



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)



IMPORTANT NOTICES

1. The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of 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 Report has not been audited.
4. Mr. Wang Jun, the person in charge of the Company, Ms. Jiang Chi, the person in charge of accounting and Mr. Wang Yandong, the person in charge of the accounting firm (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

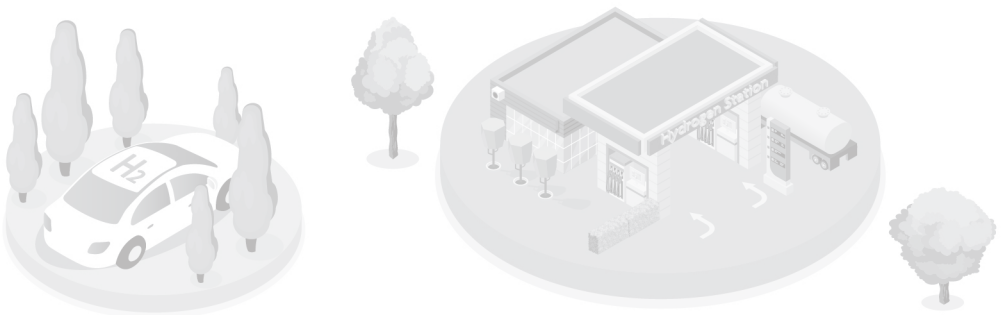
Nil

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. Whether more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the interim report disclosed by the Company
No



IMPORTANT NOTICES

10. IMPORTANT RISK WARNINGS

1. Risk associated with the implementation of This Acquisition and reorganisation

In order to enhance the Company's ongoing operation and profitability, the Company is implementing the acquisition of 80% equity interests in Qingdao BYTQ United Digital Intelligence Co., Ltd.. In the transaction, the listed company will acquire assets by way of issuing shares to 17 natural persons including Li Hong and Qingdao Eternal Economic Information Consulting Co., Ltd. and payment in cash, and raised supporting funds through non-public issuance of shares to no more than 35 target subscribers. The Company convened the fifth extraordinary meeting of the tenth session of the Board on 17 August 2020 for the consideration and approval of each resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 29 December 2020, the eighth extraordinary meeting of the tenth session of the Board was convened for the consideration and approval of each resolution in relation to the amendments to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 9 February 2021, the Company convened the first extraordinary general meeting of 2021, the first A share class meeting of 2021 and the first H share class meeting of 2021 to vote for the various resolutions in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds, and to agree and authorize the Board to handle the matters related to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company. On 25 February 2021, the Company received the "CSRC Acceptance Notice of the Application for Administrative Permission" (Acceptance No.: 210440) ((中國證監會行政許可申請受理單)(受理序號: 210440號)) issued by the CSRC. On 19 May 2021, the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 10th working meeting of the MRVC for the year of 2021, at which the Asset Acquisition by way of Share Issuance of the Company and Cash Payment and Raising of Supporting Funds was vetted. In accordance with the vetting results of the meeting, the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company was not approved. On 9 June 2021, the Company received the "Decision of Disapproval for the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" (Zheng Jian Xu Ke [2021] No.1879) issued by the CSRC. On 11 June 2021, the eleventh extraordinary meeting of the tenth session of the Board was convened and the "Resolution in relation to Continuance of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" was considered and approved. After study and investigation, the Board agreed to proceed with the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. The asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is subject to the approval of CSRC. Whether it will be approved by the CSRC and the time when such approval can be obtained remain uncertain. The Company will strictly keep the information confidential according to relevant progress, and perform information disclosure obligations in strict accordance with relevant laws and regulations, and announce the progress of the matter in a timely manner.

2. Risk associated with litigation involving a subsidiary of the Company

On 2 June 2020, the Company published the "Announcement on litigation involving Beijing Tianhai Cryogenic Equipment Co., Ltd." that Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company received the "Notice of Response to Claim" issued by the Shanghai No. 1 Intermediate People's Court, and a civil writ filed to the Shanghai No. 1 Intermediate People's Court by Shanghai Junzheng Logistics Co., Ltd. (herein after "Junzheng Company"); on 13 May 2021, the Company received a civil judgment from Shanghai No. 1 Intermediate People's Court which handed down a first-instance judgment on the case; Junzheng Company does not agree with the first-instance judgment handed down by Shanghai No.1 Intermediate People's Court and submitted an appeal to Shanghai High Court in accordance with the laws. After the filing of the case in Shanghai High Court, a panel of judges will be formed in accordance with the laws and the hearing will be held on 24 August 2021.

The final judgment has not yet been made, and the impacts of the litigation on the current profits or subsequent profits of the Company cannot be estimated for the time being. The Company will actively respond to the lawsuit and safeguard the legal rights and interests of the Company. The Company will perform its information disclosure obligations in a timely manner based on the progress. Investors are advised to pay attention to the relevant announcement(s) and be aware of the investment risks.

3. Risk associated with COVID-19

Due to the impact of the pandemic, business operations are facing difficulties such as increased operating costs, market instability, transportation restrictions, and unfixed personnel. At the same time, the flow of personnel declined, making it more difficult for the Company to sell products in traditional ways, and increasing business pressure, which brought certain business risks to the Company. In response to the above-mentioned risks, the Company earnestly established and improved the epidemic prevention and control mechanism, comprehensively implemented and carried out epidemic prevention and control work. The Company will actively take effective measures in combination with the development trend of the epidemic situation inside and outside of the country to minimize the adverse impact that the epidemic may cause on the Company's production and operation.

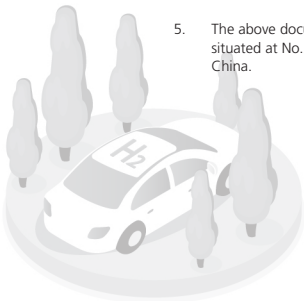
11. Others

Applicable Not Applicable

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- Documents Available for Inspection
1. Original copy of the interim report, which has been signed by the chairman.
 2. Original copy of the auditors' report signed and chopped by the Company's legal representative, the person in charge of accounting and the person in charge of the accounting firm.
 3. The original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.
 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, situated at No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the People's Republic of China.



SECTION 1 DEFINITION

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

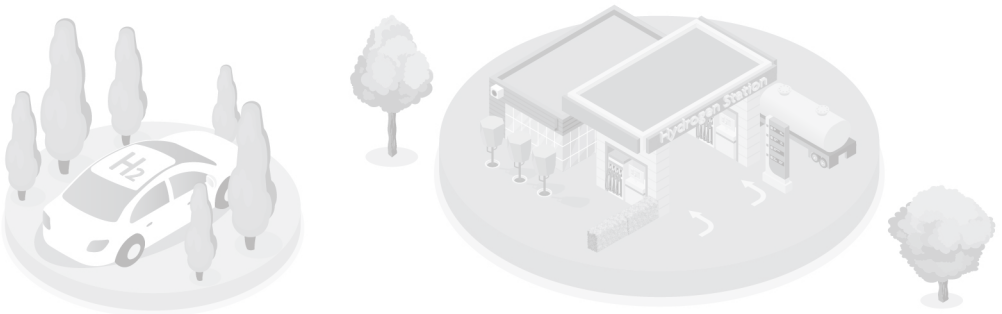
Definition of frequently used terms

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 and Jingcheng Machinery Electric (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 50.67% equity interest in the Company
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Tianhai Industrial and Beijing Tianhai	means	Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a subsidiary of the Company
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company
Board	means	the board of directors of the Company
Supervisory Committee	means	the supervisory committee of the Company
Annual General Meeting	means	the 2020 annual general meeting convened on 9 June 2021
The First Extraordinary General Meeting	means	the first extraordinary general meeting of 2021 convened on 9 February 2021
The First A Share Class Meeting	means	the first A share class meeting of 2021 convened on 9 February 2021
The First H Share Class Meeting	means	the first H share class meeting of 2021 convened on 9 February 2021
Director(s)	means	the director(s) of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Shareholder(s)	means	the holder(s) of shares
connected person	means	has the same meaning ascribed to it under the Listing Rules
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
Reporting Period	means	the period from 1 January 2021 to 30 June 2021
SSE	means	the Shanghai Stock Exchange
Hong Kong Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission



SECTION 1 DEFINITION

Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under the CSRC
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
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
PRC Accounting Standards for Business Enterprises	means	PRC Accounting Standards for Business Enterprises
RMB	means	Renminbi, the lawful currency of the PRC
HK\$	means	Hong Kong dollars, the lawful currency of Hong Kong
USD	means	United States dollars, the lawful currency of the United States of America
DOT	means	Abbreviation of US Department of Transportation
LNG	means	Abbreviation of liquefied natural gas
CNG	means	Abbreviation of compressed natural gas
Station, filling station	means	the station where automobiles are filled with LNG or CNG
Industrial gas cylinder	means	collective name for the cylinders that are filled with industrial gas
Type IV Cylinders	means	plastic tank full-winding compound gas cylinder (塑料內膽纖維全纏繞複合氣瓶), mainly used for vehicle fuel storage, for filling natural gas or hydrogen
Construction project of intelligent numerical control production line for type IV cylinders	means	the Construction project of intelligent numerical control production line for Plastic tank full-winding compound gas cylinder (塑料內膽全纏繞複合氣瓶)
This Acquisition	means	the issue of shares and payment of cash in consideration of acquiring certain equity interests in Qingdao BYTQ United Digital Intelligence Co., Ltd. (青島北洋天青數聯智能股份有限公司) and fund raising
BYTQ	means	Qingdao BYTQ United Digital Intelligence Co., Ltd



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	010-58761949/67365383	010-58761949/67365383
Facsimile	010-58766735/87392058	010-58766735/87392058
E-mail	jcgf@btic.com.cn	jcgf@btic.com.cn

III. CHANGES OF BASIC INFORMATION

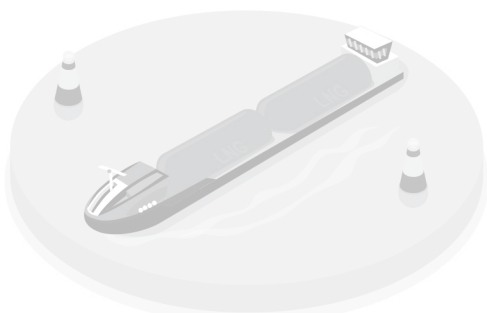
Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Postal code of the office address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

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)	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
Name of the accounting firm engaged by the Company (domestic internal control reporting and audit)	Names of signing accountant Name	Ma Chuanjun, Yan Huan 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
The domestic legal adviser engaged by the Company	Names of signing accountant Name	Liu Guoqing, Bai Lihan Beijing Kang Da Law Firm
	Office address	No.19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC
The overseas legal adviser engaged by the Company	Name	Woo Kwan Lee & Lo
	Office address	26/F, Jardine House, Central, Hong Kong
Sponsor performing continuous supervision duties during the Reporting Period	Name	Zhong De Securities Company Limited
	Office address	22/F-23/F, Deutsche Bank Building, China Central Place, 81 Jianguo Avenue, Chaoyang District, Beijing
	Names of signing Sponsor representatives name Period of continuous supervision	Hao Guodong, Miu Xingwang 10 July 2020 to 31 December 2021
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 2021)	For the same period last year	Increase/Decrease comparing the Reporting Period with the Reporting Period last year (%)
	Operating income	526,554,520.75	523,831,648.77
Net profit attributable to shareholders of listed company	-1,313,304.91	-24,089,791.77	-
Net profit attributable to shareholders of listed company after extraordinary items	-9,270,610.57	-27,666,725.33	-
Net cash flow from operating activities	-42,048,198.13	26,638,246.85	-
	As at the end of the Reporting Period	As at the end of last year	Increase/Decrease comparing the end of the Reporting Period with the end of last year (%)
Net assets attributable to shareholders of listed company	697,873,302.44	699,472,630.04	-0.23
Total assets	1,584,850,794.15	1,705,430,862.39	-7.07

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(2) Key financial indicators

Currency: RMB

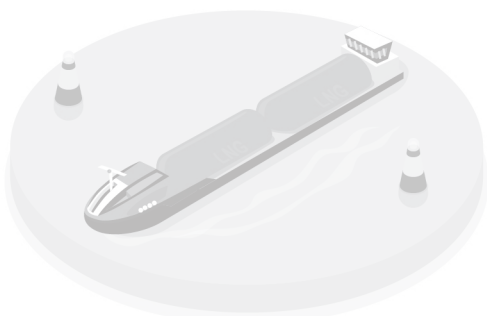
Key financial indicators	For the Reporting Period (January – June 2021)	For the same period last year	Increase/Decrease comparing the Reporting Period with the Reporting Period last year (%)
Basic earnings per share (RMB/share)	-0.01	-0.06	–
Diluted earnings per share (RMB/share)	-0.01	-0.06	–
Basic earnings per share after extraordinary items (RMB/share)	-0.02	-0.07	–
Return on net assets on weighted average basis (%)			Increased by 7.22 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-0.19	-7.41	Increased by 7.18 percentage points
	-1.33	-8.51	

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

Applicable Not applicable

VIII. ACCOUNTING FIGURES DIFFERENCES BETWEEN THE PRC GAAP AND IFRSS

Applicable Not applicable



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IX. EXTRAORDINARY ITEMS AND AMOUNT

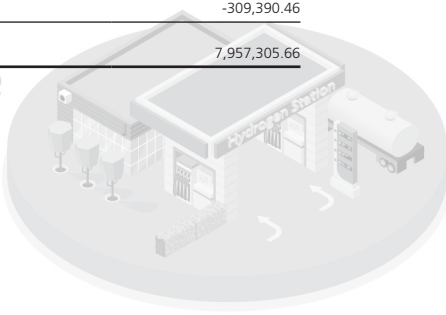
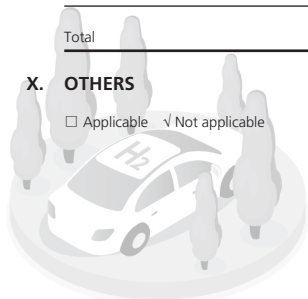
Applicable Not applicable

Unit: Yuan Currency: RMB

Extraordinary items	Amount	Note (Where applicable)
Gain or loss on disposal of non-current assets	-41,990.15	
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	7,754,445.94	
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		
Reversal of the impairment provision for receivables and contract assets which are tested individually for impairment	819,000.00	
Gain or loss on entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	583,767.12	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-848,526.79	
Effect of income tax	-309,390.46	
Total	7,957,305.66	

X. OTHERS

Applicable Not applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW AND PRINCIPAL ACTIVITIES 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, import and export of 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 product 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, the production process is mainly high temperature and high pressure, low temperature and negative pressure and strong continuity, the Company's production must be kept stable for a long period of operation.
- (3) Sales model: The Company's main product sales model is direct sales and distribution models, whereby it occupies 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 of end customers.

3. Industry Overview

(1) Industrial Fire Industry

In the first half of this year, the size of China's industrial gas market grew by 8-10%. At present, the global industrial gas market size exceeds 100 billion US dollars. In the past decade, the global industrial gas market size has maintained a compound annual growth rate of around 10%. With the steady development of the global economy, the demand for industrial gases will continue to grow steadily. This will also drive the steady development of the industrial gas storage industry.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Liquefied Natural Gas Industry

The demand for clean energy equipment supported by the carbon neutrality policy will drive the growth in demand for storage and transport equipment. From January to May 2021, China's apparent consumption of natural gas and LNG imports grew steadily at a two-year compound growth rate of 10.6% and 18.1%, respectively. The increase in demand will foster the development of the upstream and downstream natural gas industries to some extent. In terms of LNG heavy trucks, before China's Stage VI emissions standard for diesel vehicles came into effect on 1 July this year, sales of LNG heavy trucks were suppressed by strong sales of low-priced trucks that met with the Stage V emissions standard, but sales growth of LNG heavy trucks is expected to return to the right track in the second half of 2021 due to their more economical fuel consumption and better emission controls.

(3) Hydrogen and Fuel Cell Industry

The overall background of carbon neutrality and the historic opportunity of the Winter Olympic Games have accelerated the promotion of hydrogen energy. It is expected that the years of 2021-2035 will be the stage for the promotion, cost reduction through economy of scale and technology improvement of hydrogen energy vehicles in China. The "Energy Law of the People's Republic of China" revised in 2020 has included hydrogen energy in the energy category, and the "New-Energy Vehicle (NEV) Industry Development Plan for 2021-2035" released by the General Office of the State Council has clear requirements for the development of hydrogen energy. More than half of the provinces are assigned with specific plans and measures for the development of the hydrogen energy industry chain in the 14th Five-Year Plan. Hydrogen fuel cell vehicles will maintain a good development trend in the next few years as the policy will be fully implemented, the subsequent industry demand is expected to turn upward, and the second half of this year will be the starting point of a new cycle of the industry.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

After years of development, the Company has the following competitive advantages in terms of scale and brand, technology, sales network, human resources, finances, etc.:

1. Scale and Brand Advantages

The Company is a group company consisted of eight production bases for the manufacture of professional gas storage and transportation equipment (including Beijing Tianhai, Minghui Tianhai, Tianhai Cryogenic, Tianjin Tianhai, Shanghai Tianhai, Kuancheng Tianhai, Tianhai Hydrogen Energy, Jiangsu Tianhai) and a company located in the United States. With 20 years of operation development, the Company has established a corporate image of fine technology foundation and product stability and reliability in the industry; and the Tianhai brand has become one of the well-known brands.

2. Technology Advantages

After continuous technology research and development, the Company has C2, D1, and D2 level pressure vessel design qualifications and B1, B2, B3, C2, D1 and D2 level pressure vessel manufacturing qualifications currently. It can produce over 800 types of seamless steel gas cylinders, winding gas 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.

Meanwhile, 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 designing and manufacturing cryogenic tanks and IMO tank container products of different volume and pressure level in accordance with China pressure vessel standards, EU ADM and 97/23/EC PED and Australia/New Zealand AS1210 standards.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Sales Network Advantages

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

In order to provide a career development platform for its management and employees to grow with the Company and share the fruits of development and to create a good corporate culture, 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. It aimed to retain talents with 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 in research and development, sales, management, operation and production.

III. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, faced with the severe and complex international situation, the Company unswervingly implemented its strategic development objectives formulated at the beginning of the year and firmly implemented all the plans conforming to its annual budget; the Company also had breakthroughs in main economic indicators and attained progress in several key tasks, which have laid a solid foundation for a good start to the 14th Five Year Plan.

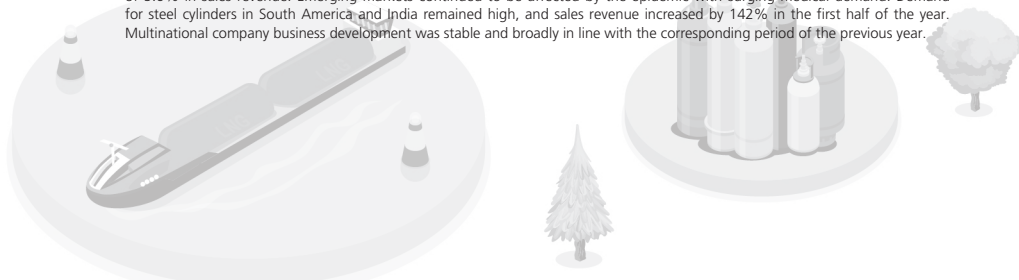
During the Reporting Period, the Company realized operating income of approximately RMB526,554,500, representing an increase of approximately 0.52% as compared with the corresponding period of the previous year. Net profits attributable to shareholders of the Company was approximately RMB-1,313,300, representing a reduction of loss of approximately RMB22,776,500.

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

1. Achieving remarkable progress in market development

Domestic market: Along with the domestic economic recovery and further clarification of low carbon environmental protection oriented policies, the gas storage and transportation market showed an overall positive trend in the first half of the year. The Company kept up with the policy changes and seized the market opportunities to actively expand sales. In the field of natural gas applications, the LNG storage tanks orders increased by 116%; in the industrial gas and fire services market, the sales revenue of industrial cylinders increased by 51% as compared with the corresponding period of the previous year and the sales revenue of cryogenic gas cylinders increased by 110% as compared with the corresponding period of the previous year; and in the field of hydrogen, the Company achieved bulk sales of hydrogen storage systems to several vehicle manufacturers.

International market: The economic and social activities in the international market were gradually recovering as the epidemic is getting under control in some countries. In the European market, the Company's sales revenue increased by 11% in the first half of the year as compared with the corresponding period of the previous year, and the cooperation projects with European manufacturers were progressing steadily. Demand in the US market rebounded steadily, and the Company overcame the difficulties of rising prices of raw material and freight, stabilised major customers and developed new ones, achieving a year on year growth of 5.6% in sales revenue. Emerging markets continued to be affected by the epidemic with surging medical demand. Demand for steel cylinders in South America and India remained high, and sales revenue increased by 142% in the first half of the year. Multinational company business development was stable and broadly in line with the corresponding period of the previous year.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Focusing on innovation-driven with smooth progress in key projects

On 17 May, Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, convened a press conference in Beijing for the launching of type IV cylinders, the new generation of vehicle-mounted hydrogen cylinder with full independent intellectual property rights. It has completed the product design and trial production of various specifications including 20MPa, 35MPa and 70MPa, various indicators have been met or exceeded the requirements of both group standards in China and the ISO International Standard. The introduction of type IV cylinders also solved the bottleneck problems of type IV cylinders in China, overcame the technical difficulties of metal valve seat and plastic liner connections and the sealing of high-pressure cylinders, achieved breakthroughs in forming technology of plastic liners and pressured winding and solidification technology, and application for various invention patents and utility model patents has been made.

3. Constantly improving the level of internal management

The Company established a group management and control model with “efficient coordination, orderly decentralization, and proper execution”, conducted a flattening and streamlining reform, continuously optimized the group governance capacity and construction level of governance system of the Company, comprehensively strengthened production and operation management, and provided a strong organizational structure for a good start to implement the 14th Five-Year Plan strategy.

