor	Name of the guaranteed	Guaranteed amount	Start date	Due date	Has the guarantee been fulfilled
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2017-1-16	2020-1-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	25,000,000.00	2017-4-12	2020-4-12	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	50,000,000.00	2017-5-16	2020-5-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2017-5-11	2020-5-10	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2018-1-8	2020-12-5	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2018-1-17	2020-12-5	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	28,000,000.00	2018-4-13	2020-10-18	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2018-5-10	2021-5-10	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2018-5-23	2021-5-23	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2018-6-22	2021-6-22	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2018-10-10	2021-10-10	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	28,000,000.00	2018-10-23	2021-10-23	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2018-11-16	2021-11-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	The Company	50,000,000.00	2017-7-5	2020-7-4	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	10,000,000.00	2019-4-16	2022-4-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2019-4-26	2022-4-26	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2019-6-11	2022-6-11	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2019-6-25	2022-6-25	No

##### 4. Capital lending between related parties

Name of related party	Borrowing/lending	Amount of lending/borrowing	Start date	Due date	Remarks
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	25,000,000.00	2018-10-26	2019-10-25	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	2018-9-3	2019-9-2	-

##### 5. 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)	<b>1,134,972.22</b>	1,752,500.00

##### 6. Remuneration of key management personnel

Item name	Amount in the current period	Amount in the previous period
Total compensation	<b>3,266,137.20</b>	3,383,960.16

##### 7. Continuing related party transactions

See relevant contents of "X.Related parties and related party transactions" in the Notes for details.

## SECTION 10 FINANCIAL REPORT

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

#### (III) Balance of intercourse funds among related parties

##### 1. Receivables

Item name	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	1,634,879.37	116,049.20	3,148,701.47	35,029.34
Other receivables	Shandong Tianhai High Pressure Container Co., Ltd.	211,953.48	169.56	1,835,922.23	10,753.93
	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	9,320,608.21	22,134.24	5,402,186.13	4,321.75
	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	38,400.00	30.72		
	Jiangsu Tianhai Special Equipment Co., Ltd.	168,283.81	134.63	1,214,221.11	15,110.41
Advances to suppliers	Tianjin Steel Pipe & Steel Trading Co., Ltd.			7,711,724.37	
	Shandong Tianhai High Pressure Container Co., Ltd.	528,100.19		664,630.19	
	Jiangsu Tianhai Special Equipment Co., Ltd.			1,644,399.33	
Dividends receivable	Shandong Tianhai High Pressure Container Co., Ltd.	6,075,169.12		6,075,169.12	

##### 2. Payables

Item name	Related party	Ending balance	Beginning balance
Accounts payable	Beijing Jingcheng Industrial Logistics Co., Ltd.	902,227.27	902,227.27
	Jiangsu Tianhai Special Equipment Co., Ltd.	9,691,461.39	725,317.28
	Tianjin Steel Pipe & Steel Trading Co., Ltd.	8,351,303.21	
	Tianjin TPCO Investment Co., Ltd.	2,590,165.89	2,590,165.89
Contractual liabilities	Jiangsu Tianhai Special Equipment Co., Ltd.	1,153,030.07	100,000.00
Other payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	53,863,082.67	52,233,297.95
	Beijing First Machine Tool Plant	577,359.09	487,359.09
	Tianjin TPCO Investment Co., Ltd.	1,704,203.53	1,704,203.53
Special payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	114,900,000.00	114,900,000.00
Long-term payables	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	39,200,000.00	39,200,000.00



# SECTION 10 FINANCIAL REPORT

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

### (IV) Commitment of related parties

The registered capital of Jingcheng Haitong, an associated enterprise of Beijing Tianhai (the Company's subsidiary), was RMB80 million. Beijing Tianhai subscribed RMB39.20 million in cash, holding 49% of the shares, and the subscription date is before September 01, 2021.