4. Smooth implementation in the reform of remuneration system

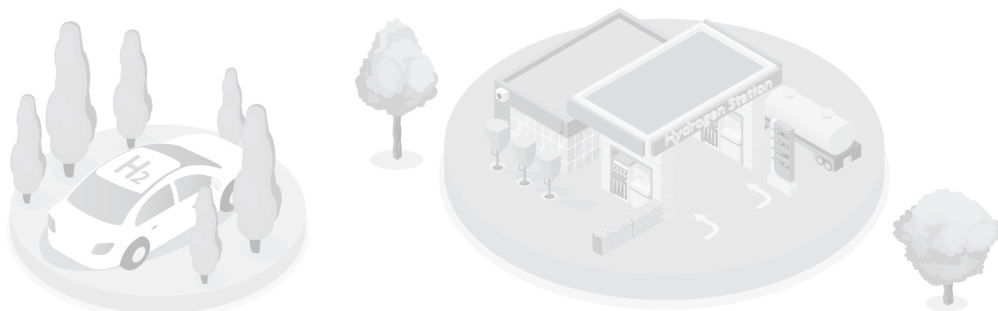
In the first half of this year, the Company officially implemented an updated version of Remuneration Management Measures for Employees and further improved the remuneration management system of the Company that emphasise on the effectiveness of the two structural units of values and job achievements, and implemented dynamic management of salary focusing on evaluation of performance and capability, which is more conducive to the implementation of distribution according to work. In the meantime, the Company introduced Management Measures for Core Talent, which has built a diversified career development channel for employees in different positions of technical grade, skill grade, business grade and management grade. The measures have motivated employees to take root in their positions and constantly work hard to improve their work ability.

5. Significant progress made in reducing costs and increasing efficiency

This year, all the subsidiaries have improved internal capabilities and developed their potentials, actively promoted the implementation of the measures of “three cutting, one reduction and one improvement”, vigorously increased revenue and reduced expenditure, steadily improved operating efficiencies, continuously optimized the structure of inventory receivables, and achieved significant results in reducing costs expensed in technology, labor, finance and procurement.

6. Strengthening internal control management to guard against business risks

The Company's quality management system continued to operate effectively. The Company continued to strengthen the construction of risk prevention and control system, improved the construction of measures, and comprehensively rationalize its business processes. The compliance pilot programme was implemented in full scale to promote procurement and publicize compliance management, case management was strengthened by making phased progress in major cases, the management and control of overseas investment was strengthened and audit work of overseas enterprises were carried out. Also, the Company strengthened internal audit and its rectification work, with its risk prevention and control capacity enhanced to ensure orderly operation and management of the Company.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

In the second half of the year, the demand for clean energy equipment supported by the carbon neutrality policies will drive the growth in demand for storage and transport equipment. The Company will keep up with the industrial trends, grasp the trends of market demand, constantly develop and launch high-quality products based on its own technical characteristics and extend and expand into different application fields to strengthen its core competitiveness in the market. The Company will improve the incentive mechanism, stimulate the vitality of research teams to be innovative, strengthen research and development of core technologies in professional fields, and promote the commercialization of research achievements to provide strong support for achieving carbon emission peak and carbon neutrality.

1. Closely monitor the revenue budget target, manage the orders externally and guarantee the delivery internally

The Company should enhance the planning of production scheduling, make smooth connection between supply and production, accelerate the speed of input and output, and improve the efficiency of capital utilization. The Company will strengthen the communication with freight forwarders, flexibly adjust the ways of cooperation between sea and railway transportation, overcome difficulties such as skyrocketing ocean freight costs and difficulty in booking shipping space, improve the shipping efficiency and reduce the storage time. Also, the Company will put more efforts on market development of its strategic products and increase the sales revenue of products.

2. Focus on innovation-driven, accelerate the promotion of key projects and provide inexhaustible power for corporate development

Innovation is considered as the primary driving force for development and the innovation-driven are distinctive feature of and essential to high-quality development. The Company will fully promote the projects of type IV cylinders, and complete the additional certification work of key products according to the market demand. The Company will improve the joint adjustment and joint test of intelligent production line to ensure that the digital platform system is put into use simultaneously with production. The Company will accelerate the development of hydrogen transport and hydrogenation series products, make substantial breakthroughs in products such as container group, compressor skid of hydrogenation station and hydrogen cylinder sets for hydrogen refueling station, and implement the strategic requirements of the 14th Five-year Plan. The Company will put strong emphasis on projects of liquid hydrogen cylinders and liquid hydrogen tanks to ensure that these projects are completed on time.

3. Continue to deepen reform with strategic guidance

The Company will continue to follow the strategic guidance, steadily promote the acquisition and reorganization of Qingdao BYTQ United Digital Intelligence Co., Ltd. and take this acquisition and reorganization as the breakthrough point of strategic development, to help the Company to promote industrial transformation and upgrading, develop high-end equipment manufacturing business, and improve sustainable profitability.

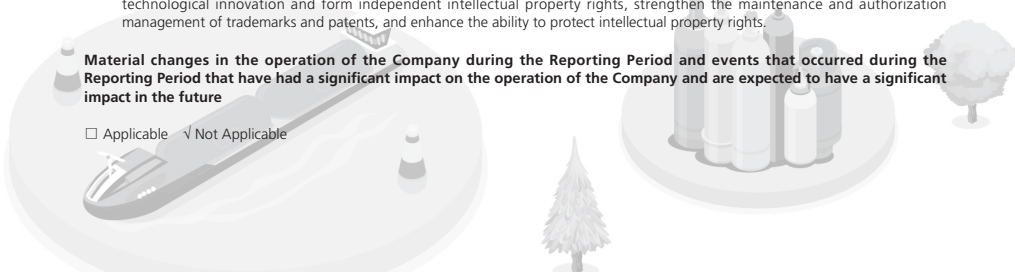
The Company will also continue to deepen reform and enhance the level of informatization. The Company will strengthen the use of new generation information technologies such as digitalization, networking and intelligence, and promote digitalization and intelligent upgrading of products, manufacturing, and management services. On the basis of strategy and management and control, the Company will continue to strengthen its capacities and coordination. Each department will strengthen its professional and specialized functions, to explore the implementation of the subject system and the project system, tackle the management difficulties and pain points in the process of operation, and solve the problems with efforts of various parties.

4. Observe legal compliance and improve the integrated risk management

The Company will strengthen compliance management and improve the operation mechanism of compliance management, constantly embed risk control and legal compliance requirements into the system and process to form a long-term effective mechanism. The Company will strengthen audit supervision in key areas and enhance supervision of overseas enterprises, strengthen guidance, supervision and training on contract management of subsidiaries, encourage subsidiaries to gradually implement the three audit items, prevent contract legal risks, strengthen the management, guidance and training of legal, internal control, compliance and risk prevention capacity building of subsidiaries, and improve the professional management level of subsidiaries. The Company will improve its intellectual property management and organization and relevant systems, promote technological innovation and form independent intellectual property rights, strengthen the maintenance and authorization management of trademarks and patents, and enhance the ability to protect intellectual property rights.

Material changes in the operation of the Company during the Reporting Period and events that occurred during the Reporting Period that have had a significant impact on the operation of the Company and are expected to have a significant impact in the future

Applicable Not Applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(I) 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	526,554,520.75	523,831,648.77	0.52
Operating cost	453,219,285.37	460,653,282.50	-1.61
Sales expense	15,050,487.21	23,619,779.98	-36.28
Management expense	39,916,462.24	32,304,626.97	23.56
Financial expense	6,189,937.17	9,724,015.22	-36.34
R&D expenditure	10,015,871.43	9,163,732.02	9.30
Net cash flows from operating activities	-42,048,198.13	26,638,246.85	-
Net cash flows from investment activities	-33,123,899.27	18,036,307.86	-
Net cash flows from financing activities	-74,779,453.38	137,635,630.94	-

Reasons for the change in the operating income: increase of 0.52% as compared with the corresponding period of last year, which was on the same level as the corresponding period of last year;

Reasons for the change in operating cost: decrease of 1.61% as compared with the corresponding period of last year, mainly because the Company has reduced procurement costs and technological costs;

Reasons for the change in sales expense: decrease of 36.28% as compared with the corresponding period of last year, mainly because the Company has tightly controlled expenditures;

Reasons for the change in management expense: increase of 23.56% as compared with the corresponding period of last year, mainly due to significant increase in salaries as compared with the corresponding period of last year and the exemption in social security insurance enjoyed in the corresponding period of last year due to the epidemic;

Reasons for the change in financial expense: decrease of 36.34% as compared with the corresponding period of last year, mainly due to the decrease in loans which resulted in decrease in interest;

Reasons for the change in R&D expenditure: increase of 9.30% as compared with the corresponding period of last year, mainly due to the increase in R&D investment during the current period;

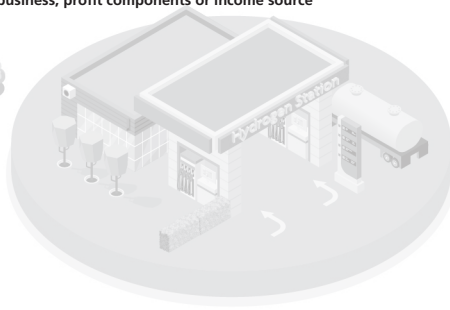
Reasons for the change in net cash flows from operating activities: decrease of approximately RMB68,686,400 as compared with the corresponding period of last year, mainly due to the decrease in cash received from operating activities while increase in cash paid for operating activities;

Reasons for the change in net cash flows from investment activities: decrease of approximately RMB51,160,200 as compared with the corresponding period of last year, mainly due to the capital contribution to the joint venture in the current period and the receipt of equity transfer funds in the corresponding period of last year;

Reasons for the change in net cash flows from financing activities: decrease of approximately RMB212,415,100 as compared with the corresponding period of last year, mainly due to the obtaining of fund from capital increase in the corresponding period of last year.

2. Details of the material changes in type of business, profit components or income source

Applicable Not Applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Applicable Not Applicable

(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 corresponding period last year	Balance at the end of last year over total assets (%)	Change in amount at the end of current period over last year (%)	Description
Monetary funds	109,896,372.32	6.93	279,067,536.83	16.36	-60.62	Mainly due to the receipt of transfer price of the Wufangjiao property assets in the previous period by Beijing Tianhai, a subsidiary of the Company
Inventories	365,440,503.75	23.06	274,506,836.67	16.10	33.13	Mainly due to the reserve of raw materials to cope with an increase in the prices of raw materials
Deferred income tax assets	54,991.30	0.00	287,827.59	0.02	-80.89	Mainly due to the impact of deferred taxation of subsidiaries
Short-term borrowings	108,000,000.00	6.81	168,000,000.00	9.85	-35.71	Mainly due to the decrease in borrowings of subsidiaries for the current period
Notes payable	20,000,000.00	1.26	56,000,000.00	3.28	-64.29	Mainly due to the decrease in issuance of the bank acceptance bill by subsidiaries
Contractual liabilities	85,965,855.60	5.42	60,853,270.89	3.57	41.27	Mainly due to the increase in advances from customers of subsidiaries
Employee benefits payable	17,239,837.40	1.09	28,176,562.77	1.65	-38.81	Mainly due to employee benefits payable in the previous year being paid in the current period
Taxes payable	3,148,984.89	0.20	6,720,070.38	0.39	-53.14	Mainly due to unpaid taxes of the end of the previous year being paid in the current period
Other payables	22,040,189.30	1.39	45,176,375.13	2.65	-51.21	Mainly due to payments to minority shareholders for capital reduction for the current period
Current portion of non-current liabilities		0.00	15,540,454.46	0.91	-100.00	Mainly due to the subscribed capital contribution of joint ventures for the current period
Other current liabilities	4,157,447.04	0.26	8,472,856.14	0.50	-50.93	Mainly due to the decrease in reclassification of value-added tax in contract liabilities for the current period
Long-term borrowings		0.00	1,154,907.30	0.07	-100.00	Mainly due to the exempted loans for subordinate enterprises, which benefited from supportive policies to facilitate development of small and medium-sized enterprises
Long-term payables	7,000,000.00	0.44	10,000,000.00	0.59	-30.00	Mainly due to the subscribed capital contribution of associated companies for the current period
Other comprehensive income	-611,447.28	-0.04	-325,424.59	-0.02	-87.89	Mainly due to the impact of exchange differences arising from translation of foreign currency statements
Other descriptions						
Nil						

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Overseas Assets

Applicable Not Applicable

(1) Size of assets

Including: overseas assets of 183,004,161.45(Unit: Yuan Currency: RMB), accounting for 11.55% of the total assets.

(2) Details of overseas assets

Applicable Not Applicable

3. Major restricted assets at the end of the Reporting Period

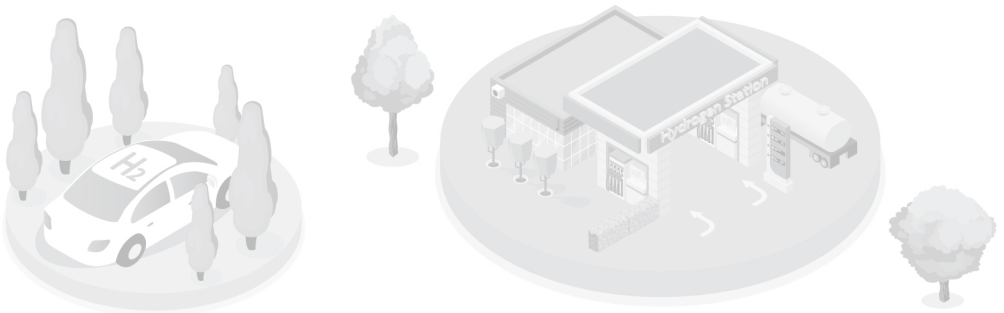
Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Ending carrying amount	Reasons for restriction
Monetary funds	15,350,166.73	Deposits of bank acceptance bill, guarantee deposits and litigation freeze

4. Other descriptions

Applicable Not Applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Analysis of investments

1. General analysis of external equity investments

Applicable Not Applicable

(1) Material equity investments

Applicable Not Applicable

Asset acquisition by way of share issuance and cash payment

In order to enhance the Company's ongoing operation and profitability, the Company is implementing the acquisition of 80% equity interests in Qingdao BYTQ United Digital Intelligence Co., Ltd.. In the transaction, the listed company will acquire assets by way of issuing shares to 17 natural persons including Li Hong and Qingdao Eternal Economic Information Consulting Co., Ltd. and payment in cash, and raised supporting funds through non-public issuance of shares to no more than 35 target subscribers. The Company convened the fifth extraordinary meeting of the tenth session of the Board on 17 August 2020 for the consideration and approval of each resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 29 December 2020, the eighth extraordinary meeting of the tenth session of the Board was convened for the consideration and approval of each resolution in relation to the amendments to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 9 February 2021, the Company convened the first extraordinary general meeting of 2021, the first A share class meeting of 2021 and the first H share class meeting of 2021 to vote for the various resolutions in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds, and to agree and authorize the Board to handle the matters related to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company. On 25 February 2021, the Company received the "CSRC Acceptance Notice of the Application for Administrative Permission" (Acceptance No.: 210440) (《中國證監會行政許可申請受理單》(受理序號: 210440 號)) issued by the CSRC. On 19 May 2021, the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 10th working meeting of the MRVC for the year of 2021, at which the Asset Acquisition by way of Share Issuance of the Company and Cash Payment and Raising of Supporting Funds was vetted. In accordance with the vetting results of the meeting, the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company was not approved. On 9 June 2021, the Company received the "Decision of Disapproval for the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" (Zheng Jian Xu Ke [2021] No.1879) issued by the CSRC. On 11 June 2021, the eleventh extraordinary meeting of the tenth session of the Board was convened and the "Resolution in relation to Continuance of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" was considered and approved. After study and investigation, the Board agreed to proceed with the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds.

(2) Material non-equity investments

Applicable Not Applicable

(3) Financial assets measured at fair value

Applicable Not Applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Material disposal of assets and equity interest

Applicable Not Applicable

(VI) Analysis of major subsidiaries and associates

Applicable Not Applicable

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$90,719,500	RMB1,581,551,446.93	RMB619,366,251.80	RMB-3,905,975.16
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	RMB155,747,035.66	RMB151,552,301.96	RMB856,932.68

(VII) Structured entities under the control of the Company

Applicable Not Applicable

V. OTHER DISCLOSURES

(I) Potential risks

Applicable Not Applicable

(1) Industry policy risks

First, factors such as oil and gas price differentials and new energy industry policies resulted in significant change to market demand in natural gas storage and transportation industry, impacting the Company's principal business of natural gas storage and transportation segment. Second, the Company's hydrogen energy storage and transportation segment is categorized as a "new industry", which may easily be affected by national policy, economic environment, upstream and downstream industrial chain development, and other factors. Therefore, in response to the abovementioned risks, the Company will grasp the national macro policy in a timely manner, identify industrial development trends, broaden areas of product application, and at the same time strengthen core technology development, expand new markets, minimize risk factors associated with industry policy to reduce the impact on the Company.

(2) Risk of intensified market competition

Although the gas storage and transportation market has been showing a steadily rising trend overall, competition in the industry is intensifying. The product market may change in the future, which will bring some uncertain factors and influences to the Company's business development. Therefore, in the future, the Company must focus on technological self-reliance, continue to improve its independent innovation capability, make scientific arrangements, and make every effort to drive scientific and technological innovation. The Company will also enhance market and competition awareness, highlight the direction of professional development, and consolidate, expand and enlarge its market share.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Development risk on new business and new market

Hydrogen energy and fuel cells are currently dominated by commercial vehicles in China, they are mainly used in logistics, public transportation and large buses, and are still at the stage of gaining momentum. Due to national and local policies and other uncertain factors, the Company will encounter unexpected risks in the development of new business and new markets. In 2021, with the implementation of hydrogen energy industry planning in Beijing and other regions of the country, the trend of industrialization and commercialization will become increasingly obvious. The Company will continue to drive the development of hydrogen energy business to gradually get on the right track, which is crucial to product positioning and planning investment.

(4) Risk of skyrocketing international shipping costs

The Company's export business accounts for more than 50% of its overall business. At present, the continued surge in international shipping costs and difficulties of booking shipping space have the impact of uncertainty on the Company's export market and increases business risks. The Company will actively communicate with shipping companies to book shipping space in advance to minimize the impact.

(II) 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, in order to achieve sustainable development of the Company and maximize its shareholders' value.

Liquidity and capital structure	At the end of the period	At the beginning of the period
(1) Gearing ratio	36.86%	41.27%
(2) Quick ratio	72.20%	90.34%
(3) Liquidity ratio	140.95%	132.75%

2. Bank loans

The Company seriously implemented its annual capital income and expenditure budget plan in accordance with the market conditions and requirement of customers to strictly control the bank loan scale, to satisfy the Company's capital need of operating activities while minimizing its financial costs and preventing against financial risks in a timely manner by fully utilizing financial instruments, and to improve the profit of the Company and shareholders. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB108,000,000, representing a decrease of 35.71% as compared with the beginning of the year. Long-term borrowings: long-term borrowings amounted to RMB0 as at the end of the period, non-current liabilities due within one year amounted to RMB0, representing a decrease of RMB15,540,500 for the current period; representing a decrease of 100% as compared with the beginning of the year calculated in accordance with non-reclassification method.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Foreign exchange risk management

Foreign exchange risk refers to the risk of loss due to changes in exchange rate. 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, which use USD for procurement and sales. Accordingly, it may be exposed to foreign exchange risks arising from the changes in the exchange rate between USD and RMB, the Company actively adopted 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 expenses from production and operating activities. The Company's cash inflow from operating activities for the Reporting Period amounted to RMB451,978,300, while cash outflow amounted to RMB494,026,500. Net cash flow during the Reporting Period from operating activities amounted to RMB-42,048,200.

2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB803,600, cash outflow to investment activities amounted to RMB33,927,500, which was mainly used for capital expense on the contributions to joint ventures and associated companies and purchase of fixed assets. Net cash flow from investment activities for the Reporting Period amounted to RMB-33,123,900.

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB0, cash outflow to fundraising activities during the reporting period amounted to RMB74,779,500. Net cash flow from fund-raising activities for the Reporting Period amounted to RMB-74,779,500.

Net cash flow from operating activities during the current period decreased by approximately RMB68,686,400 compared with the corresponding period last year, which was mainly due to the decrease in cash inflow from operating activities and the increase in cash outflow from operating activities during the period, which reduced the net cash flows from operating activities during the period. Net cash flow generated from the investment activities decreased by approximately RMB51,160,200 compared with the corresponding period last year was mainly attributable to the subscribed capital contribution to joint ventures and associated companies for the current period and the receipt of equity transfer funds for the previous period. Net cash flow generated from fundraising activities decreased by approximately RMB212,415,100 compared with the corresponding period last year, which was mainly due to the obtaining of fund from capital increase in the corresponding period of last year.

Net cash flow generated from operating activities for the current period was RMB-68,686,400. Net profit for the current period was RMB-618,800. The Company mainly raised capital for operations from cash flow generated internally.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. Capital structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,000,670,700, of which, minority interests amounted to RMB302,797,300, and total liabilities amounted to RMB584,180,100. Total assets amounted to RMB1,584,850,800. As at the end of the Reporting Period, the Company's gearing ratio was 36.86%.

Capital structure by liquidity

Total current liabilities	RMB531,529,000	Accounting for 33.54% of assets
Total equity interest attributable to shareholders	RMB1,000,670,700	Accounting for 63.14% of assets
Of which: minority shareholders' interests	RMB302,797,300	Accounting for 19.11% of assets

6. Contingent liabilities

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

7. Details of the Company's charge on assets

Unit: Yuan Currency: RMB

Item	Book value at the end of period	Reason for restriction
Monetary funds	15,350,166.73	Deposits of bank acceptance bill, guarantee deposits, litigation freeze

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 1,323.

(2) Remunerations:

Remunerations for employees during the Reporting Period: RMB77,838,500.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Remuneration Policies

The Company implemented a diversified salaries system based on the performance on job 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, evaluation of performance and ability for management and annual salary system for senior management. In May 2021, the Company officially implemented Remuneration Management Measures for Employees and further improved the remuneration management system of the Company, which is more conducive to follow the principle of distribution according to work. In the meantime, the Company introduced Management Measures for Core Talent and set up various career paths for employees in different positions and from different departments including aspects of technology, skills, business, and management. The measures has motivated employees to be firm on their positions and constantly raised the initiative of employees to improve their business capabilities.

(4) Training Plan

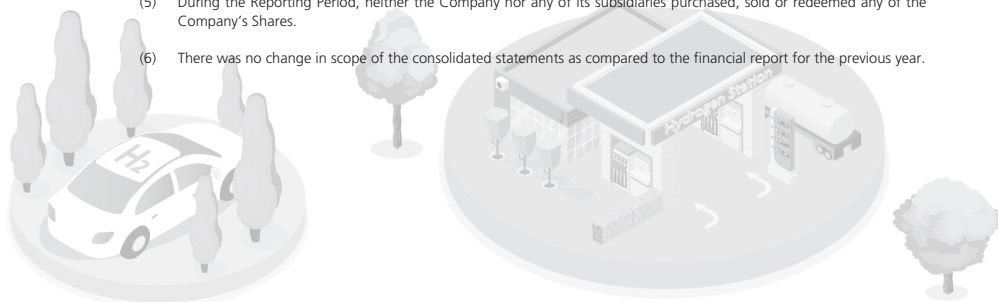
In the first half of 2021, according to the 2021 Annual Training Plan, a total of 12,580 training hours were completed with training of 2,773 employees, number of training hours per employees reached 10.1 hours. According to the Company's annual training plan, the Company organized and completed training courses such as Improving Digital Management Skills, Promotion and Implementation on Regulation on Safety Technology for Gas Cylinder, Training for Technology Research and Development Staff, Training on Basic Knowledge of Products, Compliance Training for Sales, and Promotion and Implementation on Laws and Regulations of the Production Safety Law.

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 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

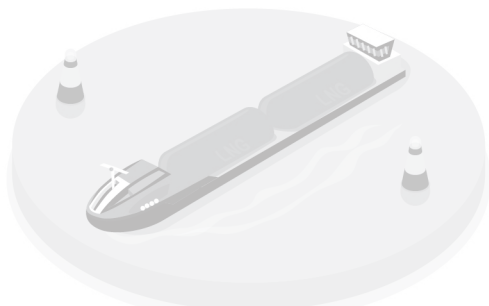
- (1) The applicable enterprise income tax rate for the Company for the Reporting Period was 25%.
- (2) The unaudited 2021 interim report of the Company has been reviewed by the audit committee under the Board of the Company.
- (3) The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules 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 Hong Kong Listing Rules. 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 2021.
- (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 4 CORPORATE GOVERNANCE

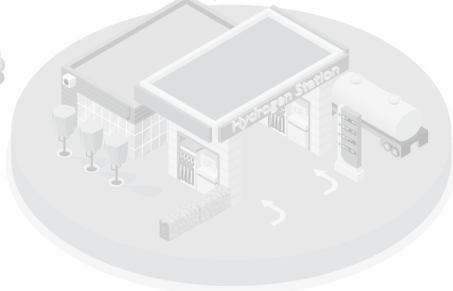
I. INTRODUCTION TO THE GENERAL MEETINGS

Meeting	Date of holding	Index for details on websites designated for publishing resolutions	Date of disclosure of the resolutions	Resolutions
The First Extraordinary General Meeting of 2021	9 February 2021	The website of the SSE (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk)	9 February 2021	The following resolutions were considered and approved: the resolution in relation to the fulfilment of the conditions by the Company in respect of the asset acquisition by way of share issuance and cash payment and raising of supporting funds; the resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company; the resolution in relation to the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" and its summary; the resolution in relation to the conditional "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" and "Performance Compensation Agreement" executed by the Company; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is not expected to constitute a major asset restructuring and listing by way of restructuring; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Article 4 of the "Provisions on Issues Concerning Regulating the Material Asset Reorganisations of Listed Companies"; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Articles 11 and 43 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies"; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Article 44 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies"; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds are in compliance with the requirements of Article 39 of the "Administrative Measures for the Issuance of Securities by Listed Companies"; the resolution on the statement that the Company's share price movement has not reached the relevant benchmark set out in Article 5 of the "Notice on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties"; the resolution that the relevant entities involved in the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are not prohibited from participating in any material assets restructuring of any listed companies in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies"; the description on the completeness and compliance of legal procedures and the validity of the legal documents submitted



SECTION 4 CORPORATE GOVERNANCE

Meeting	Date of holding	Index for details on websites designated for publishing resolutions	Date of disclosure of the resolutions	Resolutions
The First A Share Class Meeting of 2021	9 February 2021	The website of the SSE (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk)	9 February 2021	<p>in relation to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company; the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company do not constitute a related party transaction; the resolution in relation to the effect of the asset acquisition by way of share issuance and cash payment and raising of supporting funds on the immediate returns and the remedial measures on recovering of immediate returns of the Company; the resolution in relation to the specific mandate granted to the Board at the EGM and class meetings to deal with matters pertaining to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company; the resolution in relation to opinions in relation to the independence of the valuation institution, reasonableness of the assumptions used in the valuation, relevance of the valuation methods and valuation purposes and fairness of the appraised value; the resolution in relation to the approval of the audit report, valuation report and pro forma review report on the asset acquisition by way of share issuance and cash payment and raising of supporting funds; the resolution in relation to the amendments to the "Articles of Association"; the resolution in relation to the amendments to the "Rules of Procedure of the General Meeting of Shareholders"; the resolution in relation to the amendments to the "Rules of Procedure for the Board of Directors"; the resolution in relation to the amendments to the "Rules of Procedure for the Supervisory Committee"; the resolution in relation to the amendments to the "Fundraising Management Measures".</p> <p>The following resolutions were considered and approved: the resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company; the resolution in relation to the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" and its summary; the resolution in relation to the conditional "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" and "Performance Compensation Agreement" executed by the Company; the resolution in relation to the mandate granted to the Board at the EGM and class meetings at its full discretion to deal with matters pertaining to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company.</p>



SECTION 4 CORPORATE GOVERNANCE

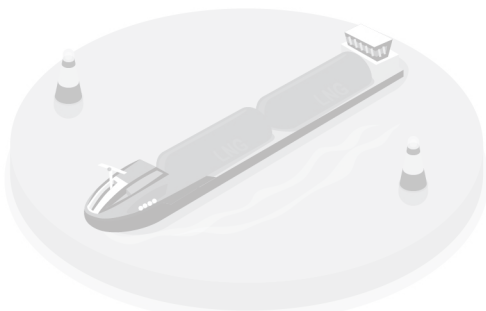
Meeting	Date of holding	Index for details on websites designated for publishing resolutions	Date of disclosure of the resolutions	Resolutions
The First H Share Class Meeting of 2021	9 February 2021	The website of the SSE (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk)	9 February 2021	The following resolutions were considered and approved: the resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company; the resolution in relation to the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" and its summary; the resolution in relation to the conditional "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" and "Performance Compensation Agreement" executed by the Company; the resolution in relation to the specific mandate granted to the Board at the EGM and class meetings to deal with matters pertaining to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company.
2020 Annual General Meeting	9 June 2021	The website of the SSE (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk)	9 June 2021	The following resolutions were considered and approved: the full text and the summary of annual report for A shares and annual report for H shares for 2020; the 2020 work report of the Board; the 2020 work report of the supervisory committee; the 2020 audited financial reports; the internal control audit report in the financial report for the year 2020; the 2020 work report of the independent non-executive directors; the re-appointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor for the Company's 2021 financial reports and to propose at the general meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration; the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor for the Company's 2021 internal control audit report of the financial report and to propose at the general meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration; the resolution not to distribute any profit for the year 2020; the resolution in relation to grant of general mandate to the Board to issue H shares.

Shareholders of preferred shares whose voting rights are restored request to convene an extraordinary general meeting of shareholders

Applicable Not Applicable

Description of the general meeting of shareholders

Applicable Not Applicable



SECTION 4 CORPORATE GOVERNANCE

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

Applicable Not Applicable

Description of change of Directors, Supervisors and Senior Management of the Company

Applicable Not Applicable

III. PROPOSAL ON THE PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

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
Number of shares to be distributed for every ten shares	
Amount to be distributed for every ten shares	
Number of shares to be converted into share capital for every ten shares (share)	
Relevant explanation on profit distribution plan or plan to convert capital reserve into share capital	Nil

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

(I) Relevant share incentives matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

Applicable Not Applicable

(II) Incentive conditions and share incentive conditions not disclosed in extraordinary announcements or with subsequent progress

Share incentive

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

Employee share scheme

Applicable Not Applicable

Other incentive measures

Applicable Not Applicable



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. 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**

Applicable Not Applicable

1. Information on emission of pollutants

Applicable Not Applicable

Tianjin Tianhai High Pressure Container Co., Ltd. (herein after "Tianjin Tianhai"), a subsidiary of the Company was included in the list of key pollutant-discharging units by Tianjin Environmental Protection Bureau in 2021.

1. Information of wastewater emission

Tianjin Tianhai has 2 comprehensive wastewater discharge ports, the wastewater is discharged into the urban sewage pipe network after sedimentation and discharged after being treated by the sewage treatment plant in the extension area of the bonded area. Pollution factors include PH value, chemical oxygen demand, ammonia nitrogen, suspended solids, total phosphorus, petroleum, animal and vegetable oils, anionic surfactants, etc.

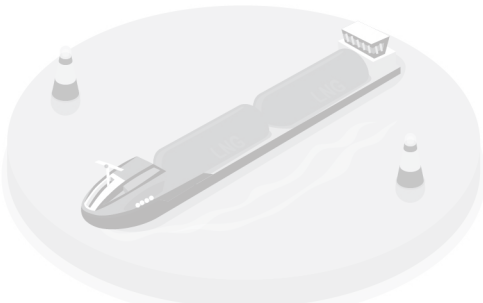
In the first half of 2021, the wastewater has undergone sampling and monitoring through Tianjin Guona Product Testing Technology Service Co., Ltd., and the results were in compliance with Tianjin Province "Overall Sewage Emission Standard" DB12/356-2018 (Level 3), and all reached the emission standard.

Statistical table of emission concentration of water pollutant

Table 1-1

Unit: mg/L

Pollutants		Standard Limit	Emission concentration monitoring data (average) 2021	Emission pattern	Emission flow
Regular pollutants	PH value	6-9	7.79	Stable and continuous disposal	Sewage treatment plant in the extended area of the bonded area
	COD	500	70.5		
	ammoniac nitrogen	45	11.05		
	suspended solids	400	14		
	total phosphorous	8	1.075		
	petroleum	15	0.085		
	animal and vegetable oils	100	0.265		
	anionic surfactants	20	0.05		



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Statistics of total emission volume of water pollutant

Table 1-2

Unit: tons

Pollutants	Data Source	2021		
		Production volume	Disposal volume	
Total disposal volume of wastewater	Statistical method	68,625	68,625	
Regular pollutants	PH value	Third-party testing	0.535	0.535
	chemical oxygen demand	Third-party testing	4.838	4.838
	ammoniac nitrogen	Third-party testing	0.758	0.758
	suspended solids	Third-party testing	0.961	0.961
	total phosphorous	Third-party testing	0.074	0.074
	petroleum	Third-party testing	0.0058	0.0058
	animal and vegetable oils	Third-party testing	0.018	0.018
	anionic surfactants	Third-party testing	0.0034	0.0034

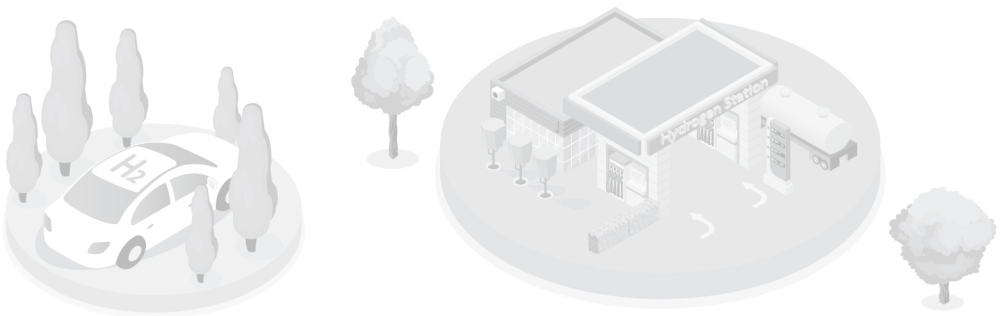
2. Information of exhaust gas emission

Tianjin Tianhai has 9 exhaust gas ports, of which there are 2 spray paint exhaust gas ports, 1 manual touch-up exhaust gas port, 2 heat treatment furnace exhaust gas ports, 2 spinning machines exhaust gas ports, 1 spraying solidification exhaust gas port and 1 wrapped-up solidification exhaust gas port. Exhaust gas pollution factors are smoke and dust, blackness of flue gas, sulfur dioxide, nitrogen oxides, benzene, sum of toluene and xylene and VOCs. In accordance with the "Pollutant Discharge License", the total discharge volume of sulfur dioxide, nitrogen oxides and particulates are 0.747 tons, 11.223 tons and 0.747 tons, respectively.

In the first half of 2021, the exhaust gas undergone sampling and monitoring through Tianjin Guona Product Testing Technology Service Co., Ltd., the results were in compliance with "Emission Standard of Air Pollutants for Industrial Kilns and Furnaces" (DB12/556-2015) and "Volatile Organic Compound Emission Control Standards for Industrial Enterprises" (DB12/524-2014), and all reached the emission standard.

Table 2-1 Statistical table of emission concentration monitoring of air pollutant

Pollutants	Maximum allowable emission concentration (mg/m ³)	Annual average of emission concentration monitoring data		Maximum allowable emission rate (kg/h)
		(mg/m ³)	2021	
Natural gas combustion exhaust gas port				
Regular pollutants	sulfur dioxide	50	3.15	—
	nitrogen oxides	150	23.17	—
	particles	20	2.15	—



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Table 2-2 Statistical table of emission concentration monitoring of air pollutant

Pollutants	Maximum allowable emission concentration (mg/m ³)	Annual average of emission concentration monitoring data (mg/m ³) 2021	Maximum allowable emission rate (kg/h)
Spray paint exhaust gas port			
Characteristic pollutants benzene	1	0.004	0.2
VOCS	40	0.998	1.5

Table 2-3 Statistical table of total emission volume of air pollutant

Unit: tons/year

Pollutants	Source	2021 Emission volume
Emission volume of natural gas combustion		129,542,755 m ³
Emission volume of spray paint exhaust gas		135,157,700 m ³
Regular pollutants		
sulfur dioxide	Third-party testing	0.408
nitrogen oxides	Third-party testing	3
particles	Third-party testing	0.216
benzene	Third-party testing	0.0005
VOCS	Third-party testing	0.135

3. Emission control on hazardous waste

Hazardous waste generated during the production process shall be transferred to Tianjin Hejia Veolia Environmental Services Co., Ltd., a qualified hazardous waste disposal unit for disposal in accordance with the regulations.

Table 3 Statistical table of the generation and disposal of hazardous waste

Unit: tons

Name	Waste categories	Major harmful substance	Form (solid, liquid, gas)	Source of generation	Generation volume per year (disposal volume) The first half of 2021	Disposal method
1	HW08	Mineral oil	Liquid	Production process	0.63	Third-party disposal
2	HW12	Paint	Solid	Production process	9.18	
3	HW13	Resin	Solid	Production process	4.6	
4	HW49	Paint	Solid	Production process	8.69	
Total					23.1	



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

4. Emission control on general industrial solid waste

General industrial solid wastes generated during the production process, such as tube head and scrap iron, shall be purchased by Tianjin Qingjianqiang Trade Co., Ltd..

Table 4 Emission and disposal of general industrial solid waste

Unit: tons

Year	Name of the solid waste	Generation volume	Comprehensive utilization	Disposal volume	Storage volume	Emission volume	Emission flow
2021	Tube head, scap iron	1,212.33	1,212.33	0	0	0	Recycled for utilization

5. Emission control on noise pollution

Table 5 Emission and disposal of noise pollution

Year	Measurement location	Corresponding noise source	Noise source properties	Daytime noise emissions (6:00–22:00)/dB(A)		Nighttime noise emissions (22:00–6:00)/dB(A)	
				Emission limit	Result	Emission limit	Result
2021	Around the plant area	Production equipment	Mechanical noise	65	56	-	-

2. Construction and operation of pollution prevention & treatment facilities

Applicable Not Applicable

Tianjin Tianhai installed facilities for prevention and control of pollution in sewage node on each production facilities; exhaust gas ports which produce volatile organic compounds adopted regeneration processes of dry filters + activated carbon absorption + catalytic combustion and desorption. It also adopted secondary dedusting in shot blasting process. Facilities for prevention and control of pollution are operating normally and effectively.

3. Environmental impact assessment of construction project and other administrative licenses regarding environmental protection

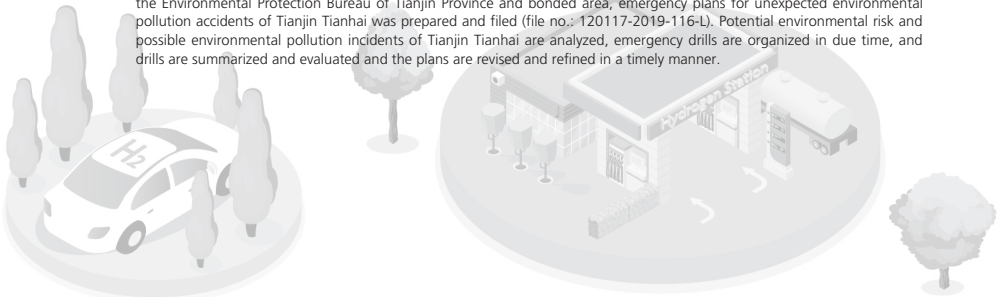
Applicable Not Applicable

In the first half of 2021, there was no construction project of the Company.

4. Environmental emergency response plan

Applicable Not Applicable

In order to deal with unexpected environmental risk accidents, Tianjin Tianhai has established a sound emergency response mechanism for unexpected environmental pollution accidents to handle unexpected environmental pollution accident occurred in Tianjin Tianhai in a timely, high efficiency and proper manner. In accordance with the relevant requirements of the Environmental Protection Bureau of Tianjin Province and bonded area, emergency plans for unexpected environmental pollution accidents of Tianjin Tianhai was prepared and filed (file no.: 120117-2019-116-L). Potential environmental risk and possible environmental pollution incidents of Tianjin Tianhai are analyzed, emergency drills are organized in due time, and drills are summarized and evaluated and the plans are revised and refined in a timely manner.



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

5. Environmental self-monitoring scheme

Applicable Not Applicable

In the first half of 2021, Tianjin Guona Product Testing Technology Service Co., Ltd. was entrusted to test the discharge port in accordance with the requirements of the monitoring plan. The test results all meet the requirement of the standard (see table 1-1, table 2-2, table 5).

1. Implementation standard and limit of emission of water pollutant

Items	Standard of concentration limit	Source of standard
PH value	6-9	"Overall Sewage
suspended solids	400 mg/L	Emission Standard"
chemical oxygen demand	500 mg/L	(DB12/356-2018 (level 3))
petroleum	15 mg/L	
biochemical oxygen demand	300 mg/L	
ammoniac nitrogen	45 mg/L	
total phosphorous	8 mg/L	
total nitrogen	70 mg/L	
animal and vegetable oils	100 mg/L	
anionic surfactants	20 mg/L	

2. Implementation standard and limit of implementation of discharge of gaseous waste

Source of pollution	Factors of pollution	Standard of concentration limit mg /m ³	Source of standard
Kilns and furnaces	sulfur dioxide	50	"Emission Standard of
	nitrogen oxides	300	Air Pollutants for Industrial
	particles	20	Kilns and Furnaces"
	blackness of flue gas	≤1	(DB12/556-2015)
Piping	benzene	1	"VOC Emission Control
	total toluene and xylene	20	Standards for Industrial
	VOCS	40	Enterprises" (DB12/524-2020)

3. The noise level at the boundaries of the plants complies with class 3 and 4 standards of "Emission standard for industrial enterprises noise at boundary" (GB12348-2008), with 65-70dB (A) during the day and 55dB (A) during the night.



SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

6. Other environmental matters

In the first half of 2021, there were no complaints on environmental issues or pollution incidents.

7. Administrative Penalty for environmental problems during the Reporting Period

Applicable Not Applicable

8. Other disclosable environmental information

Applicable Not Applicable

(II) Description on the environment protection of the companies other than those falling under key sewage emission entities

Applicable Not Applicable

(III) Description of the follow-up progress or changes in the disclosure of environmental information during the Reporting Period

Applicable Not Applicable

(IV) Information on efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment

Applicable Not Applicable

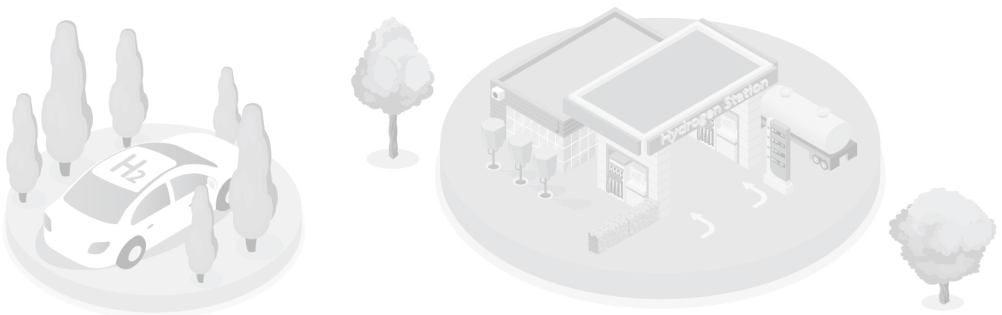
(V) Measures adopted for reducing carbon emissions during the Reporting Period and their effects

Applicable Not Applicable

II. DETAILS ON PERFORMANCE OF CONSOLIDATION OF ANTI-POVERTY ACHIEVEMENTS AND RURAL REJUVENATION

Applicable Not Applicable

1. The labor union of the Company distributes condolences, which are purchased from target poverty alleviation areas, to employees on major festivals. The total purchase of poverty alleviation products by the labour union in the first half of 2021 amounted to RMB296,200.
2. The raw materials of food purchased by the canteen of the Company are from the target poverty alleviation areas. The total purchase of poverty alleviation products by the canteen in the first half of 2021 amounted to approximately RMB221,200.



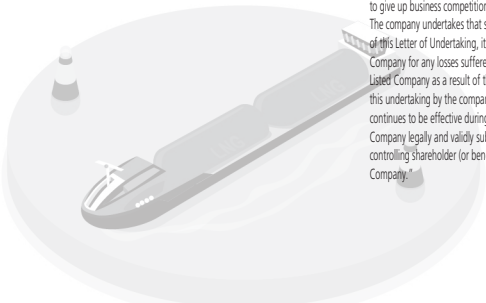
SECTION 6 IMPORTANT MATTERS

I. FULFILLMENT OF UNDERTAKINGS

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

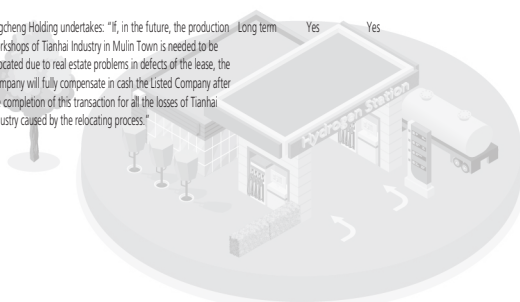
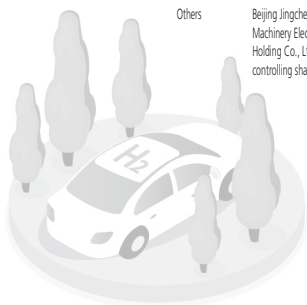
√ Applicable □ Not Applicable

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 controlling 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 controlling 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		



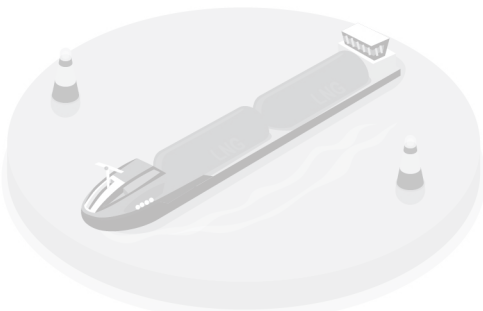
SECTION 6 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a controlling 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 controlling 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 controlling 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 6 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a controlling 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 controlling shareholder	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. 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."	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 6 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets." 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."	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		

II. FUNDS MISAPPROPRIATED BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD FOR NON OPERATING CAUSES

Applicable Not Applicable

III. ILLEGAL GUARANTEE

Applicable Not Applicable

IV. AUDIT OF INTERIM REPORT

Applicable Not Applicable

V. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Applicable Not Applicable



SECTION 6 IMPORTANT MATTERS

VI. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VII. 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

(1) Litigations and arbitrations have been disclosed in extraordinary announcements with no subsequent developments

Applicable Not Applicable

Summary and type of matter

Index for enquiry

Contractual dispute of Shanghai Junzheng Logistics Co., Ltd.