### (V) Director, supervisor and employee compensation

#### 1. The detailed compensation of directors and supervisors are shown as follows

Item	Salary and allowance	Contribution to retirement fund plan	Bonus	Share-based payment	Total
<b>Amount in current period</b>					
<b>Executive director</b>					
Wang Jun	154,402.00	33,851.40	0.00	0.00	188,253.40
Li Junjie	110,000.00	33,851.40	54,998.00	0.00	198,849.40
Zhang Jiheng	110,000.00	33,851.40	54,998.00	0.00	198,849.40
<b>Non-executive director</b>					
Xia Zhonghua	207,519.00	33,851.40	137,565.00	0.00	378,935.40
Jin Chunyu	159,345.00	33,851.40	0.00	0.00	193,196.40
Li Chunzhi	98,778.00	30,874.98	57,400.00	0.00	187,052.98
Du Yuexi	278,806.00	28,209.50	300,000.00	0.00	607,015.50
<b>Independent non-executive director</b>					
Wu Yan	0.00	0.00	0.00	0.00	0.00
Liu Ning	0.00	0.00	0.00	0.00	0.00
Yang Xiaohui	0.00	0.00	0.00	0.00	0.00
Fan Yong	0.00	0.00	0.00	0.00	0.00
<b>Supervisor</b>					
Li Gejun	0.00	0.00	0.00	0.00	0.00
Miao Junhong	111,244.00	22,567.60	0.00	0.00	133,811.60
Li Zhe	99,000.00	33,851.40	49,500.00	0.00	182,351.40
Liu Guangling	55,000.00	33,851.40	39,063.00	0.00	127,914.40
<b>Total</b>	<b>1,384,094.00</b>	<b>318,611.88</b>	<b>693,524.00</b>	<b>0.00</b>	<b>2,396,229.88</b>
<b>Amount in previous period</b>					
<b>Executive director</b>					
Wang Jun	145,831.00	30,810.24	108,000.00	0.00	284,641.24
Li Junjie	110,000.00	30,810.24	77,398.00	0.00	218,208.24
Zhang Jiheng	110,000.00	30,810.24	73,961.00	0.00	214,771.24
<b>Non-executive director</b>					
Xia Zhonghua	149,568.00	30,810.24	108,000.00	0.00	288,378.24
Jin Chunyu	102,988.00	30,810.24	107,338.00	0.00	241,136.24
Li Chunzhi	90,344.00	20,797.80	87,630.00	0.00	198,771.80
Du Yuexi	105,600.00	30,810.24	416,271.00	0.00	552,681.24
<b>Independent non-executive director</b>					
Wu Yan	0.00	0.00	0.00	0.00	0.00
Liu Ning	0.00	0.00	0.00	0.00	0.00
Yang Xiaohui	0.00	0.00	0.00	0.00	0.00
Fan Yong	0.00	0.00	0.00	0.00	0.00
<b>Supervisor</b>					
Li Gejun	94,030.00	30,810.24	76,194.00	0.00	201,034.24
Li Zhe	99,000.00	30,810.24	56,876.00	0.00	186,686.24
Liu Guangling	54,899.00	30,810.24	56,987.00	0.00	142,696.24
<b>Total</b>	<b>1,062,260.00</b>	<b>298,089.96</b>	<b>1,168,655.00</b>	<b>0.00</b>	<b>2,529,004.96</b>

## SECTION 10 FINANCIAL REPORT

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

#### (V) Director, supervisor and employee compensation (Continued)

##### 2. Five persons with the highest compensation

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

Scope of compensation:

Item	Number of people for the current period	Number of people for the previous period
Within HKD 1,000,000	5	5
HKD 1,000,001 to HKD 1,500,000		
HKD 1,500,001 to HKD 2,000,000		
HKD 2,000,001 to HKD 2,500,000		

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

##### 4. Compensation for key managers

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

Item	Amount in current period	Amount in previous period
Salary and allowance	1,833,094.00	1,500,260.00
Contribution to retirement fund plan	477,091.20	452,141.16
Bonus	955,952.00	1,431,559.00
Total	3,266,137.20	3,383,960.16

#### (VI) Borrowings receivable from directors/director related enterprises

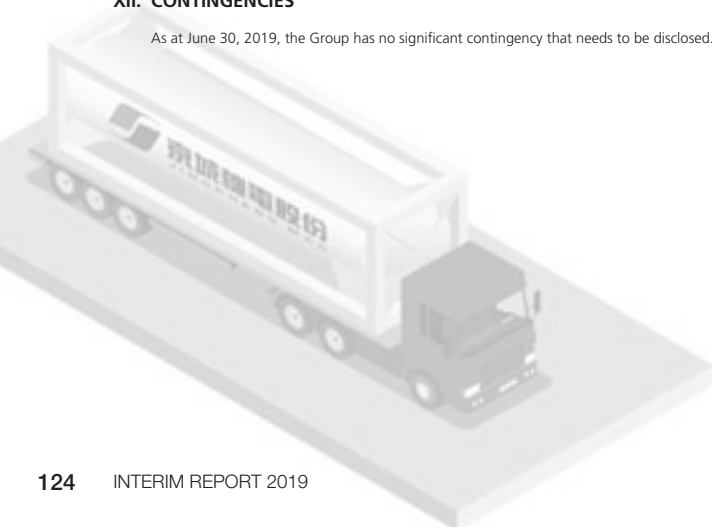
1. The Group does not have any Director/Director Related Enterprise borrowings receivable.
2. The Group does not have any Director/Director Related Enterprise borrowings for providing guarantee.