The website of the SSE (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk)

Due to a contractual dispute, Shanghai Junzheng Logistics Co., Ltd. (herein after "Junzheng Company") alleged that Beijing Tianhai Cryogenic Equipment Co., Ltd. (herein after Tianhai Cryogenic) had failed to produce, and deliver certain tank containers to it as requested, and sued Tianhai Cryogenic at the Shanghai No. 1 Intermediate People's Court for confirmation as to the termination of the outstanding part of the "Tank Containers Procurement Contracts" entered into between Junzheng Company and Tianhai Cryogenic, and Tianhai Cryogenic shall refund the contract price, loss in occupation of funds, travelling expenses, vehicle rental fees and notarization fees etc. to Junzheng Company, which amounted to RMB66,035,037.2. Tianhai Cryogenic undertook to pay for the full security fee, insurance premium and all the litigation costs. For details, please refer to the "Announcement on Litigation involving Beijing Tianhai Cryogenic Equipment Co. Ltd." disclosed on the website of the SSE (www.sse.com.cn), Shanghai Securities News and the website of the Stock Exchange (www.hkexnews.hk).

On 13 May 2021, the Company received a civil judgment from Shanghai No. 1 Intermediate People's Court which handed down a firstinstance judgment on the case. The judgement is as follows: (1) The defendant Tianhai Cryogenic shall pay the plaintiff Junzheng Company the vehicle rental fees and travelling expenses of RMB20,000 within ten days from the effective date of the judgment; (2) Junzheng Company, the counterclaiming defendant, shall pay Tianhai Cryogenic, the counterclaiming plaintiff, storage fees of RMB1,800,000 within ten days from the effective date of the judgment; (3) the remaining claims of Junzheng Company, the plaintiff, are dismissed; (4) the remaining claims of Tianhai Cryogenic, the counterclaiming plaintiff, are dismissed. For details, please refer to the "Announcement on the progress of litigation involving Beijing Tianhai Cryogenic Equipment Co., Ltd." disclosed on the website of the SSE (www.sse.com.cn), Shanghai Securities News and the website of the Stock Exchange (www.hkexnews.hk).

Junzheng Company does not agree with the firstinstance judgment handed down by Shanghai No. 1 Intermediate People's Court and submitted an appeal to Shanghai High Court in accordance with the laws. After the filing of the case in Shanghai High Court, a panel of judges will be formed in accordance with the laws and the hearing will be held on 24 August 2021. For details, please refer to the "Announcement on the receipt of the second instance summons and progress of litigation involving Beijing Tianhai Cryogenic Equipment Co., Ltd." disclosed on the website of the SSE (www.sse.com.cn), Shanghai Securities News and the website of the Stock Exchange (www.hkexnews.hk).

(2) Information on litigation and arbitration not disclosed in extraordinary announcements or with subsequent developments

Applicable Not Applicable

(3) Other descriptions

Applicable Not Applicable



SECTION 6 IMPORTANT MATTERS

VIII. PUNISHMENT AND RECTIFICATION AGAINST THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable Not Applicable

IX. DESCRIPTION OF THE CREDIT STATUS 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 have good credit status.

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operation

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

Applicable Not Applicable

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

Applicable Not Applicable

3. Matters which were not disclosed in extraordinary announcements

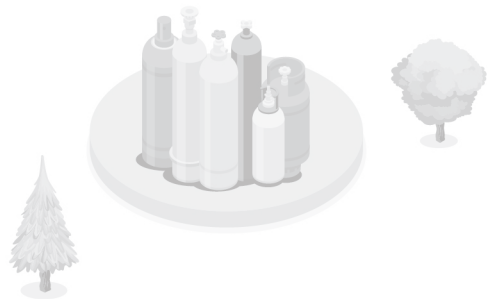
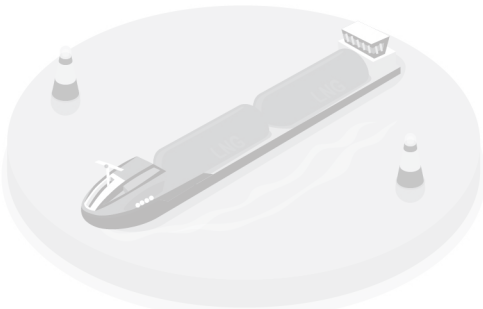
Applicable Not Applicable



SECTION 6 IMPORTANT MATTERS

- (II) **Connected transactions in relation to the acquisition or disposal of assets or equity interests**
 - 1. **Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**
 Applicable Not Applicable
 - 2. **Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation**
 Applicable Not Applicable
 - 3. **Matters which were not disclosed in extraordinary announcements**
 Applicable Not Applicable
 - 4. **Results which are relating to result agreements and shall be disclosed for the Reporting Period**
 Applicable Not Applicable

- (III) **Material connected transactions relating to common external investments**
 - 1. **Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**
 Applicable Not Applicable
 - 2. **Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation**
 Applicable Not Applicable
 - 3. **Matters which were not disclosed in extraordinary announcements**
 Applicable Not Applicable



SECTION 6 IMPORTANT MATTERS

(IV) Related creditor's right and debt transactions

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

Applicable Not Applicable

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

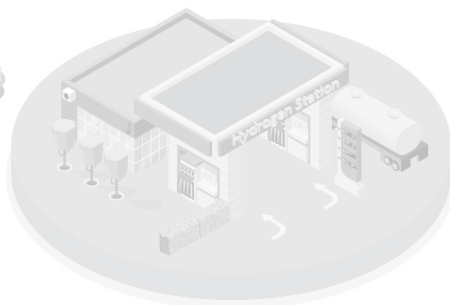
Applicable Not Applicable

3. Matters which were not disclosed in extraordinary announcements

Applicable Not Applicable

Unit: Yuan Currency: RMB

Related party	Relationship	Provision of funding to related party			Provision of funding by related party to listed company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	1,646,332.00	1,206,404.03	2,852,736.03	5,012,811.31	77,246.00	5,090,057.31
Beijing Jingcheng Industrial Logistics Co., Ltd.	Subsidiary of Shareholders				902,227.27		902,227.27
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Controlling Shareholders	273,750.00	-273,750.00	0.00	7,574.30	-75.22	7,499.08
Beijing Lantanda Automobile Cleaning Fuel Technology Co., Ltd.	Others	3,270,914.89	-1,662,514.89	1,608,400.00	5,299.15	-5,299.15	0.00
Beijing No. 1 Machine Tool Plant	Subsidiary of Shareholders				486,159.09		486,159.09
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Joint Venture	3,457,570.47	38,262.15	3,495,832.62	15,540,454.46	-15,540,454.46	0.00
Zheng Guoxiang	Others				5,442,594.21	-5,442,594.21	0.00
Guo Zhihong	Others				5,442,594.22	-5,442,594.22	0.00
Kuancheng Shengghua Pressure Container Manufacturing Co., Ltd.	Others		355,838.00	355,838.00	428.00	-428.00	0.00
Tianjin Seamless Investment Co. Ltd.	Others				4,294,369.42	1,546,698.85	5,841,068.27
Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.	Associate				10,000,000.00	-3,000,000.00	7,000,000.00
Total		8,648,567.36	-335,760.71	8,312,806.65	47,134,511.43	-27,807,500.41	19,327,011.02
Reasons for occurrence of related creditor's right and debt transactions	Normal operation						
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company	Nil						



SECTION 6 IMPORTANT MATTERS

(V) Financial business between the Company and its related financial company, and between financial company controlled by the Company and related parties

Applicable Not Applicable

(VI) Other substantial connected transactions

Applicable Not Applicable

(VII) Others

Applicable Not Applicable

Related Party Transactions

Beijing Tianhai Industry Co., Ltd. (herein after “Beijing Tianhai”), an indirectly whollyowned subsidiary of the Company, entered into a 2021 cooperation framework agreement with Beijing Jingcheng Zhitong Robot Technology Co., Ltd (herein after “Jingcheng Zhitong”). Beijing Tianhai and its subsidiaries focus on the requirements for automation and intelligent application on the production site. The improvement of the process technology route is proposed, and Jingcheng Zhitong will be mainly responsible for the construction of automation and intelligent system through in-depth study of the production process. In the process of transformation of the production lines of Beijing Tianhai and its subsidiaries, Jingcheng Zhitong will deeply participate in the negotiation and overall planning and provide constructive opinions and transformation measures for the construction and planning of intelligent factories, while establishing close contacts to advance the promotion and application of the cooperation outcome.

Mr. Wang Jun is the chairman of the tenth session of the Board of the Company, and is a related natural person of the Company; at the same time, Mr. Wang Jun is the chairman of Jingcheng Zhitong, pursuant to the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Jingcheng Zhitong is a related legal person of the Company; Beijing Tianhai is an indirectly wholly-owned subsidiary of the Company, the transaction constitutes a related party transaction.

On 17 March 2021, the Company convened the third meeting of the tenth session of the Board and the eleven meeting of the tenth session of the Supervisory Committee, the resolution on the entering into of the 2021 Cooperation Framework Agreement and Related Party Transactions between Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and Beijing Jingcheng Zhitong Robot Technology Co., Ltd., was considered and approved, respectively. Mr. Wang Jun, a related director, recused from voting. The transaction is not required to be submitted to the general meeting of the Company for consideration.

For details of the transaction, please refer to the “Voluntary announcement on entering into the 2021 cooperation framework agreement and related party transactions between Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and Beijing Jingcheng Zhitong Robot Technology Co., Ltd.” dated 17 March 2021 of the Company.

Pursuant to the relevant requirements under Chapter 14A of the Hong Kong Listing Rules, Jingcheng Zhitong is not a connected person of the Company. Therefore, the transaction does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules.



SECTION 6 IMPORTANT MATTERS

XI. MATERIAL CONTRACTS AND THEIR EXECUTION

1. Trust, contracting and lease matters

Applicable Not Applicable

2. Material guarantee and outstanding material guarantee during the Reporting Period

Applicable Not Applicable

3. Other material contracts

Applicable Not Applicable

XII. EXPLANATION ON OTHER IMPORTANT MATTERS

Applicable Not Applicable

In order to enhance the Company's ongoing operation and profitability, the Company is implementing the acquisition of 80% equity interests in Qingdao BYTQ United Digital Intelligence Co., Ltd.. In the transaction, the listed company will acquire assets by way of issuing shares to 17 natural persons including Li Hong and Qingdao Eternal Economic Information Consulting Co., Ltd. and payment in cash, and raised supporting funds through non-public issuance of shares to no more than 35 target subscribers. The Company convened the fifth extraordinary meeting of the tenth session of the Board on 17 August 2020 for the consideration and approval of each resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 29 December 2020, the eighth extraordinary meeting of the tenth session of the Board was convened for the consideration and approval of each resolution in relation to the amendments to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds. On 9 February 2021, the Company convened the first extraordinary general meeting of 2021, the first A share class meeting of 2021 and the first H share class meeting of 2021 to vote for the various resolutions in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds, and to agree and authorize the Board to handle the matters related to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company. On 25 February 2021, the Company received the "CSRC Acceptance Notice of the Application for Administrative Permission" (Acceptance No.: 210440) (《中國證監會行政許可申請受理單》(受理序號: 210440 號)) issued by the CSRC. On 19 May 2021, the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 10th working meeting of the MRVC for the year of 2021, at which the Asset Acquisition by way of Share Issuance of the Company and Cash Payment and Raising of Supporting Funds was vetted. In accordance with the vetting results of the meeting, the reorganisation was not approved. On 11 June 2021, the eleventh extraordinary meeting of the tenth session of the Board was convened and the "Resolution in relation to Continuance of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" was considered and approved. After study and investigation, the Board agreed to proceed with the assets reorganisation.



SECTION 7 CHANGES IN 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

Non-public Issuance of A Shares

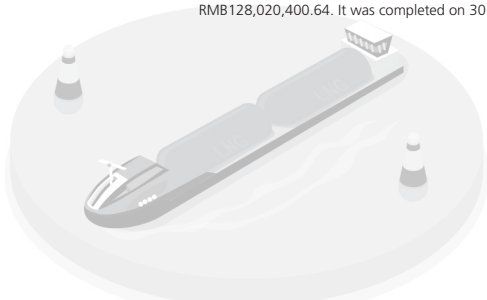
The Company completed the non-public issuance of A Shares on 9 July 2020. The subscriber of the non-public issuance of A Shares was Jingcheng Machinery Electricity, there was 1 subscriber in total. 63,000,000 Shares were issued under the non-public issuance of A Shares with the total raised funds amounting to RMB214,830,000, after deducting various issuance expenses of RMB7,104,802.04 (tax exclusive), the actual net raised funds amounted to RMB207,725,197.96, of which RMB63,000,000.00 was the registered capital (share capital) added and RMB144,725,197.96 was the capital reserve increased.

The non-public issuance of A Shares is to raise funds for (1) construction project of intelligent numerical control production line for type IV cylinders; (2) research and development project of hydrogen energy product; and (3) repayment of debts owed to Jingcheng Electric Machinery and financial institutions, in order to conform to the country's strategic requirements for promoting the development of hydrogen energy industry and service strategy transformation and to improve the gearing structure of the Company, relieve the capital pressure and strengthen the capabilities in anti-risk and profitability.

During the Reporting Period, the amount of net raised funds brought forward (including interest income) was RMB29,177,755.86, the amount utilized during the Reporting Period was RMB13,186,980.53, whereas the total amount utilised was RMB178,273,471.49. There was no inconsistency between the utilisation of the raised funds and the original intended use.

During the Reporting Period, the raised funds (after deduction of various issuance expenses and tax) were utilised or proposed to be utilised in the following ways:

- (1) For the construction project of intelligent numerical control production line for type IV cylinders. The net raised funds were RMB52,000,000.00. The amount utilised during the Reporting Period was RMB12,646,760.53, whereas the total amount utilised was RMB49,712,850.85. It is expected to be completed by the end of October 2021.
- (2) For the research and development project of hydrogen energy product. The net raised funds were RMB27,285,000.00. The amount utilised during the Reporting Period was RMB540,220.00, whereas the total amount utilized was RMB540,220.00. It is expected to be completed by the end of June 2022.
- (3) For the repayment of debts owed to Jingcheng Electric Machinery and financial institutions. The net raised funds were RMB128,020,400.64. It was completed on 30 July 2020.



SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(2) Changes in shares subject to selling restrictions

√ Applicable □ Not Applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Number of restricted shares increase during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for restricted sale	Release date
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	63,000,000	0	0	63,000,000	Restriction from non-public issuance	11 July 2023
Total	63,000,000	0	0	63,000,000	/	/

II. INFORMATION ABOUT SHAREHOLDERS

(1) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period 15,345
 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, top ten shareholders of circulating shares (or holders of shares not subject to selling restrictions) 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		Number of shares subject to selling restrictions	Pledged or frozen		Shareholder(s) nature
		Number of shares held at the end of the Reporting Period	Ratio (%)		Share status	Number	
Beijing Jingcheng Machinery Electric Holding Co., Ltd	0	245,735,052	50.67%	63,000,000	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	-2,120	99,313,027	20.48%	0	Unknown	0	Unknown
Li Hongjie	3,759,937	4,900,037	1.01%	0	Unknown	0	Unknown
Jiang Genqing	3,787,700	3,787,700	0.78%	0	Unknown	0	Unknown
He Yong	601,200	2,147,520	0.44%	0	Unknown	0	Unknown
Hong Kong Securities Clearing Company Limited	1,163,742	1,842,817	0.38%	0	Unknown	0	Unknown
Xu Zihua	0	1,708,700	0.35%	0	Unknown	0	Unknown
Xu Rui	700	1,705,500	0.35%	0	Unknown	0	Unknown
Huang Zhiping	-86,573	1,660,027	0.34%	0	Unknown	0	Unknown
Wang Zhengyue	663,000	1,363,000	0.28%	0	Unknown	0	Unknown



SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Particulars of top ten holders of shares not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions		Class and number of shares	Number
		Type		
Beijing Jingcheng Machinery Electric Holding Co., Ltd	182,735,052	Ordinary shares denominated in RMB		182,735,052
HKSCC NOMINEES LIMITED	99,313,027	Overseas listed foreign shares		99,313,027
Li Hongjie	4,900,037	Ordinary shares denominated in RMB		4,900,037
Jiang Genqing	3,787,700	Ordinary shares denominated in RMB		3,787,700
He Yong	2,147,520	Ordinary shares denominated in RMB		2,147,520
Hong Kong Securities Clearing Company Limited	1,842,817	Ordinary shares denominated in RMB		1,842,817
Xu Zihua	1,708,700	Ordinary shares denominated in RMB		1,708,700
Xu Rui	1,705,500	Ordinary shares denominated in RMB		1,705,500
Huang Zhiping	1,660,027	Ordinary shares denominated in RMB		1,660,027
Wang Zhengyue	1,363,000	Ordinary shares denominated in RMB		1,363,000
Description of special account for repurchase among the top ten Shareholders	N/A			
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the aforesaid Shareholders	N/A			
Explanation on the related relationship of the shareholders and action in concert among the aforesaid shareholders	The Company is not aware of any related relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.			
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings	N/A			

Notes:

- (1) Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the controlling shareholder of the Company, no share of which are being pledged or frozen.
- (2) On 9 July 2020, the share registration procedures of the non-public issuance of new A Shares of the Company are completed in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The newly issued A Shares of the issuance are circulating shares subject to selling restrictions, 63,000,000 Shares subject to restrictions are held by Beijing Jingcheng Machinery Electric Company Limited, with a lock-up period of 36 months and will be listed and traded on the Shanghai Stock Exchange on the next trading day upon the expiry of the lock-up period. For details, please refer to the "Indicative announcement in relation to the changes in interests of the controlling shareholder" disclosed by the Company on 10 July 2020.
- (3) 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.
- (4) As at 30 June 2021, so far as was known to the Directors, the Directors, the supervisors and chief executive of the Company or their respective associates do not have any 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 The Stock Exchange of Hong Kong Limited (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 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 "Listing Rules"), to be notified to the Company and the Hong Kong Stock Exchange.
- (5) Save as disclosed above, as at 30 June 2021, 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.
- (6) There is no provision for pre-emptive rights under the laws of the PRC and the articles of association of the Company.
- (7) As of 30 June 2021, the Company did not issue any convertible securities, options, warrants or any other similar right.

SECTION 7 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Top ten holders of shares subject to selling restrictions and the restrictions

Applicable Not Applicable

Unit: share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Conditions of listing and trading of restricted shares		Restricted conditions
			Date of being permitted for listing and trading	Number of additional shares available for listing and trading	
1	Beijing Jingcheng Machinery Electric Holding Co., Ltd. Explanation on related relationship or action acting in concert among the aforesaid shareholder	63,000,000	11 July 2023	0	Restriction from non-public issuance
	N/A				

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

Applicable Not Applicable

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Change in shareholding of current and the resigned directors, supervisors and senior management during the Reporting Period

Applicable Not Applicable

Other information

Applicable Not Applicable

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

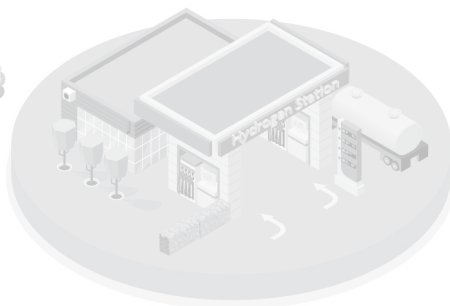
Applicable Not Applicable

(3) Other information

Applicable Not Applicable

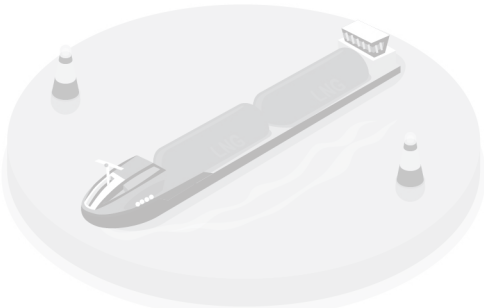
IV. CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable Not Applicable



SECTION 8 INFORMATION ABOUT PREFERENCE SHARE

Applicable Not Applicable



SECTION 9 CORPORATE BONDS

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

Applicable Not Applicable

II. CONVERTIBLE BONDS

Applicable Not Applicable



SECTION 10 FINANCIAL REPORT

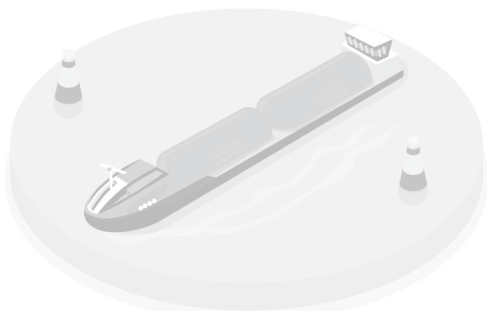
CONSOLIDATED BALANCE SHEET

June 30, 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand	VI. 1	109,896,372.32	279,067,536.83
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	VI. 2	174,988,820.03	191,929,152.84
Receivables financing	VI. 3	5,234,897.48	4,153,285.64
Advances to suppliers	VI. 4	54,676,124.57	63,821,034.83
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Other receivables	VI. 5	8,564,832.57	8,706,093.49
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI. 6	365,440,503.75	274,506,836.67
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	VI. 7	30,412,758.17	37,045,785.67
Total current assets		749,214,308.89	859,229,725.97
Non-current assets:			
Offering loans and advances in cash			
Debt investment			
Investment in other debentures			
Long-term receivables			
Long-term equity investments	VI. 8	62,724,659.74	59,521,106.68
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	VI. 9	586,136,826.64	605,655,905.18
Construction in progress	VI. 10	62,622,542.84	54,395,871.51
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VI. 11	119,501,564.36	121,126,149.83
Development expenditures			
Goodwill	VI. 12		
Long-term deferred expenses	VI. 13	4,595,900.38	5,214,275.63
Deferred income tax assets	VI. 14	54,991.30	287,827.59
Other non-current assets			
Total non-current assets		835,636,485.26	846,201,136.42
Total assets		1,584,850,794.15	1,705,430,862.39



SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	VI. 15	108,000,000.00	168,000,000.00
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	VI. 16	20,000,000.00	56,000,000.00
Accounts payable	VI. 17	270,976,653.38	258,315,791.75
Advances from customers			
Contractual liabilities	VI. 18	85,965,855.60	60,853,270.89
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable	VI. 19	17,239,837.40	28,176,562.77
Taxes payable	VI. 20	3,148,984.89	6,720,070.38
Other payables	VI. 21	22,040,189.30	45,176,375.13
Including: Interest payable			424,599.25
Dividends payable			
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities	VI. 22		15,540,454.46
Other current liabilities	VI. 23	4,157,447.04	8,472,856.14
Total current liabilities		531,528,967.61	647,255,381.52
Non-current liabilities:			
Reserve of insurance contract			
Long-term borrowings	VI. 24		1,154,907.30
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	VI. 25	7,000,000.00	10,000,000.00
Long-term employee benefits payable	VI. 26	28,991,298.85	28,206,118.61
Provisions	VI. 27	11,197,893.84	11,197,893.84
Deferred incomes	VI. 28	5,461,983.05	6,011,627.67
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		52,651,175.74	56,570,547.42
Total liabilities		584,180,143.35	703,825,928.94



SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

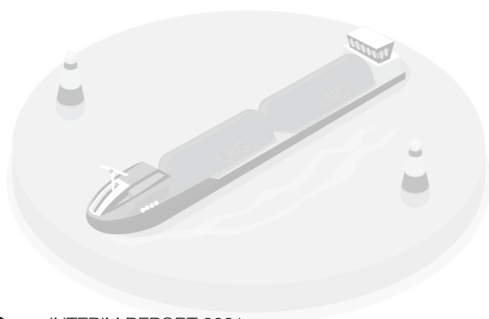
Unit: RMB

Item	Note	Ending balance	Beginning balance
Shareholders' equity			
Capital stock (or share capital)	VI. 29	485,000,000.00	485,000,000.00
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	VI. 30	833,183,835.84	833,183,835.84
Less: treasury stocks			
Other comprehensive incomes	VI. 31	-611,447.28	-325,424.59
Special reserves			
Surplus reserves	VI. 32	45,665,647.68	45,665,647.68
Provisions for general risk			
Undistributed profit	VI. 33	-665,364,733.80	-664,051,428.89
Total shareholders' equity attributable to parent company		697,873,302.44	699,472,630.04
Minority interest		302,797,348.36	302,132,303.41
Total stockholders' equity		1,000,670,650.80	1,001,604,933.45
Total liabilities and stockholders' equity		1,584,850,794.15	1,705,430,862.39

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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



SECTION 10 FINANCIAL REPORT

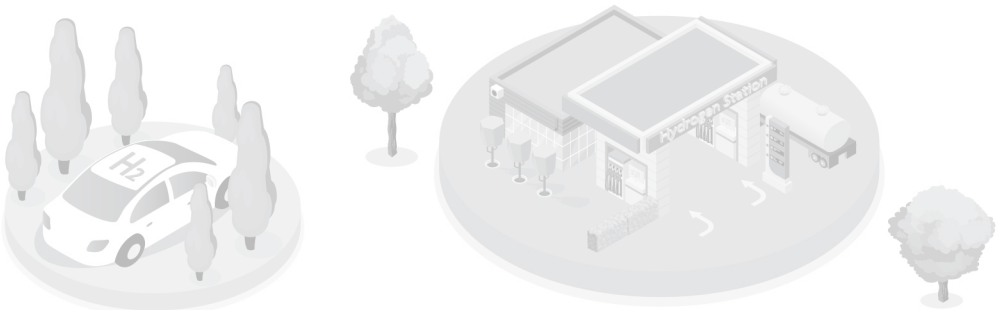
Balance Sheet of Parent Company

June 30, 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		3,110,909.02	3,275,360.33
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Advances to suppliers			274,650.00
Other receivables	XVII. 1	375,353,312.81	381,353,312.81
Including: Interest receivable		35,353,312.81	35,353,312.81
Dividends receivable			
Inventories			
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		65,481.17	
Total current assets		378,529,703.00	384,903,323.14
Non-current assets:			
Debt investment			
Investment in other debentures			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments	XVII. 2	902,148,125.05	902,148,125.05
Other non-current financial assets			
Investment properties			
Fixed assets		31,650.82	37,427.20
Construction in progress			
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		902,179,775.87	902,185,552.25
Total assets		1,280,709,478.87	1,287,088,875.39



SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF PARENT COMPANY (CONTINUED)

June 30, 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contractual liabilities			
Employee benefits payable		175,254.64	2,441,818.16
Taxes payable		90,200.53	1,002,024.99
Other payables		6,833,395.87	4,754,685.52
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		230,221.70	230,221.70
Total current liabilities		7,329,072.74	8,428,750.37
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		7,329,072.74	8,428,750.37
Shareholders' equity:			
Capital stock		485,000,000.00	485,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		811,365,185.81	811,365,185.81
Less: treasury stocks			
Other comprehensive incomes			
Special reserves		38,071,282.24	38,071,282.24
Surplus reserves		-61,056,061.92	-55,776,343.03
Undistributed profit			
Total stockholders' equity		1,273,380,406.13	1,278,660,125.02
Total liabilities and stockholders' equity		1,280,709,478.87	1,287,088,875.39

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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

SECTION 10 FINANCIAL REPORT

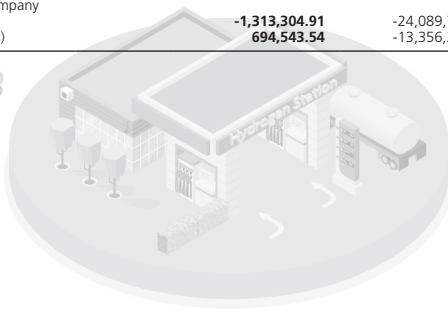
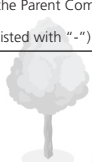
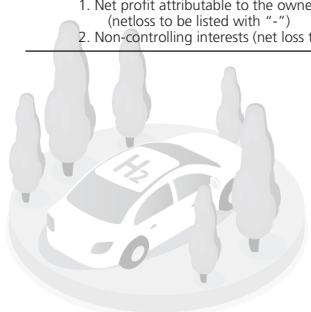
CONSOLIDATED INCOME STATEMENT

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Total operating revenue		526,554,520.75	523,831,648.77
Including: operating revenue	VI. 34	526,554,520.75	523,831,648.77
Interest income			
Earned premiums			
Fees and commissions incomes			
II. Total operating cost		526,908,492.71	539,672,653.66
Including: operating cost	VI. 34	453,219,285.37	460,653,282.50
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Expenses for reinsurance accepted			
Taxes and surcharges	VI. 35	2,516,449.29	4,207,216.97
Selling expenses	VI. 36	15,050,487.21	23,619,779.98
Administrative expenses	VI. 37	39,916,462.24	32,304,626.97
Research and development expenses	VI. 38	10,015,871.43	9,163,732.02
Financial expenses	VI. 39	6,189,937.17	9,724,015.22
Including: interest expenses		4,698,538.37	9,519,858.78
Interest income		880,727.71	672,612.09
Add: Other income	VI. 40	7,754,445.94	517,835.88
Investment incomes (loss to be listed with "-")	VI. 41	3,532,099.11	-6,049,911.14
Including: Investment incomes from associated enterprises and joint ventures		3,532,099.11	-6,049,911.14
Derecognition income of financial assets measured at amortized cost (loss to be listed with "-")			
Exchange gains (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Profit arising from changes in fair value (loss to be listed with "-")			
Credit impairment loss (loss to be listed with "-")	VI. 42	-3,016,842.78	-4,907,101.35
Asset impairment loss (loss to be listed with "-")	VI. 43	-7,227,430.91	-10,848,486.68
Incomes of assets disposal (loss to be listed with "-")	VI. 44	122,252.07	
III. Operating profit (loss to be listed with "-")		810,551.47	-37,128,668.18
Add: non-operating revenue	VI. 45	583,967.12	1,262,541.69
Less: non-operating expenses	VI. 46	164,442.22	589,190.45
IV. Total profits (total loss to be listed with "-")		1,230,076.37	-36,455,316.94
Less: income tax expenses	VI. 47	1,848,837.74	990,695.35
V. Net profits (net loss to be listed with "-")		-618,761.37	-37,446,012.29
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with "-")		-618,761.37	-37,446,012.29
2. Net profit from discontinuing operations (net loss to be listed with "-")			
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the Parent Company (net loss to be listed with "-")		-1,313,304.91	-24,089,791.77
2. Non-controlling interests (net loss to be listed with "-")		694,543.54	-13,356,220.52



SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

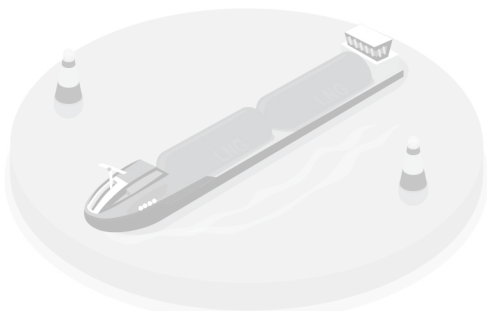
Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
VI. Other net comprehensive incomes after-tax		-315,521.28	343,846.44
(1) Other net after-tax comprehensive income attributable to the owner of the parent company	VI. 48	-286,022.69	319,559.11
(I) Other comprehensive income that cannot be reclassified through profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be transferred to profit and 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			
(II) Other comprehensive income to be reclassified into profit or loss		-286,022.69	319,559.11
1. Other comprehensive incomes that can be reclassified into profit and loss under the equity method		-1,117.81	
2. Changes in fair value of investment in other debentures			
3. Amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in investment in other debentures			
5. Cash flow hedge reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Converted difference in foreign currency statements for foreign currency		-284,904.88	319,559.11
7. Others			
(2) Other comprehensive incomes after-tax attributable to minority shareholders	VI. 48	-29,498.59	24,287.33
VII. Total comprehensive incomes		-934,282.65	-37,102,165.85
(I) Total comprehensive incomes attributable to shareholders of the parent company		-1,599,327.60	-23,770,232.66
(II) Total comprehensive incomes attributable to minority shareholders		665,044.95	-13,331,933.19
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		-0.01	-0.06
(II) Diluted earnings per share (RMB/share)		-0.01	-0.06

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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



SECTION 10 FINANCIAL REPORT

INCOME STATEMENT OF PARENT COMPANY

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Operating revenues			
Less: operating costs			
Taxes and surcharges		14,400.76	51,931.30
Selling expenses			
Administrative expenses		5,284,975.05	2,946,463.59
Research and development expenses			
Financial expenses		1,343.08	-33.00
Including: Interest expenses			
Interest income		3,208.35	1,489.73
Add: Other income		21,000.00	
Investment incomes (loss to be listed with "-")			
Including: Investment incomes from affiliated enterprises and joint ventures			
Derecognition income of financial assets measured at amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Profit arising from changes in fair value (loss to be listed with "-")			
Credit impairment loss (loss to be listed with "-")			
Asset impairment loss (loss to be listed with "-")			
Incomes of assets disposal (loss to be listed with "-")			
II. Operating profits(loss to be listed with "-")		-5,279,718.89	-2,998,361.89
Add: non-operating revenue			
Less: non-operating expenses			
III. Total profits(total loss to be listed with "-")		-5,279,718.89	-2,998,361.89
Less: income tax expenses			
IV. Net profits(net loss to be listed with "-")		-5,279,718.89	-2,998,361.89
(I) Net profit from continuing operations (net loss to be listed with "-")		-5,279,718.89	-2,998,361.89
(II) Net profit from discontinuing operations (net loss to be listed with "-")			
V. Other comprehensive incomes after-tax			
(I) Other comprehensive income that cannot be reclassified through profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive incomes that cannot be transferred to profit and 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			
(II) Other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive incomes that can be reclassified into profit and loss under the equity method			
2. Changes in fair value of investment in other debentures			
3. Amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in investment in other debentures			
5. Cash flow hedge reserve (effective portion of profit and loss arising from cash flow hedging)			
6. Converted difference in foreign currency statements for foreign currency			
7. Others			
VI. Total comprehensive incomes		-5,279,718.89	-2,998,361.89
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		414,020,281.79	462,159,937.68
Net increase in deposits and placements from financial institutions			
Net increase in due to central banks			
Net increase in placement from other financial institutions			
Cash received from premiums of original insurance contract			
Net amount of reinsurance business			
Net increase in deposits of the insured and investment			
Cash received from interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in repurchasing			
Net cash received from securities brokering			
Taxes and surcharges refunds		22,629,418.50	23,450,237.87
Other cash receipts related to operating activities	VI. 49	15,328,630.44	21,374,152.62
Subtotal of cash inflows from operating activities		451,978,330.73	506,984,328.17
Cash paid for goods and services		329,152,780.93	313,541,812.65
Net increase in loans and advances			
Net increase in deposits in the Central Bank and other financial institutions			
Cash paid for claim settlements on original insurance contract			
Net increase in placements from banks and other financial institutions			
Cash paid for interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		106,056,878.31	90,090,031.47
Taxes and surcharges cash payments		18,686,721.50	21,043,094.37
Other cash payments related to operating activities	VI. 49	40,130,148.12	55,671,142.83
Subtotal of cash outflows from operating activities		494,026,528.86	480,346,081.32
Net cash flows from operating activities		-42,048,198.13	26,638,246.85
II. Cash flows from investing activities:			
Cash received from return of investment			27,634,150.00
Cash received from investment income		327,428.24	8,551,142.28
Net cash received from disposal of fixed assets, intangible assets and other long-term a		476,169.08	78,667.00
Net cash received from disposal of subsidiaries and other business entities			
Other cash received concerning investing activities			
Subtotal of cash inflows from investing activities		803,597.32	36,263,959.28
Cash paid for purchasing fixed assets, intangible assets and other long-term assets		15,387,042.13	6,446,295.18
Cash paid for investment		18,540,454.46	11,781,356.24
Net increase in pledge loans			
Net cash paid for the disposal of subsidiaries and other business entities			
Other cash paid concerning investing activities			
Subtotal cash outflows from investing activities		33,927,496.59	18,227,651.42
Net cash flows from investing activities		-33,123,899.27	18,036,307.86

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January-June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
III. Cash flows from financing activities:			
Cash received from absorbing investment			211,111,360.00
Including: Cash received from minority shareholder investment by subsidiaries			
Cash received from borrowings			61,243,929.45
Other cash received concerning financing activities			40,000,000.00
Subtotal of cash inflows from financing activities			312,355,289.45
Cash paid for repayments of debts		60,000,000.00	157,239,478.00
Cash paid for allocation of dividends, profits or interest repayment		3,914,516.67	6,213,271.95
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid concerning financing activities	VI. 49	10,864,936.71	11,266,908.56
Subtotal of cash outflows from financing activities		74,779,453.38	174,719,658.51
Net cash flows from financing activities		-74,779,453.38	137,635,630.94
IV. Effects from change of exchange rate to cash and cash equivalents		-1,648,341.52	320,793.73
V. Net increase in cash and cash equivalents	VI. 49	-151,599,892.30	182,630,979.38
Add: beginning balance of cash and cash equivalents	VI. 49	246,146,097.89	78,887,242.25
VI. Ending balance of cash and cash equivalents	VI. 49	94,546,205.59	261,518,221.63

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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



SECTION 10 FINANCIAL REPORT

CASH FLOW STATEMENT OF PARENT COMPANY

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Note	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		6,000,000.00	
Taxes and surcharges refunds			5,980.33
Other cash receipts related to operating activities		452,896.12	452,397.77
Subtotal of cash inflows from operating activities		6,452,896.12	458,378.10
Cash paid for goods and services		54,400.00	
Cash paid to and for employees		1,834,348.30	1,155,536.95
Taxes and surcharges cash payments		1,451,370.27	853,986.87
Other cash payments related to operating activities		3,277,228.86	1,535,562.73
Subtotal of cash outflows from operating activities		6,617,347.43	3,545,086.55
Net cash flows from operating activities		-164,451.31	-3,086,708.45
II. Cash flows from investing activities:			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash received concerning investing activities			2,000,000.00
Subtotal of cash inflows from investing activities			2,000,000.00
Cash paid for purchasing fixed assets, intangible assets and other long-term assets			13,098.00
Cash paid for investment			
Net cash paid for the disposal of subsidiaries and other business entities			
Other cash paid concerning investing activities			
Subtotal cash outflows from investing activities			13,098.00
Net cash flows from investing activities			1,986,902.00
III. Cash flows from financing activities:			
Cash received from absorbing investment			211,111,360.00
Cash received from borrowings			
Other cash received concerning financing activities			
Subtotal of cash inflows from financing activities			211,111,360.00
Cash paid for repayment of debts			
Cash paid for allocation of dividends, profits or interest repayment			
Other cash paid concerning financing activities			
Subtotal of cash outflows from financing activities			
Net cash flows from financing activities			211,111,360.00
IV. Effects from change of exchange rate to cash and cash equivalents			
V. Net increase in cash and cash equivalents		-164,451.31	210,011,553.55
Add: beginning balance of cash and cash equivalents		3,275,360.33	1,111,993.77
VI. Ending balance of cash and cash equivalents		3,110,909.02	211,123,547.32

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Equity attributable to shareholders of the parent company										Total shareholders' equity		
	Current period												
	Capital stock	Preferred shares	Perpetual bond	Other equity instruments	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provisions for general risk	Undistributed profit		Others	Subtotal
I. Opening balance of the previous year	485,000,000.00			823,182,833.94		-325,242.59	45,565,647.88		-66,051,428.89		689,472,250.04	302,132,283.41	1,001,604,533.45
Changes in accounting policies													
Adjustments under common control													
Others													
II. Opening balance of the current year	485,000,000.00			823,182,833.94		-325,242.59	45,565,647.88		-66,051,428.89		689,472,250.04	302,132,283.41	1,001,604,533.45
III. Current year amount increased/decreased (Decrease to be filled with "-")													
(I) Total comprehensive income						-286,022.69			-1,918,304.91		-1,598,327.60	665,044.95	-934,282.65
(II) Capital input and reduction by owners						-286,022.69			-1,918,304.91		-1,598,327.60	665,044.95	-934,282.65
1. Common shares issued by shareholders													
2. Contribution capital of holders of other equity instruments													
3. Amount of share-based payment recognized as shareholdings interest													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation to general risk provision													
3. Distribution to shareholders													
4. Others													
(IV) Merit pay over to shareholders' equity													
1. Share capital increased from transfer of capital reserves													
2. Share capital increased from transfer of surplus reserves													
3. Surplus reserves transferred to capital stock													
4. Transfer earnings carried forward from changes in defined benefit plans													
5. Transfer earnings carried forward from the comprehensive income													
6. Others													
(V) Special reserve													
1. Appropriation in the current year													
2. Used in the current year													
(VI) Others													
IV. Closing balance of the current year	485,000,000.00			823,182,833.94		-611,447.28	46,565,647.88		-68,969,733.80		687,973,922.44	302,797,348.36	1,006,770,260.80

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Equity attributable to shareholders of the parent company											Total shareholders' equity		
	Other equity instruments				Equity instruments								Undistributed profit	Minority interest
	Preferred shares	Perpetual bond	Others	Capital reserves	Reservy stock	Other comprehensive incomes	Special reserves	Surplus reserves	Provisions for general risk	Others	Sharehold			
I. Opening balance of the previous year Add: Changes in accounting policies Business merger under common control Others	427,000,000.00			687,360,893.60		2,754,544.50		45,665,647.68			397,286,055.32	-200,483,186.46	383,339,156.20	700,625,315.52
II. Opening balance of the current year	427,000,000.00			687,360,893.60		2,754,544.50		45,665,647.68			397,286,055.32	-200,483,186.46	383,339,156.20	700,625,315.52
III. Current year amount increase/decrease (Decrease is indicated with "-")														
(I) Total comprehensive income				145,651,490.68		9,939,911								168,681,258.02
(II) Capital input or reduction by owners				145,651,490.68		9,939,911								-237,023,248.66
1. Common shares issued by shareholders				144,725,191.96										208,651,490.08
2. Combination capital of holders of other equity instruments														-23,158,201.10
3. Amount of state-owned permanent investments														207,725,191.96
4. Shareholder interest														-22,213,988.38
4. Others				938,292.72										938,292.72
(III) Distribution														
1. Appropriation to surplus reserves														
2. Appropriation to general risk provision														
3. Distribution to shareholders														
4. Others														
(IV) Internal cash payment to shareholders' equity														
1. Share capital issued from transfer of capital reserves														
2. Share capital issued from transfer of surplus reserves														
3. Surplus reserves to reduce loss														
4. Transfer from general reserve to other changes in defined benefit plans														
5. Transfer earnings carried forward to other comprehensive incomes														
6. Others														
(V) Special reserve														
1. Appropriation in the current year														
2. Used in the current year														
(VI) Others														
IV. Closing balance of the current year	482,000,000.00			833,000,380.38		3,074,103.61		45,665,647.68			444,571,992.13	-644,571,992.13	522,167,352.34	840,105,315.25

SECTION 10 FINANCIAL REPORT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF PARENT COMPANY

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB

Item	Current period											
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Others	Total stockholders' equity
		Preferred shares	Perpetual bond	Others								
I. Closing balance of the previous year	485,000,000.00				811,365,185.81				38,071,282.24	-55,776,343.03		1,278,660,125.02
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Opening balance of the current year	485,000,000.00				811,365,185.81				38,071,282.24	-55,776,343.03		1,278,660,125.02
III. Current year amount increase/decrease (Decrease to be listed with "-")												
(I) Total comprehensive income:												
(II) Capital input and reduced by owners												
1. Common shares input by shareholders												
2. Contribution capital of holders of other equity instruments												
3. Amount of share-based payment recognized as shareholder's interest												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Distribution to shareholders												
3. Others												
(IV) Internal carry-over in shareholders' equity												
1. Share capital increased from transfer of capital reserves												
2. Share capital increased from transfer of surplus reserves												
3. Surplus reserves to recover loss												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive incomes												
6. Others												
(V) Special reserve												
1. Appropriation in the current year												
2. Use in the current year												
(VI) Others												
IV. Closing balance of the current year	485,000,000.00				811,365,185.81				38,071,282.24	-61,056,061.92		1,273,380,466.13



SECTION 10 FINANCIAL REPORT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF PARENT COMPANY (CONTINUED)

January – June 2021

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

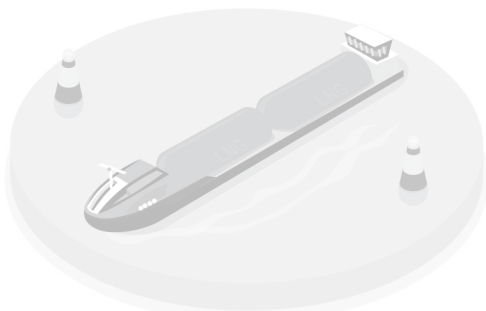
Unit: RMB

Item	Previous period											
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Others	Total stockholders' equity
		Preferred shares	Perpetual bond	Others								
I. Closing balance of the previous year	422,000,000.00				666,639,987.85				38,071,282.24	-58,142,511.00		1,068,568,759.09
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Opening balance of the current year	422,000,000.00				666,639,987.85				38,071,282.24	-58,142,511.00		1,068,568,759.09
III. Current year amount increase/decrease (Decrease to be listed with "-")	63,000,000.00				144,725,191.96					-2,998,361.89		204,726,830.07
(I) Total comprehensive income										-2,998,361.89		-2,998,361.89
(II) Capital input and reduced by owners	63,000,000.00				144,725,191.96							207,725,191.96
1. Common shares input by shareholders	63,000,000.00				144,725,191.96							207,725,191.96
2. Contribution capital of holders of other equity instruments												
3. Amount of share-based payment recognized as shareholder's interest												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Distribution to shareholders												
3. Others												
(IV) Internal carry-over in shareholders' equity												
1. Share capital increased from transfer of capital reserves												
2. Share capital increased from transfer of surplus reserves												
3. Surplus reserves to recover loss												
4. Retained earnings carried forward from changes in defined benefit plans												
5. Retained earnings carried forward from other comprehensive incomes												
6. Others												
(V) Special reserve												
1. Appropriation in the current year												
2. Use in the current year												
(VI) Others												
IV. Closing balance of the current year	485,000,000.00				811,365,185.81				38,071,282.24	-61,140,872.89		1,273,295,595.16

Person in charge of the Company:
Mr. Wang Jun

Person in charge of accounting:
Ms. Jiang Chi

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



SECTION 10 FINANCIAL REPORT

I. BASIC INFORMATION OF THE COMPANY

Beijing Jingcheng Machinery Electric Co., Ltd. (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 Machinery) 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 Corporation Limited 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 related 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 Machinery and Beiren Group Corporation on October 31, 2013, under which, Jingcheng Machinery 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 Co., Ltd.