### XI. SHARE-BASED PAYMENT

The Group has no share-based payment as of June 30, 2019.

### XII. CONTINGENCIES

As at June 30, 2019, the Group has no significant contingency that needs to be disclosed.



# SECTION 10 FINANCIAL REPORT

## XIII. COMMITMENTS

### 1. Significant commitments

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

As at June 30, 2019, the Group, as the lessee, shall bear the summarized minimum rent payable in future in the following period required for the irrevocable operating lease:

Period	Amount in the current period	Amount in the previous period
Within one year T+1 years	543,850.00	
1-2 years T+2 years		
2-3 years T+3 years		
After three years		
<b>Total</b>	<b>543,850.00</b>	

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

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

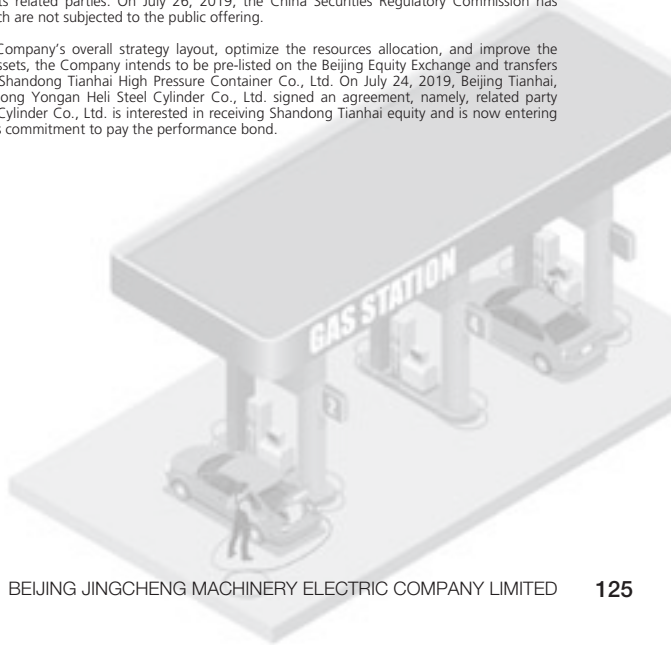
### 1. Paid amount after the balance sheet date

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.

## XV. OTHER SIGNIFICANT MATTERS

- To further optimize the capital structure, seize market opportunities, and enhance sustained profitability and ability to withstand risks, the Company planned the non-public placement of A-shares. The number of non-public placement of A-shares was determined by the proceeds divided by the issue price, and no more than 20% of the total capital stock of the Company before the issuance, i.e., 84,400,000 shares. The final issuance number was the number of issuance approved by China Securities Regulatory Commission. The proceeds from non-public placement of A-shares will be used for the Company's four-type bottle project, hydrogen energy research and development projects, supplementary liquidity and debt repayment, etc. The non-public placement for this time covers not more than 10 specific targets, including the controlling shareholder of the Company-Beijing Jingcheng Machinery Electric Holding Co., Ltd. or its related parties. On July 26, 2019, the China Securities Regulatory Commission has accepted the information on A shares which are not subjected to the public offering.
- To promote the implementation of the Company's overall strategy layout, optimize the resources allocation, and improve the operational efficiency of the Company's assets, the Company intends to be pre-listed on the Beijing Equity Exchange and transfers 51% holding shares of the joint venture-Shandong Tianhai High Pressure Container Co., Ltd. On July 24, 2019, Beijing Tianhai, a subsidiary of the Company, and Shandong Yongan Heli Steel Cylinder Co., Ltd. signed an agreement, namely, related party transaction. Shandong Yongan Heli Steel Cylinder Co., Ltd. is interested in receiving Shandong Tianhai equity and is now entering into an agreement on the application of its commitment to pay the performance bond.