Jingcheng Machinery 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 06, 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 Machinery 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 Machinery 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 Machinery held 182,735,052 A-shares of the Company's unrestricted shares, accounting for 43.30% of the total capital stock of the Company.

Jingcheng Machinery subscribed for 63,000,000 shares of the Company through non-public offering on June 30, 2020, accounting for 12.99% of the total share capital of the Company, and completed the share registration procedures on July 09, 2020. After this offering, the total share capital of the Company increased to 485,000,000 shares, of which Jingcheng Machinery holds 182,735,052 unrestricted A-shares and 63,000,000 restricted A-shares, accounting for 50.67% of the total share capital of the Company.

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

SECTION 10 FINANCIAL REPORT

I. BASIC INFORMATION OF THE COMPANY (CONTINUED)

The Company's business scope: general freight; development, design, sales, installation, debugging and repair of cryogenic storage transport vessel, compressor (piston compressor, membrane compressor and nuclear membrane compressor) and accessories, 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 Machinery is both the controlling shareholder and actual controller of the Company.

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., Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd., Kuancheng Tainhai 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, 2021 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

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 year of the combination. Upon the preparation of comparative consolidated financial statements, any adjustments to relevant items in financial statements of the previous period are considered as the subject of reports formed after combination as if it might have existed since the time when ultimate 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.

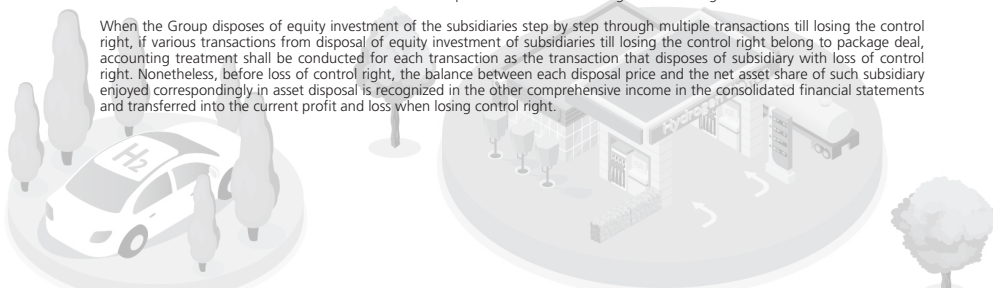
As for subsidiaries acquired by business combination not under common control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing consolidated financial statements, adjustments to financial statements 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 incomes related with the equity investment of the original subsidiaries shall be converted to the current investment profit and loss when losing the control right.

When the Group disposes of equity investment of the subsidiaries step by step through multiple 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 transactions in foreign currency shall be translated into that in RMB at the spot exchange rate on the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at spot rate of such date, and translation balance arising from which is directly 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.

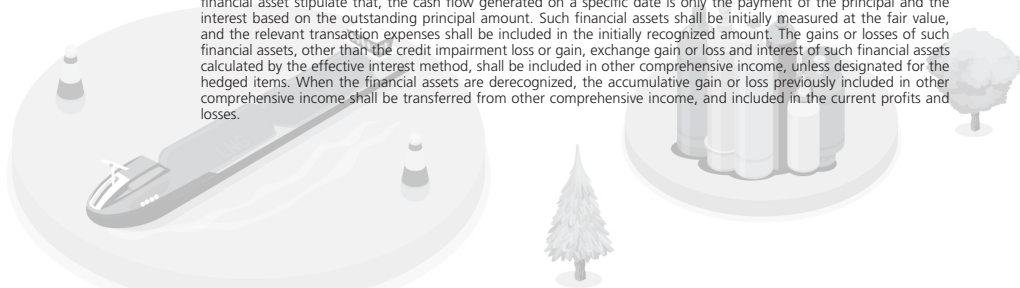
(1) Financial assets

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: ① the contractual right of collecting the cash flow of such financial assets is terminated; ② the financial assets are transferred, and the Group has transferred almost all risks and rewards related to the ownership of the financial assets; and ③ 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. Except for the following items, the Group classifies the financial liabilities as the financial liabilities measured at amortized cost: ① financial liabilities at fair value through profit or loss, including the financial liabilities held for trading (including derivative instruments belonging to the financial liabilities) and financial liabilities at fair value through profit or loss. ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. ③ Financial guarantee contracts that do not fall under the above circumstances ① or ②, and loan commitments that do not fall under the above circumstance ① and lend at a rate lower than market interest rates.

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.

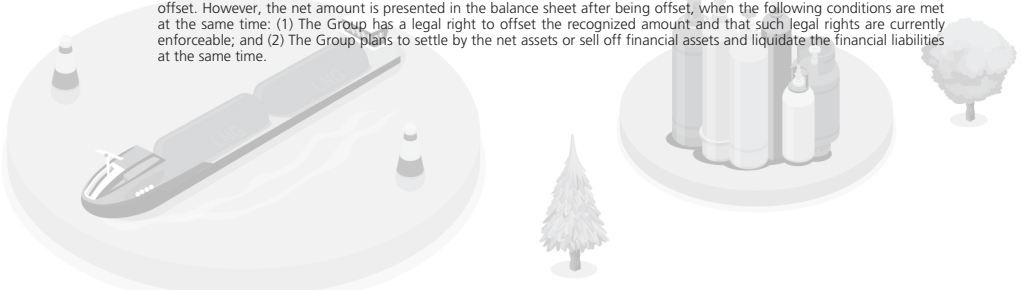
(3) Determination methods for fair values of financial assets and financial liabilities

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 (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 a 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:

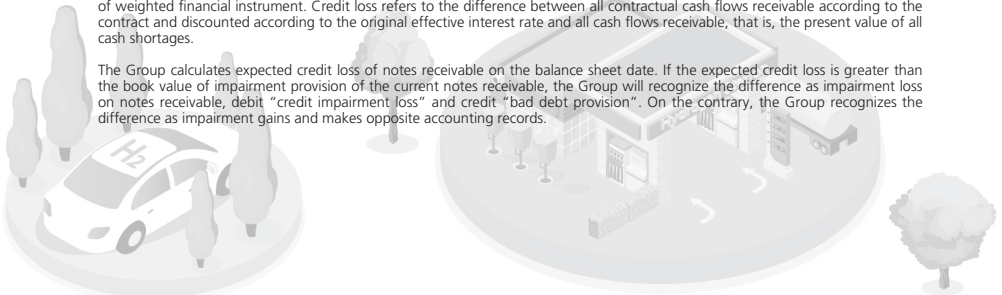
The Group always measures the loss provisions for notes receivables which are formed by the transaction specified by the Accounting Standards for Business Enterprises No. 14-Revenue and do not include the significant financing component according to the amount of expected credit loss in the whole duration.

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 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 book value 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 period, the Group's accounting estimation policies for measuring expected credit losses based on individual instruments and portfolios are as follows:

Individual instrument

Individual asset

Commercial acceptance bills
Bank acceptance bills (held-to-maturity)

Provision for bad debt

Measurement of loss given default on a portfolio basis
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 accounts receivable 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 accounts receivable cannot be collected 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 period, the Group's accounting estimation policies for measuring expected credit losses based on individual instruments and portfolios are as follows:

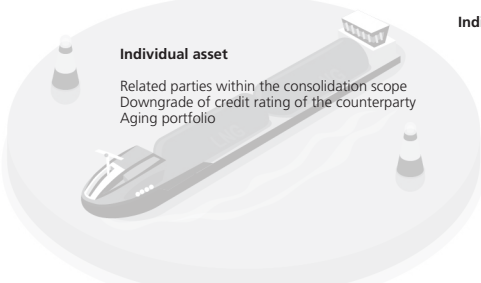
Individual instrument

Individual asset

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

Provision for bad debt

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. Receivables financing

Receivables financing reflects the notes receivable and accounts receivable measured at fair value through other comprehensive income on the balance sheet date. The Group takes the collection of contractual cash flow and the sales of such financial assets as the objective, and bank-accepted bank acceptance notes of high credit rating is classified into receivables financing.

The accounting treatment method refers to the relevant contents in the above 10. Financial assets and financial liabilities that are classified into financial assets at fair value through profit or loss.

14. 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

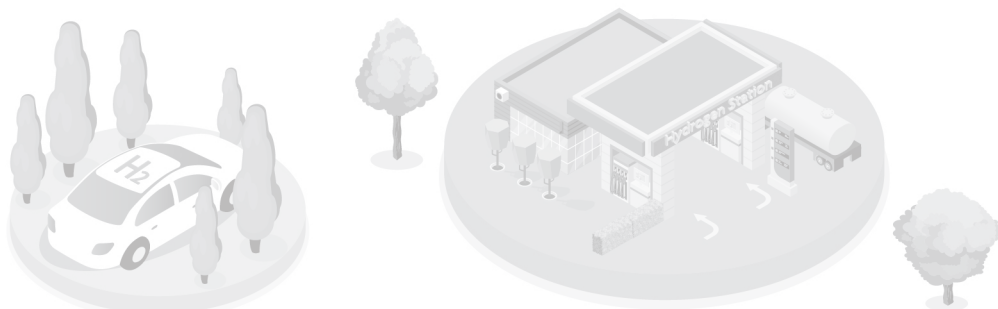
No credit impairment occurs
No credit impairment occurs
Significant increase in credit risk
Measurement of loss given default on a portfolio basis

15. 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.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. 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. Accounts receivable for related contents.

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.

17. 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; 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.

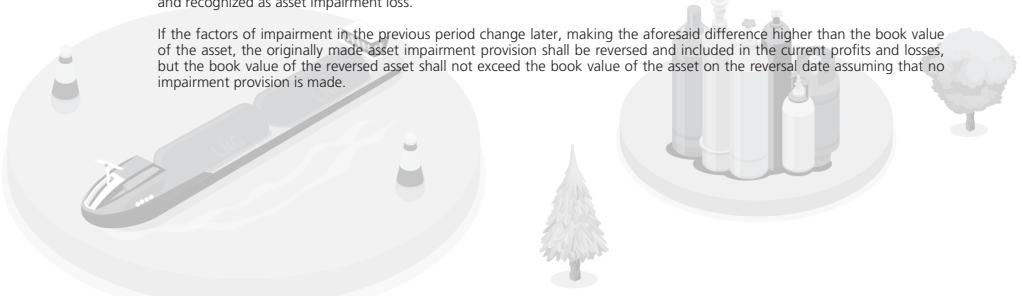
(2) Amortization of assets related to contract costs

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 impairment provision shall be made for the excess 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.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Long-term receivables

Determination method and accounting treatment of expected credit losses of long-term receivables:

The Group always measures the loss provisions for the long-term receivables which are formed by the transaction specified by the *Accounting Standards for Business Enterprises No. 14-Revenue* and include the significant financing component according to the amount of expected credit loss in the whole duration.

For determination method of expected credit loss of long-term receivables, refer to the above 12. Accounts receivable for related contents.

19. Long-term equity investments

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

The Group's criterion for joint control is that all parties or group of parties jointly control the arrangement, and policies of relevant activities of the arrangement must be subject to unanimous consent of parties sharing the control.

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 Group holds less than 20% voting right of the investee, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Group has significant influence to the investee.

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

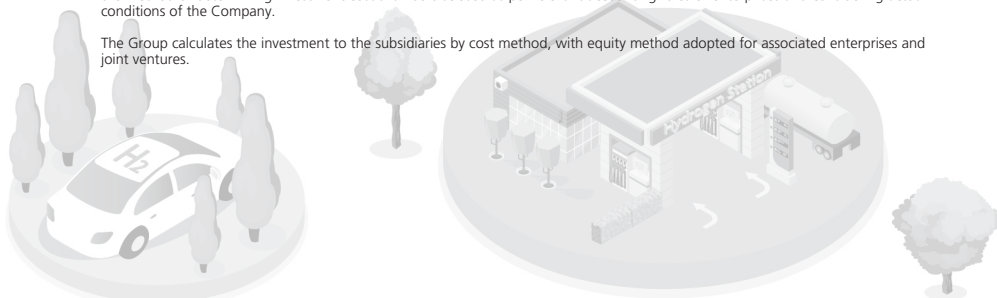
As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If the 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 merger and the book value of new payment consideration obtained under the date of merging shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

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

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 amount calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive incomes calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing the investment. Where the equity held before the purchase date is calculated by fair value in the financial assets available-for-sale, 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 date of merging.

Apart from aforementioned long-term equity investments acquired through merger of corporations, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as the investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost; if the Company has long-term equity investment acquired through debt restructuring and exchange of non-monetary assets, the method of determining investment cost shall be disclosed as per relevant accounting rules of enterprises and considering actual conditions of the Company.

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



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term equity investments (Continued)

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

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

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

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

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

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

20. Investment properties

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

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

Category	Depreciation life (year)	Estimated residuals rate (%)	Annual depreciation rate (%)
Land use right	50	-	2.000
Plant & buildings	40	5	2.375



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. 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, the 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 at the end of current year for fixed assets. In case of change, it shall be treated as change of accounting estimates for handling.

The Company will record the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the entering value in an account for fixed assets under 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 confirm that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased fixed asset shall be depreciated over its estimated service life; otherwise, the leased fixed asset shall be depreciated over the shorter one of the lease term or its service life.

22. Construction in progress

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

23. 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 are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

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



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Right-of-use assets

The right-to-use asset refers to the right of the Group as the lessee to use the leased asset during the lease term.

(1) Initial measurement

At the commencement of the lease term, the Group initially measures the right-to-use assets at cost. The cost includes the following four items: ① initial measurement amount of lease liabilities; ② deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement of the lease term; ③ initial direct cost incurred, i.e., incremental cost incurred to reach the lease; and ④ costs expected to be incurred for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

(2) Subsequent measurement

After the commencement of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-to-use asset, i.e. the right-to-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the book value of the right-to-use asset shall be adjusted accordingly.

(3) Depreciation of right-to-use asset.

Starting from the commencement of the lease term, the Group will depreciate the right-to-use asset. The right-to-use asset is usually depreciated from the current month that the lease term starts. The depreciation amount for provision is included in the cost of underlying assets or the current profits and losses according to the use of the right-to-use asset.

When determining the depreciation method for the right-to-use asset, the Group makes a decision based on the expected consumption mode of economic benefits related to the right-to-use asset, and depreciates the right-to-use asset by the straight-line method.

When determining the depreciation life of right-to-use asset, the Group follows the following principles: if the ownership of leased asset can be reasonably confirmed to be acquired at the expiration of lease term, the depreciation shall be carried out within the remaining service life of leased asset; otherwise, the depreciation shall be carried out within the remaining lease term or the service life of leased asset, whichever is shorter.

If the right-to-use asset is impaired, the Group will carry out subsequent depreciation according to the book value of the right-to-use asset after deducting the impairment loss.

25. Intangible assets

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

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

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

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

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



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Intangible assets (Continued)

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

- (1) It is technically feasible to complete the intangible asset so that it will be available 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.

26. Long-term asset impairment

As for fixed asset, construction in progress, right-of-use assets, intangible asset with limited service life, investment properties measured at cost model, long-term equity investment on subsidiaries, joint ventures and associates, 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. The asset impairment provision is calculated and recognized based on single asset. In case of the difficulty to estimate the recoverable amount of single asset, the recoverable amount of asset group is recognized in accordance with the asset group that such asset belongs to. The asset group refers to the minimum combination of assets that can independently generate cash inflow.

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

If the impairment test shows that the book value of the asset is greater than its recoverable amount, the difference between the two is recognized as impairment loss. Such impairment loss, once recognized, should not be reversed in later accounting period.

27. Long-term prepaid 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.

28. 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)

29. Employee compensation

Employee compensation of the Group includes short-term compensation, post-employment 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 record 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 the 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 year, 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 remeasurement of net liabilities or assets of other long-term employee welfares. The total net amount of the above item shall be included in the current profits and losses or related asset cost.

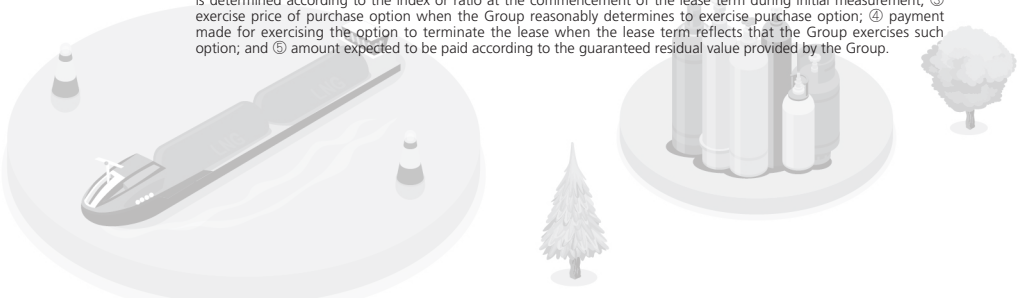
30. Lease liabilities

(1) Initial measurement

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) Lease payment

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the leased asset during the lease term, including: ① fixed payment and substantial fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease liabilities (Continued)

(1) Initial measurement (Continued)

2) Discount rate

In calculating the present value of the lease payment, the Group adopts the interest rate implicit in lease as the discount rate, which is the interest rate that the sum of the present value of the lessor's lease receipts and the present value of the unguaranteed residual value is equal to the sum of the fair value of the leased asset and the lessor's initial direct expenses. If the Group is unable to determine the interest rate implicit in lease, the incremental borrowing rate will be taken as the discount rate. The incremental borrowing rate refers to the interest rate that the Group should pay to borrow funds under similar mortgage conditions during a similar period in order to obtain assets with a value close to the value of the right-to-use assets under similar economic circumstances. The interest rate is related to the following matters: ① the Group's own situation, namely, the Group's solvency and credit status; ② term of "borrowing", namely the lease term; ③ the amount of "borrowed" funds, namely, the amount of lease liabilities; ④ "mortgage conditions", namely, the nature and quality of the underlying assets; and ⑤ economic environment, including the jurisdiction where the lessee is located, pricing currency, contract signing time, etc. Based on the bank loan interest rate or the Group's similar asset mortgage interest rate in the latest period, the Group makes adjustment by considering the above factors to obtain the incremental borrowing rate.

(2) Subsequent measurement

After the commencement of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: ① increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; ② reduce the carrying amount of lease liabilities when making the lease payment; and ③ remeasure the book value of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profits and losses, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

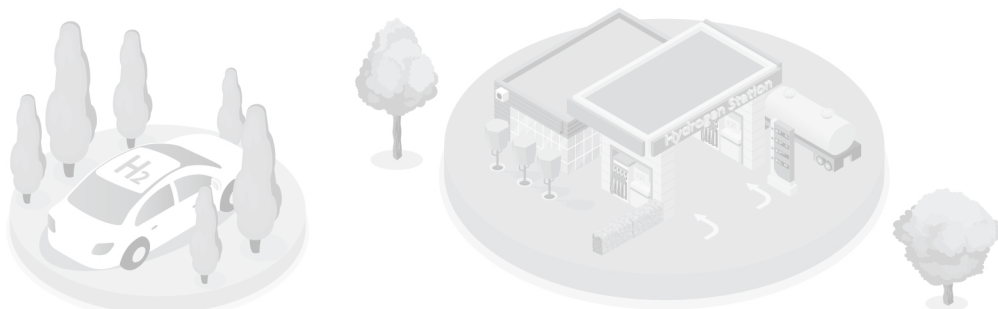
(3) Remeasurement

After the commencement of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the book value of the right-to-use asset accordingly. If the book value of the right-to-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profits and losses. ① The substantial fixed payment changes; ② the expected payable amount of the guaranteed residual value changes; ③ the index or ratio used to determine the lease payment changes; ④ the evaluation result of purchase option changes; and ⑤ the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

31. 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. As of the balance sheet date, the book value of the estimated liabilities is reviewed and adjusted (if any change) to reflect current best estimate.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. 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 unsatisfaction to the vesting conditions), such a cancellation shall be treated as accelerated vesting as that stock payment plan in the remaining waiting period has fully met the vesting conditions; and the Group will recognize all expenses in the remaining waiting period on the current period of canceling vested equity instrument.