# SECTION 10 FINANCIAL REPORT

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

### 1. Other receivables

Item	Ending balance	Beginning balance
Interest receivable	25,525,146.14	27,691,396.14
Other receivables	345,700,000.00	345,700,000.00
<b>Total</b>	<b>371,225,146.14</b>	<b>373,391,396.14</b>

#### 1.1. Interest receivable

##### (1) Classification

Item	Ending balance	Beginning balance
Interest on borrowings between affiliates	25,525,146.14	27,691,396.14

##### (2) No significant overdue interest at the end of the year

##### (3) Provision for bad debts of interest receivable

Interests receivable for the year were received from related parties for borrowings within the scope of consolidation, no credit impairment occurred, and no provision for bad debts was made.

#### 1.2 Other receivables

Item name	Ending balance	Beginning balance
Other receivables	345,700,000.00	345,700,000.00
Less: bad debt provision	0.00	0.00
<b>Net amount</b>	<b>345,700,000.00</b>	<b>345,700,000.00</b>

##### (1) Classification of other receivables by nature

Nature of amount	Ending book balance	Beginning book balance
Concerned borrowings	340,000,000.00	340,000,000.00
Concerned intercourse funds	5,700,000.00	5,700,000.00
<b>Total</b>	<b>345,700,000.00</b>	<b>345,700,000.00</b>

##### (2) Provision for bad debts of other receivables

Other receivables for the year were borrowings from related parties within the scope of consolidation, no credit impairment occurred, and no provision for bad debts was made.

##### (3) Presentation of other receivables as per aging

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)		2,700,000.00
1-2 years	2,700,000.00	3,000,000.00
2-3 years	3,000,000.00	
Over 3 years	340,000,000.00	340,000,000.00
Including: 3-4 years		
4-5 years	340,000,000.00	
Over 5 years	340,000,000.00	
<b>Total</b>	<b>345,700,000.00</b>	<b>345,700,000.00</b>

##### (4) Other receivables actually written off in this year

# SECTION 10 FINANCIAL REPORT

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

### 1. Other receivables (Continued)

#### 1.2 Other receivables (Continued)

##### (5) Other receivables collected as per the borrowers

Company name	Nature of amount	Ending balance	Aging	Proportion in total closing balance of other receivables (%)	Ending balance of bad debt provision
Beijing Tianhai Industry Co., Ltd.	Concerned borrowings	340,000,000.00	Over 5 years	98.35	0.00
Beijing Tianhai Industry Co., Ltd.	Intercourse funds among related parties	5,700,000.00	1-3 years	1.65	0.00
<b>Total</b>	—	<b>345,700,000.00</b>	—	<b>100.00</b>	<b>0.00</b>

(6) Accounts receivable of the Company in current year without involvement of government subsidies.

(7) No other receivables derecognized due to transfer of financial assets at the end of the year.

(8) No assets and liabilities formed by transfer of other receivables and continuous involvement at the end of the year.

### 2. Long-term equity investments

#### (1) Classification

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	<b>694,842,724.41</b>		<b>694,842,724.41</b>	694,842,724.41		694,842,724.41

#### (2) Investment in subsidiaries

Investees	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for depreciation reserves in the current period	Ending balance of impairment provision
Beijing Tianhai Industry Co., Ltd.	552,798,696.31			<b>552,798,696.31</b>		
Jingcheng Holding (Hong Kong) Co., Ltd.	142,044,028.10			<b>142,044,028.10</b>		
<b>Total</b>	694,842,724.41			<b>694,842,724.41</b>		

#### (3) Analysis of long-term equity investments

Item	Ending amount	Beginning amount
<b>Listed</b>		
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Subtotal		
<b>Unlisted</b>	<b>694,842,724.41</b>	694,842,724.41
<b>Total</b>	<b>694,842,724.41</b>	694,842,724.41



# SECTION 10 FINANCIAL REPORT

## VII. APPROVAL OF FINANCIAL REPORT

The financial report is released after being approved by Board of Directors of the Company on August 09, 2019.