33. Revenue recognition principles and measurement methods

The Group's operating revenue mainly includes the sales revenue of seamless steel bottles, low-temperature bottles, low-temperature storage and transportation equipment and materials.

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.

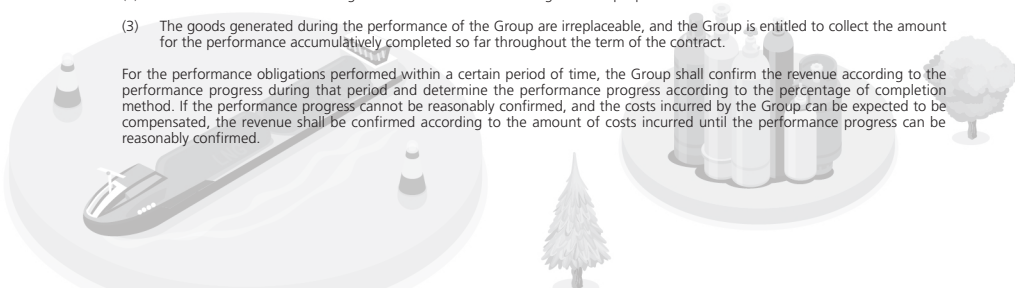
If the contract contains two or more performance obligations, the Group shall, at the beginning of the contract, apportion the transaction price to each performance obligation according to the relative proportion of the individual selling price of the commodities or services promised by each performance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

33. Revenue recognition principles and measurement methods (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.

34. 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 grants 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.

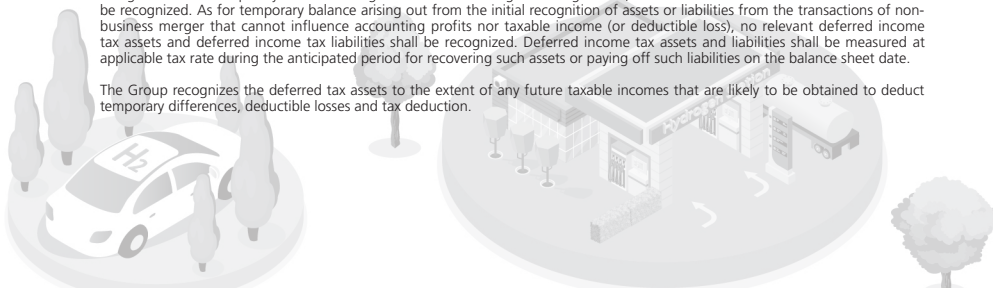
The revenue-related government grants used to compensate for the incurred related charges or losses shall be included in the current profits or losses or offset relevant costs; while those used to compensate for the related charges or losses during future periods shall be recognized as the deferred incomes 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 revenues 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.

35. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Group shall be calculated and recognized according to the difference (temporary difference) between the tax base and the book value thereof. As for deductible loss that can claim a credit against the taxable income in the subsequent years as per the provisions of the tax laws, relevant deferred income assets shall be recognized. As of temporary balance arising out from initial recognition of goodwill, no relevant deferred income tax liabilities shall be recognized. As for temporary balance arising out from the initial recognition of assets or liabilities from the transactions of non-business merger that cannot influence accounting profits nor taxable income (or deductible loss), no relevant deferred income tax assets and deferred income tax liabilities shall be recognized. Deferred income tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

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)

36. Lease

(1) Identification of lease

Lease refers to a contract that the lessor transfers the right to use the asset to the lessee for acquiring consideration within a certain period of time. On the commencement date of contract, the Group evaluates whether the contract is a lease or includes a lease. If one party to the contract alienates the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether one party to the contract has alienated the right to control the use of the identified assets within a certain period of time, the Group evaluates whether the customers in the contract are entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period and to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases at the same time, the Group will split the contract and carry out accounting treatment for each separate lease. If the contract includes both lease and non-lease parts, the Group will split the lease and non-lease parts and then carry out accounting treatment.

(2) The Group as the lessee

At the commencement of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. The right-to-use asset is initially measured at the cost, including the initial measurement amount of the lease liabilities, the lease payment made at or before the commencement of the lease term (deducting the amount related to the lease incentive already enjoyed), the initial direct expenses incurred and the costs expected to be incurred for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the leasing terms.

1) The right-of-use asset and lease liabilities are recognized by the Group as lessee.

2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term stipulated in the contract, etc. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee's incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-to-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-to-use asset accordingly.

3) Short-term lease and low-value asset lease

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognize the right-to-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profits and losses by the straight-line method or other systematic and reasonable methods during each lease term.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Lease (Continued)

(3) The Group as the lessor

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into financial lease and operating lease on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a financial lease and other leases other than the financial lease as an operating lease.

If one or more of the following circumstances exist in a lease, the Group usually classifies it as a financial lease: ① at the expiration of the lease term, the ownership of the leased asset is transferred to the lessee; ② the lessee has the option to purchase the leased asset, and the purchase price concluded is low enough compared with the fair value of the leased asset when the option is expected to be exercised, so it can be reasonably determined that the lessee will exercise the option on the lease commencement date; ③ although the ownership of the asset is not transferred, the lease term accounts for most of the service life of the leased assets (not less than 75% of service life of the leased assets); ④ on the lease commencement date, the present value of the lease receipts is almost equal to the fair value of the leased asset (not less than 90% of the fair value of the leased assets.); ⑤ the nature of the leased asset is special. The leased asset can be used by the lessee only if it is not changed significantly. If one or more of the following signs exist in a lease, the Group may also classify it as a financial lease: ① if the lessee cancels the lease, the loss caused to the lessor by the cancellation of lease shall be borne by the lessee; ② gains or losses arising from fluctuations in the fair value of the residual value of the asset belong to the lessee; and ③ the lessee has the ability to continue leasing at a rent far below the market level until the next period.

1) Accounting treatment for financial lease

Initial measurement

At the commencement of the lease term, the Group recognizes the financial lease receivables for financial lease and derecognizes the financial leasing assets. When the Group initially measures the financial lease receivables, the net investment in a lease is taken as the entry value of the financial lease receivables.

The net investment in a lease is equivalent to the sum of the unguaranteed residual value and the present value of the lease receipts that have not yet been received at the commencement of the lease term which is discounted at the interest rate implicit in lease. The lease receipts refer to the amount that the lessor should collect from the lessee due to the transfer of right to use the leased asset during the lease term, including: ① the fixed payment and the substantial fixed payment that the lessee needs to pay; if there is the lease incentive, the relevant amount of lease incentive shall be deducted; ② variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; ③ the exercise price of purchase option, provided that it reasonably determines that the lessee will exercise the option; ④ the amount to be paid by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and ⑤ the guaranteed residual value provided by the lessee, the party related to the lessee and an independent third party that has the economical ability to perform the guarantee obligation to the lessor.

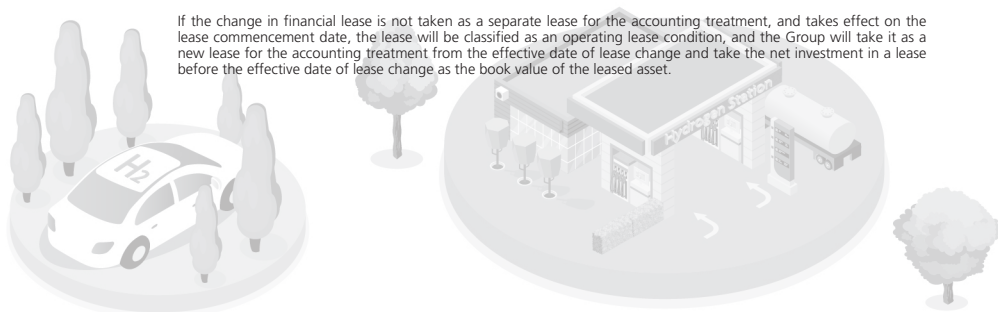
Subsequent measurement

The Group calculates and recognizes interest income in each lease term at a fixed periodic rate. The periodic rate means that the implicit discount rate is adopted by determining the net investment in a lease (in case of sublease, if the implicit interest rate of sublease cannot be determined, the discount rate of the original lease is adopted (adjusted according to the initial direct expenses related to sublease)), or the change in financial lease is not taken as a separate lease for the accounting treatment and meets the revised discount rate determined according to relevant regulations when the lease is classified as the financial lease condition if the change takes effect on the lease commencement date.

Accounting treatment of lease change

If the financial lease changes and meets the following conditions, the Group will take the change as a separate lease for accounting treatment: : ① the change expands the lease scope by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope according to the contract.

If the change in financial lease is not taken as a separate lease for the accounting treatment, and takes effect on the lease commencement date, the lease will be classified as an operating lease condition, and the Group will take it as a new lease for the accounting treatment from the effective date of lease change and take the net investment in a lease before the effective date of lease change as the book value of the leased asset.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Lease (Continued)

(3) The Group as the lessor (Continued)

2) Accounting treatment of operating lease

Treatment of rent

In each lease term, the Group will recognize the lease amount of operating lease as the rental income by the straight-line method.

Incentives provided

Where a rent-free period is provided, the Group will distribute the total rent by the straight-line method throughout the lease term without deduction of rent-free period, and the rental income shall be recognized during the rent-free period. Where the Group assumes some expenses of the lessee, such expenses will be deducted from the total rent income and distribute the balance of rental income, and the balance of the deducted rental income will be apportion in the lease term.

Initial direct expense

The initial direct expense incurred by the Group relating to the operating lease shall be capitalized to the cost of the underlying asset of the lease, and shall be included in the current profits and losses in stages during the lease term according to the same recognition basis as rental income.

Depreciation

The fixed assets in the assets under operating lease will be depreciated according to the depreciation policies applied by the Group for similar assets; and other assets under operating lease shall be amortized in a systematic and reasonable way.

Variable lease payment

The Group's variable lease payment which is related to operating lease and not included in lease receipts is included in the current profits and losses when it actually occurs.

Change in operating lease

If there is a change in the operating lease, the Group will take it as a new lease from the effective date of change, and the lease receipts received in advance or receivable related to the lease before the change will be regarded as the receipts for the new lease.

37. 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; and 2) the sales are very likely to occur, i.e., a resolution has been made 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.

SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

37. Held-for-sale (Continued)

- (4) If the net amount obtained by deducting the selling expenses from the fair value of non-current assets held for sale on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and reversed from the asset impairment losses recognized after being classified as the held-for-sale assets, and the reversed amount shall be included in the current profits or losses. The asset impairment losses recognized before being classified as the held-for-sale assets shall not be reversed.
- (5) For the asset impairment losses recognized in the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then the book value shall be deducted proportionately based on the proportion of the book value of each non-current asset.

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

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

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

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

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

38. Discontinued 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.

39. 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.



SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Other significant accounting policies and accounting estimates (Continued)

(1) Impairment for receivables

The Group applies a simplified treatment method in accordance with the provisions of the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments. For the receivables (including bills receivable, accounts receivable and contract assets) specified in the Accounting Standards for Business Enterprises No.14-Revenue and excluding the significant financing components and the long-term receivables with significant financing components, the loss provision is always measured based on the expected credit loss and in accordance with the amount of the expected credit loss during the whole duration.

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.

(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.

SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

39. Other significant accounting policies and accounting estimates (Continued)

(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

On the balance sheet date, the Group forecasts the quality assurance responsibilities of products with warranty periods. 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.

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

None.

(2) Changes in important accounting estimates

None.

V. TAXES

1. Main taxes and tax rates

Tax category	Taxation basis	Tax rate
Value-added tax	Taxable added value	13%, 6%, 5%, 0%
City maintenance and construction tax	VAT payable	5%, 7%
Education surcharge	VAT payable	3%
Local education surcharge	VAT payable	2%
Property tax	70%-80% of the original house property value and income from house property leasing	1.2% and 12%
Corporate income tax	Taxable income	25%, 15%
Hong Kong profits tax	Taxable income	16.50%
Corporate income tax (USA)	Taxable income	21%

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

Names of the taxpayer	Income tax rate
The Company	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Cylinders Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25%
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	21%
Jingcheng Holding (Hong Kong) Co., Ltd.	16.50%

2. Tax preference

Beijing Tianhai Industry Co., Ltd, a subsidiary of the Company, has obtained the High-tech Enterprise Certificate on December 02, 2019 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. GR201911006923. 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 in 2021.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Extending the Period of Loss Carry-over of High-tech Enterprises and Small and Medium-sized Tech Enterprises (CS [2018] No.76), from January 1, 2018, enterprises with the qualifications of high-tech enterprises or small and medium-sized tech enterprises (hereinafter collectively referred to as qualifications) will be allowed to make up the outstanding losses incurred in the five years before the eligible year, and the maximum carry-over period will be extended from five years to ten years.

SECTION 10 FINANCIAL REPORT

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless specially noted, among the following disclosed data in the financial statements, “beginning balance” refers to that on January 01, 2021; “ending balance” refers to that on June 30, 2021; “current period” runs from January 01, 2021 to June 30, 2021; “previous period” runs from January 01, 2020 to June 30, 2020; and the monetary unit is RMB.

1. Cash at bank and on hand

(1) Balance of cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand	159,034.95	125,049.92
Cash in bank	94,387,170.64	246,021,047.97
Other cash at bank and on hand	15,350,166.73	32,921,438.94
Total	109,896,372.32	279,067,536.83
Including: total amount deposited abroad	7,951,264.34	26,191,043.47

(2) Details of limited cash at bank and on hand

Item	Ending balance	Beginning balance
L/C guarantee deposits	0.00	853,000.00
Bank acceptance deposits	10,000,000.00	30,550,000.00
Guarantee deposits	2,913.85	0.00
Litigation freezing	5,347,252.88	1,792,707.46
Total	15,350,166.73	33,195,707.46

2. Accounts receivable

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

Category	Ending balance					Book value
	Book balance		Bad debt provision		Provision proportion (%)	
	Amount	Proportion (%)	Amount	Provision proportion (%)		
Provision for bad debts provided individually	37,407,843.56	15.67	37,407,843.56	100.00	0.00	
Bad debt provision made as per portfolio	201,253,697.58	84.33	26,264,877.55	-	174,988,820.03	
Including: portfolio by ageing	201,253,697.58	84.33	26,264,877.55	13.05	174,988,820.03	
Total	238,661,541.14	100.00	63,672,721.11	-	174,988,820.03	

(Continued)

Category	Beginning balance					Book value
	Book balance		Bad debt provision		Provision proportion (%)	
	Amount	Proportion (%)	Amount	Provision proportion (%)		
Provision for bad debts provided individually	37,900,348.56	14.93	37,900,348.56	100.00	0.00	
Bad debt provision made as per portfolio	215,994,418.48	85.07	24,065,265.64	-	191,929,152.84	
Including: portfolio by ageing	215,994,418.48	85.07	24,065,265.64	11.14	191,929,152.84	
Total	253,894,767.04	100.00	61,965,614.20	-	191,929,152.84	

SECTION 10 FINANCIAL REPORT

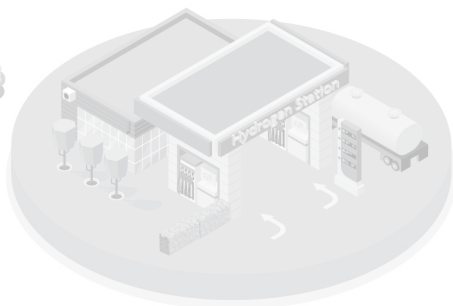
VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (Continued)

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

1) Bad debt provision of accounts receivable made individually

Name	Ending balance			Reasons for provision
	Accounts receivable	Bad debt provision	Provision proportion (%)	
Tianjin Mingcheng Gas Sales Co., Ltd.	5,075,527.29	5,075,527.29	100.00	Downgrade of credit rating of the counterparty, and significant increase in credit risk
Dayun Automobile Co., Ltd.	4,452,641.17	4,452,641.17	100.00	
Sichuan Hengruifeng International Trade Co., Ltd.	4,238,181.00	4,238,181.00	100.00	
Shanghai Qigao Industry & Trade Co., Ltd.	4,098,933.78	4,098,933.78	100.00	
Linfen Jinbaifeng New Energy Technology Co. Ltd.	3,003,220.00	3,003,220.00	100.00	
Lvliang Dongsen Gas Energy Co., Ltd.	2,440,000.00	2,440,000.00	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Baotou Huaifeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	1,929,000.00	100.00	
Xingxian Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	1,770,000.00	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,658,177.77	1,658,177.77	100.00	
Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	1,444,415.49	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	961,666.50	100.00	
Zhangjiakou Xiahuyuan Jinhong Fuel Gas Co., Ltd.	814,000.00	814,000.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Lanzhou Rongmei Industry & Trade Co., Ltd.	469,941.00	469,941.00	100.00	
Zhangjiakou Jinhong Liquefied Natural Gas Co., Ltd.	440,000.00	440,000.00	100.00	
Xinjiang Jiguan Automotive Supplies Co., Ltd.	393,620.00	393,620.00	100.00	
Zhuolu County Jinhong Fuel Gas Co., Ltd.	312,000.00	312,000.00	100.00	
Baotou Xinneng Technology Co., Ltd.	253,425.00	253,425.00	100.00	
Shanghai Shenlong Bus Co., Ltd.	250,000.00	250,000.00	100.00	
Zhonghua Huayou Construction Group Co., Ltd.	144,282.00	144,282.00	100.00	
Baota Shenghua Business Group Co., Ltd.	100,000.00	100,000.00	100.00	
Ningxia Baota Energy & Chemical Industry Co., Ltd.	100,000.00	100,000.00	100.00	
Chicheng County Jinhong Fuel Gas Co., Ltd.	50,000.00	50,000.00	100.00	
Total	37,407,843.56	37,407,843.56	-	



SECTION 10 FINANCIAL REPORT

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

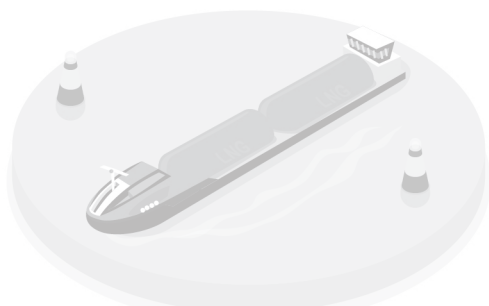
2. Accounts receivable (Continued)

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

1) Bad debt provision of accounts receivable made individually (Continued)

(Continued)

Name	Beginning balance			Reasons for provision
	Accounts receivable	Bad debt provision	Provision proportion (%)	
Tianjin Xihuan Chengguan Trading Co., Ltd.	5,075,527.29	5,075,527.29	100.00	Downgrade of credit rating of the counterparty, and significant increase in credit risk
Dayun Automobile Co., Ltd.	4,452,641.17	4,452,641.17	100.00	
Sichuan Hengruifeng International Trade Co., Ltd.	4,238,181.00	4,238,181.00	100.00	
Shanghai Qigao Industry & Trade Co., Ltd.	4,098,933.78	4,098,933.78	100.00	
Lyuliang Dongsen Gas Energy Co., Ltd.	2,720,000.00	2,720,000.00	100.00	
Linfen Jinbaifeng New Energy Technology Co. Ltd.	2,619,625.00	2,619,625.00	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Baotou Huaifeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	1,929,000.00	100.00	
Xingxian Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	1,770,000.00	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,658,177.77	1,658,177.77	100.00	
Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	1,444,415.49	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	961,666.50	100.00	
Zhangjiakou Xiahuayuan Jinhong Fuel Gas Co., Ltd.	814,000.00	814,000.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Lanzhou Rongmei Industry & Trade Co., Ltd.	469,941.00	469,941.00	100.00	
Zhangjiakou Jinhong Liquefied Natural Gas Co., Ltd.	440,000.00	440,000.00	100.00	
Xinjiang Jiguan Automotive Supplies Co., Ltd.	393,620.00	393,620.00	100.00	
Zhuolu County Jinhong Fuel Gas Co., Ltd.	312,000.00	312,000.00	100.00	
Baotou Xinneng Technology Co., Ltd.	303,425.00	303,425.00	100.00	
Hejin Xinchao Yue Gas Co., Ltd.	289,000.00	289,000.00	100.00	
Yunnan Lifan Junma Vehicles Co., Ltd.	257,100.00	257,100.00	100.00	
Shanghai Shenlong Bus Co., Ltd.	250,000.00	250,000.00	100.00	
Zhonghua Huayou Construction Group Co., Ltd.	144,282.00	144,282.00	100.00	
Ningxia Baota Energy & Chemical Industry Co., Ltd.	100,000.00	100,000.00	100.00	
Baota Shenghua Business Group Co., Ltd.	100,000.00	100,000.00	100.00	
Chicheng County Jinhong Fuel Gas Co., Ltd.	50,000.00	50,000.00	100.00	
Total	37,900,348.56	37,900,348.56	-	



SECTION 10 FINANCIAL REPORT

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

2. Accounts receivable (Continued)

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

2) Bad debt provision of accounts receivable made by aging portfolio

Aging	Ending balance		Provision proportion (%)
	Book balance	Bad debt provision	
Within 1 year	159,092,454.29	2,561,388.45	1.61
1-2 years	17,430,452.09	3,121,793.97	17.91
From 2 to 3	5,223,545.12	1,584,301.24	30.33
From 3 to 4	224,338.15	132,516.55	59.07
From 4 to 5	2,453,231.19	2,035,200.60	82.96
Over 5 years	16,829,676.74	16,829,676.74	100.00
Total	201,253,697.58	26,264,877.55	-

(Continued)

Aging	Beginning balance		Provision proportion (%)
	Book balance	Bad debt provision	
Within 1 year	186,784,787.67	3,007,239.28	1.61
1-2 years	5,193,161.52	930,095.23	17.91
From 2 to 3	3,189,893.74	967,494.77	30.33
3-4 years	2,732,631.19	1,614,165.25	59.07
4-5 years	3,214,044.89	2,666,371.64	82.96
Over 5 years	14,879,899.47	14,879,899.47	100.00
Total	215,994,418.48	24,065,265.64	-

(2) Accounts receivable presented by ageing

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	159,676,049.29	186,784,787.67
1-2 years	17,430,452.09	5,826,443.52
2-3 years	5,567,827.12	4,691,743.74
Over 3 years	55,987,212.64	56,591,792.11
3-4 years	1,469,088.15	5,689,300.19
4-5 years	5,209,900.19	19,297,114.60
Over 5 years	49,308,224.30	31,605,377.32
Total	238,661,541.14	253,894,767.04



SECTION 10 FINANCIAL REPORT

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

2. Accounts receivable (Continued)

(3) Bad debt provision for account receivable in the current period

Category	Beginning balance	Change of amount in the current period				Ending balance
		Provision	Other impacts	Accounts recovered or transferred back	Amounts charged or written off	
Bad debt provision of accounts receivable	61,965,614.20	3,744,645.12	-1,338.21	819,000.00	1,217,200.00	63,672,721.11

Note: Other impacts are the impacts of change in exchange rate.