### Supplementary Information to Financial Statements

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

- (1) In accordance with the *Explanatory Announcement of China Securities Regulatory Commission on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss (2008)*, semi-annual non-recurring profit and loss of the Group for 2019 is stated as following:

Item	Amount in the current period	Description
Profits and losses from disposal of non-current assets	-109,556.58	VI. 49
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document		
Government grants included in current profits and losses (exclusive of those which are closely related with the enterprise business or granted according to national standard fixed rate or quantity)	1,138,067.66	VI. 44 and 48
Fund possession cost levied on non-financial enterprises and included in the current profits and losses		
Income arising from the fair value of net identifiable assets of the investee the enterprise should enjoy when the cost of investment it acquired from the subsidiary, affiliated enterprise and joint venture was less than the investment it obtained		
Profit or loss from exchange of non-monetary assets exchange		
Profit and loss on the assets by entrusting others to invest or manage		
Provisions for asset impairment accrued due to force majeure (e.g. natural disasters)		
Profit and loss from debt restructuring		
Enterprise restructuring charges, such as the staffing expenditure and integrating expenses		
Profit or loss of the part exceeding the fair value arising from the transaction with the bargain price losing fair		
Net profit or loss of subsidiaries under common control from period-begin till combination date		
Profits and losses from contingencies unrelated to normal operations		
In addition to the effective hedging business related to the normal business of the Company, profit and loss from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment gains from disposal of transactional financial assets, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debts.		
Reversal of depreciation reserves of receivables and contractual assets under independent impairment test	180,000.00	VI. 46
Profit or loss from externally entrusted loans		
Profit or loss arising from changes in the fair value of investment property by using the fair value model for subsequent measurement		
Influence on current profit or loss for once adjustment of current profit and loss as required by the relevant taxation or accounting laws and regulations		
Trustee fee income achieved from the entrusted operation		
Non-operating revenue and expense other than the above mentioned	42,250.94	
Other profit/loss items conforming to definition of the non-recurring profit and loss		
Subtotal	1,250,762.02	
Affected amount of income tax	87.50	
Affected amount of minority interest(after tax)	515,309.55	
<b>Total</b>	<b>735,364.97</b>	

# SECTION 10 FINANCIAL REPORT

## VII. APPROVAL OF FINANCIAL REPORT (CONTINUED)

### 2. Return on net assets and earnings per share

Based on the provisions in *Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010)* issued by China Securities Regulatory Commission, the weighted average return on equity, basic earnings per share, and diluted earnings per share for the Group are listed below:

Profit for the reporting period	Weighted average return		Earnings per share			
	on equity (%)		Basic earnings per share		Diluted earnings per share	
	(January – December 2019)	(January – December 2018)	(January – December 2019)	(January – December 2018)	(January – December 2019)	(January – December 2018)
Net profits attributable to shareholders of parent company	-7.92	-5.12	-0.08	-0.07	-0.08	-0.07
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	-8.09	-5.37	-0.09	-0.07	-0.09	-0.07

According to Article XIII of the Accounting Standards for Business Enterprises No. 34-Earnings Per Share, the profit and loss of the previous year shall be retrospectively adjusted in accordance with the provisions of the Accounting Standards for Business Enterprises No. 28-Changes in Accounting Policies and Accounting Estimates and Correction of Errors. If the restatement is retrospective, the earnings per share for each reporting period should be recalculated. For relevant items in the financial statements at the beginning of the year upon first implementation of the new financial instrument standards or the adjustment of the new revenue standards, previous year's profit and loss have not been retroactively adjusted, and it is not necessary to recalculate the earnings per share during the comparison period.

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

#### (1) Turnover

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

Item	Amount in the current period	Amount in the previous period
Seamless steel gas cylinder	233,574,260.28	128,041,670.04
Full-wrapped cylinder	74,864,185.85	102,317,911.84
Cryogenic cylinder	120,390,292.13	124,560,936.16
Cryogenic storage and transportation equipment	79,551,266.97	967,870.98
Others	67,323,083.90	88,972,097.25
Gross sales	575,703,089.13	444,860,486.27
Less: sales tax and other additional charges	4,302,406.86	6,374,803.05
<b>Total</b>	<b>571,400,682.27</b>	<b>438,485,683.22</b>

#### (2) Taxes

Item	Amount in the current period	Amount in the previous period
Corporate income tax in the current year	1,658,063.72	2,673,283.91
Deferred tax liabilities	-71,198.10	0.00
<b>Total</b>	<b>1,586,865.62</b>	<b>2,673,283.91</b>

#### (3) Stock dividend

No dividend paid or declared during the half-year of 2019. No dividend is declared during this Reporting Period (2018: none).

Beijing Jingcheng Machinery Electric Company Limited

August 09, 2019

## 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 2019

### AMENDMENTS

Applicable  Not Applicable