(4) Withdrawal or reversal amount of bad debt reserves in the current period

Name of debtor	Amount of reversals or recovery	Mode of recovery	Reasons for withdrawal or reversal
Baotou Xinneng Technology Co., Ltd.	50,000.00	Remittance	Return amount received
Linfen Jinbaifeng New Energy Technology Co. Ltd.	200,000.00	Notes	Return amount received
Lyuliang Dongsen Gas Energy Co., Ltd.	280,000.00	Notes	Return amount received
Hejin Xinchaoyue Gas Co., Ltd.	289,000.00	Remittances and notes	Return amount received
Total	819,000.00	—	—

(5) Accounts receivable actually written off in the current period

Item	Amount written off
Accounts receivable actually written off	1,217,200.00

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?
Dong Tai City Zhongxin Industrial Company	Payment for sold products	564,800.00	Irrecoverable	Review by the board of directors of subsidiary	No
Yunnan Lifan Junma Vehicles Co., Ltd.	Payment for sold products	257,100.00	Irrecoverable	Review by the board of directors of subsidiary	No
Shanghai Shenwu Firefighting Equipment and Accessories Co., Ltd.	Payment for sold products	96,100.00	Irrecoverable	Review by the board of directors of subsidiary	No
Wuxi Firetre Safety Technology Co., Ltd.	Payment for sold products	81,000.00	Irrecoverable	Review by the board of directors of subsidiary	No
Taizhou Tonghua Fire Control Air Cushion Factory	Payment for sold products	69,900.00	Irrecoverable	Review by the board of directors of subsidiary	No

SECTION 10 FINANCIAL REPORT

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

2. Accounts receivable (Continued)

(6) 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 on January 01, 2021	0.00	24,065,265.64	37,900,348.56	61,965,614.20
In the current period, as at January 01, 2021, the book balance of accounts receivable	-	-	-	-
- Be transferred to Stage 2	0.00	0.00	0.00	0.00
- Be transferred to Stage 3	0.00	0.00	0.00	0.00
- Be transferred back to Stage 2	0.00	0.00	0.00	0.00
- Be transferred back to Stage 1	0.00	0.00	0.00	0.00
Provision in current period	0.00	3,161,050.12	583,595.00	3,744,645.12
Reversals in the current period	0.00	0.00	819,000.00	819,000.00
Write-off in current period	0.00	0.00	0.00	0.00
Canceled after verification in the current period	0.00	960,100.00	257,100.00	1,217,200.00
Other changes	0.00	-1,338.21	0.00	-1,338.21
Balance on June 30, 2021	0.00	26,264,877.55	37,407,843.56	63,672,721.11

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

Company name	Ending balance	Aging	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
WESTPORT POWER Inc.-Italy	21,166,957.55	Within one year	8.87	340,788.02
Hubei Juxi Automotive Technology Co., Ltd.	17,325,395.77	Within two years	7.26	1,052,859.09
Shanghai Sunwise New Energy System Co., Ltd.	12,653,253.68	Within one year	5.30	203,717.38
Shanxi Jingcheng Electromechanical Equipment Co., Ltd.	5,766,482.73	More than five years	2.42	5,766,482.73
Guangzhou Shunhua Hydrogen Energy Technology Co., Ltd.	5,640,697.00	Within one year	2.36	90,815.22
Total	62,552,786.73	-	26.21	7,454,662.44

3. Receivables financing

(1) Classification

Item	Ending balance	Beginning balance
Notes receivable	5,234,897.48	4,153,285.64

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

Category	Closing derecognized amount	Closing non-derecognized amount
Bank acceptance bill	178,109,405.82	0.00

SECTION 10 FINANCIAL REPORT

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

4. Advances to suppliers

(1) Age of advances to suppliers

Item	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	48,342,903.92	88.42	59,311,543.73	92.93
1-2 years	5,315,768.43	9.72	3,478,932.97	5.45
2-3 years	432,005.98	0.79	777,108.53	1.22
Over 3 years	585,446.24	1.07	253,449.60	0.40
Total	54,676,124.57	100.00	63,821,034.83	100.00

The main reason for the unsettled prepayments aged over one year is that the procurement has not been completed.

(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 Steel Pipe & Steel Trading Co., Ltd.	5,959,054.34	Within one year	10.90
Zhongfu Shenying Carbon Fiber Xining Co., Ltd.	3,803,040.00	Within one year	6.96
Benxi Ruixinying Steel Trade Co., Ltd.	2,125,630.16	Within one year	3.89
Shandong Quansheng Material Co., Ltd.	2,026,629.13	Within one year	3.71
Tianjin Runde Zhongtian Steel Pipe Co., Ltd.	1,903,446.96	Within one year	3.48
Total	15,817,800.59	–	28.94

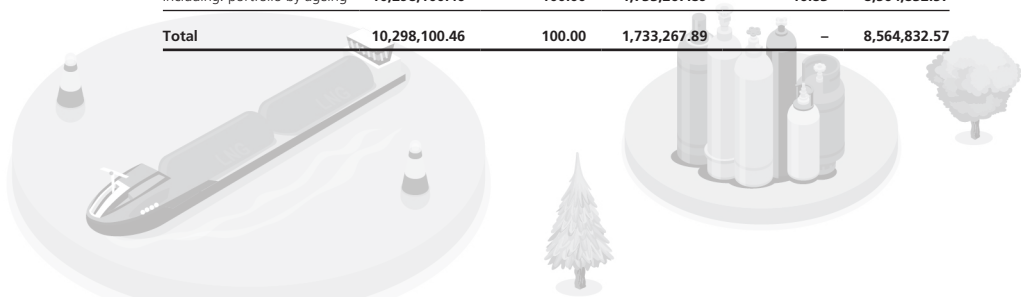
5. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	8,564,832.57	8,706,093.49
Total	8,564,832.57	8,706,093.49

Other receivables

(1) Classified presentation of other receivables by bad debt accrual method

Category	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made as per portfolio	10,298,100.46	100.00	1,733,267.89	–	8,564,832.57
Including: portfolio by ageing	10,298,100.46	100.00	1,733,267.89	16.83	8,564,832.57
Total	10,298,100.46	100.00	1,733,267.89	–	8,564,832.57



SECTION 10 FINANCIAL REPORT

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

5. Other receivables (Continued)

(1) Classified presentation of other receivables by bad debt accrual method (Continued)

(Continued)

Category	Book balance		Beginning balance		Book value
			Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made as per portfolio	10,348,163.72	100.00	1,642,070.23	–	8,706,093.49
Including: portfolio by ageing	10,348,163.72	100.00	1,642,070.23	15.87	8,706,093.49
Total	10,348,163.72	100.00	1,642,070.23	–	8,706,093.49

(2) Bad debt provision of other receivables made by aging portfolio

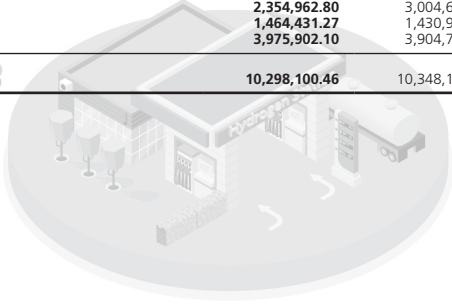
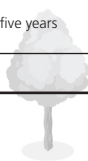
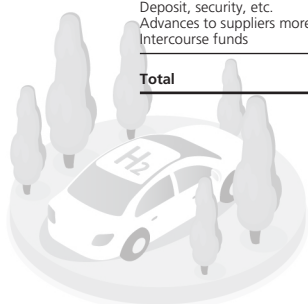
Aging	Ending balance		
	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	4,069,084.66	34,163.17	0.84
1-2 years	3,558,848.59	106,435.13	2.99
2-3 years	950,255.98	57,303.88	6.03
3-4 years	142,730.00	15,185.41	10.64
4-5 years	85,500.00	28,499.07	33.33
Over 5 years	1,491,681.23	1,491,681.23	100.00
Total	10,298,100.46	1,733,267.89	–

(Continued)

Aging	Beginning balance		Provision proportion (%)
	Other receivables	Bad debt provision	
Within 1 year	6,781,767.57	56,904.22	0.84
1-2 years	1,682,793.86	50,380.68	2.99
2-3 years	278,673.34	16,805.29	6.03
3-4 years	89,300.00	9,500.06	10.64
4-5 years	10,723.46	3,574.49	33.33
Over 5 years	1,504,905.49	1,504,905.49	100.00
Total	10,348,163.72	1,642,070.23	–

(3) Classification of other receivables by nature

Nature of amount	Ending balance	Beginning balance
Pretty cash	2,502,804.29	2,007,727.51
Deposit, security, etc.	2,354,962.80	3,004,687.62
Advances to suppliers more than five years	1,464,431.27	1,430,965.15
Intercourse funds	3,975,902.10	3,904,783.44
Total	10,298,100.46	10,348,163.72



SECTION 10 FINANCIAL REPORT

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

5. Other receivables (Continued)

(4) Bad debt provision of other receivables

	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)	
Bad debt provision				
Balance on January 01, 2021	0.00	1,642,070.23	0.00	1,642,070.23
Book balance of other receivables on January 01, 2021 in the current period	-	-	-	-
- Be transferred to Stage 2	0.00	0.00	0.00	0.00
- Be transferred to Stage 3	0.00	0.00	0.00	0.00
- Be transferred back to Stage 2	0.00	0.00	0.00	0.00
- Be transferred back to Stage 1	0.00	0.00	0.00	0.00
Provision in current period	0.00	91,197.66	0.00	91,197.66
Reversals in the current period	0.00	0.00	0.00	0.00
Write-off in current period	0.00	0.00	0.00	0.00
Canceled after verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance on June 30, 2021	0.00	1,733,267.89	0.00	1,733,267.89

(5) Other receivables listed as per aging

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	4,069,084.66	6,781,767.57
1-2 years	3,558,848.59	1,682,793.86
2-3 years	950,255.98	278,673.34
Over 3 years	1,719,911.23	1,604,928.95
3-4 years	142,730.00	89,300.00
4-5 years	85,500.00	10,723.46
Over 5 years	1,491,681.23	1,504,905.49
Total	10,298,100.46	10,348,163.72

(6) Bad debt provision of other receivables

Category	Beginning balance	Change of amount in the current period			Ending balance
		Provision	Accounts recovered or transferred back	Amounts charged or written off	
Provision for bad debts of other receivables	1,642,070.23	91,197.66	0.00	0.00	1,733,267.89

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



SECTION 10 FINANCIAL REPORT

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

5. Other receivables (Continued)

(8) Other receivables with top five ending balances 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	3,495,832.62	Within two years	33.95	81,801.53
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Quality deposit	724,400.00	Within one year	7.03	6,084.96
Shanxi Jinneng Mobile Energy Co., Ltd.	Bid bond	675,180.00	Within three years	6.56	29,830.70
Baotou Steel Union Sales Co., Ltd.	Advances to suppliers more than five years	400,648.84	More than five years	3.89	400,648.84
Taiyuan Heavy Industry Co., Ltd.	Advances to suppliers more than five years	350,000.00	More than five years	3.40	350,000.00
Total	-	5,646,061.46	-	54.83	868,366.03

(9) No other receivables involved with government grant in the current period.

(10) No other receivables derecognized due to transfer of financial assets in the current period.

(11) No assets and liabilities formed by transfer of other receivables and continuous involvement in the current period.

(12) The Company has no employee borrowings receivable at the end of the period.

6. Inventories

(1) Classification

Item	Ending balance		
	Book balance	Inventory falling price reserves	Book value
Raw materials	123,600,230.48	5,493,973.88	118,106,256.60
Products in process	150,946,267.34	28,062,406.86	122,883,860.48
Finished goods	119,550,845.06	4,224,272.71	115,326,572.35
Goods shipped	9,123,814.32	0.00	9,123,814.32
Total	403,221,157.20	37,780,653.45	365,440,503.75

(Continued)

Item	Beginning balance		
	Book balance	Inventory falling price reserves	Book value
Raw materials	106,131,104.24	21,242,207.91	84,888,896.33
Products in process	131,590,688.49	36,338,595.65	95,252,092.84
Finished goods	98,198,878.20	7,583,602.95	90,615,275.25
Goods shipped	3,776,790.28	26,218.03	3,750,572.25
Total	339,697,461.21	65,190,624.54	274,506,836.67

SECTION 10 FINANCIAL REPORT

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

6. Inventories (Continued)

(2) Inventory falling price reserves and impairment provision of contract performance costs

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Written-off	Others	
Raw materials	21,242,207.91	324,304.93	0.00	16,072,538.96	0.00	5,493,973.88
Products in process	36,338,595.65	4,327,588.81	0.00	12,603,777.60	0.00	28,062,406.86
Finished goods	7,583,602.95	2,575,537.17	0.00	5,934,867.41	0.00	4,224,272.71
Goods shipped	26,218.03	0.00	0.00	26,218.03	0.00	0.00
Total	65,190,624.54	7,227,430.91	0.00	34,637,402.00	0.00	37,780,653.45

(3) The ending balance of inventories has no capitalized amount including the borrowing costs in the current period.

(4) No contract performance costs in the current period.

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

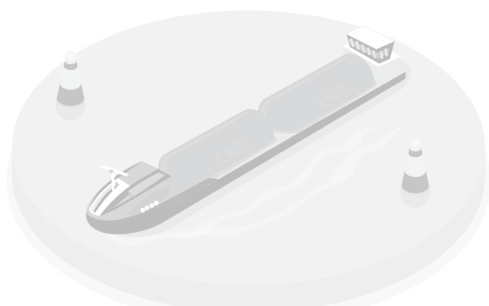
7. Other current assets

Item	Ending balance	Beginning balance
Added-value tax retained	29,487,972.39	33,331,038.32
VAT not deducted	2,270.23	495,597.22
Enterprise income tax prepaid	922,515.55	670,081.20
Other prepaid taxes	0.00	2,549,068.93
Total	30,412,758.17	37,045,785.67

8. Long-term equity investments

(1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Investment in joint ventures	0.00	3,017,515.83	0.00	3,017,515.83
Investment in associates	59,521,106.68	513,465.47	327,428.24	59,707,143.91
Subtotal	59,521,106.68	3,530,981.30	327,428.24	62,724,659.74
Less: Impairment provision of long-term equity investments	0.00	0.00	0.00	0.00
Total	59,521,106.68	3,530,981.30	327,428.24	62,724,659.74



SECTION 10 FINANCIAL REPORT

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

8. Long-term equity investments (Continued)

(2) Details of long-term equity investments

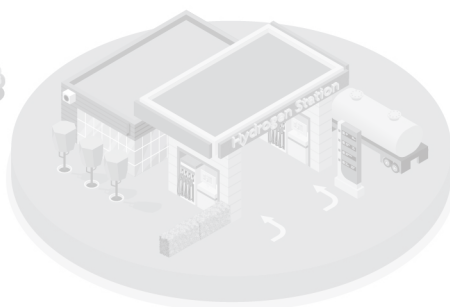
Investees	Beginning balance	Added investment	Decreased investment	Increase or decrease in the current period					Ending balance	Ending balance of impairment provision	
				Investment profits and losses recognized under equity method	Adjustment to other comprehensive income	Other changes in equity	Distribution of cash dividend or profit declared	Provision of impairment reserves			Others
Joint ventures											
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	0.00	0.00	0.00	3,017,515.83	0.00	0.00	0.00	0.00	0.00	3,017,515.83	0.00
Associated enterprise											
Jiangsu Tianka Special Equipment Co., Ltd.	31,698,152.71	0.00	0.00	1,264,476.23	0.00	0.00	0.00	0.00	0.00	32,962,628.94	0.00
Beijing Boken Energy Technology Inc.	17,822,953.97	0.00	0.00	-750,175.02	-1,117.81	0.00	327,428.24	0.00	0.00	16,744,232.90	0.00
Beijing Zhichuang (Beijing) New Energy Vehicle Technology Co., Ltd.	10,000,000.00	0.00	0.00	282.07	0.00	0.00	0.00	0.00	0.00	10,000,282.07	0.00
Total	59,521,106.68	0.00	0.00	3,532,099.11	-1,117.81	0.00	327,428.24	0.00	0.00	62,724,659.74	0.00

(3) Analysis of long-term equity investments

	Ending amount	Beginning amount
Listed		
China (excluding Hong Kong)	16,744,232.90	17,822,953.97
Hong Kong	0.00	0.00
Other regions	0.00	0.00
Subtotal	16,744,232.90	17,822,953.97
Unlisted	45,980,426.84	41,698,152.71
Total	62,724,659.74	59,521,106.68

9. Fixed assets

Item	Ending book value	Beginning book value
Fixed assets	586,136,826.64	605,655,905.18
Disposal of fixed assets	0.00	0.00
Total	586,136,826.64	605,655,905.18



SECTION 10 FINANCIAL REPORT

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

9. Fixed assets (Continued)

Fixed assets

(1) Details of fixed assets

Item	Plant & buildings	Machinery equipment	Transportation equipment	Office equipment	Electrical equipment	Total
I. Original book value	-	-	-	-	-	-
1. Beginning balance	478,755,695.61	619,645,193.67	18,636,655.95	8,580,015.56	4,828,762.78	1,130,446,323.57
2. Increase in current period	3,027,911.19	5,776,094.30	561,038.80	299,554.02	503,196.46	10,167,794.77
(1) Purchase	0.00	548,861.12	348,649.40	43,059.98	0.00	940,570.50
(2) Transferred from construction in progress	3,027,911.19	5,227,233.18	212,389.40	256,494.04	503,196.46	9,227,224.27
3. Decrease in current period	0.00	6,362,903.71	1,387,578.20	64,430.79	0.00	7,814,912.70
(1) Disposal or scrapping	0.00	6,362,903.71	1,387,578.20	64,430.79	0.00	7,814,912.70
4. Ending balance	481,783,606.80	619,058,384.26	17,810,116.55	8,815,138.79	5,331,959.24	1,132,799,205.64
II. Accumulated depreciation	-	-	-	-	-	-
1. Beginning balance	100,055,405.79	384,373,108.40	12,405,020.54	6,578,282.52	2,812,693.19	506,224,510.44
2. Increase in current period	5,629,979.26	18,586,524.67	463,668.43	182,563.89	51,458.97	24,914,195.22
(1) Provision	5,629,979.26	18,586,524.67	463,668.43	182,563.89	51,458.97	24,914,195.22
3. Decrease in current period	0.00	1,685,025.70	1,248,820.38	57,987.71	0.00	2,991,833.79
(1) Disposal or scrapping	0.00	1,685,025.70	1,248,820.38	57,987.71	0.00	2,991,833.79
4. Ending balance	105,685,385.05	401,274,607.37	11,619,868.59	6,702,858.70	2,864,152.16	528,146,871.87
III. Impairment provision	-	-	-	-	-	-
1. Beginning balance	0.00	17,965,541.65	194,073.82	286,144.82	120,147.66	18,565,907.95
2. Increase in current period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	50,400.82	0.00	0.00	0.00	50,400.82
4. Ending balance	0.00	17,915,140.83	194,073.82	286,144.82	120,147.66	18,515,507.13
IV. Book value	-	-	-	-	-	-
1. Ending book value	376,098,221.75	199,868,636.06	5,996,174.14	1,826,135.27	2,347,659.42	586,136,826.64
2. Beginning book value	378,700,289.82	217,306,543.62	6,037,561.59	1,715,588.22	1,895,921.93	605,655,905.18

(2) The Group has no temporary idle fixed asset.

(3) The Group has no fixed assets rented in by financial lease at the end of the period.

(4) The Group has no fixed assets rented out by operating lease at the end of the period.

(5) The Group has no fixed assets that certificate of title has not been handled at the end of the year.

(6) The amount of depreciation for fixed assets recognized as profits or losses is RMB24,914,195.22 (amount of previous period: RMB25,302,535.46) in the current period.

(7) The gain from sale of fixed assets in the current period is RMB122,252.07.

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

Item	Ending amount	Beginning amount
Within China	376,098,221.75	378,700,289.82
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	376,098,221.75	378,700,289.82
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	376,098,221.75	378,700,289.82

SECTION 10 FINANCIAL REPORT

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

10. Construction in progress

Item	Ending amount	Beginning amount
Construction in progress	62,622,542.84	54,395,871.51
Construction materials	0.00	0.00
Total	62,622,542.84	54,395,871.51

Construction in progress

Item	Ending balance		
	Book balance	Impairment provision	Book value
Buildings under construction and equipment to be installed	16,916,863.84	0.00	16,916,863.84
CNG-IV cylinder (plastic liner composite cylinder)	45,705,679.00	0.00	45,705,679.00
Total	62,622,542.84	0.00	62,622,542.84

(Continued)

Item	Beginning balance		
	Book balance	Impairment provision	Book value
Buildings under construction and equipment in the process of installation	18,057,581.62	0.00	18,057,581.62
CNG-IV cylinder (plastic liner composite cylinder)	36,338,289.89	0.00	36,338,289.89
Total	54,395,871.51	0.00	54,395,871.51

Significant changes in 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	
Gas cylinder production line of Tianjin Tianhai	4,341,927.26	0.00	2,712,881.53	0.00	1,629,045.73
CNG-IV cylinder (plastic liner composite cylinder)	36,497,061.34	9,208,617.66	0.00	0.00	45,705,679.00
Total	40,838,988.60	9,208,617.66	2,712,881.53	0.00	47,334,724.73

(Continued)

Project name	Budget (in RMB10,000)	Ratio of accumulative investment to budget (%)	Project progress	Accumulated amount of capitalized interest	Including: amount of capitalized interest in the current period	Capitalization rate of interest in current period (%)	Source of funds
Gas cylinder production line of Tianjin Tianhai	750.00	90.00	95.00	0.00	0.00	0.00	Self-raised
CNG-IV cylinder (plastic liner composite cylinder)	5,200.00	95.52	97.90	0.00	0.00	0.00	Self-raised
Total	5,950.00	-	-	0.00	0.00	0.00	-

SECTION 10 FINANCIAL REPORT

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

11. Intangible assets

(1) Breakdown

Item	Land use right	Patent rights	Software	Total
I. Original book value	–	–	–	–
1. Beginning balance	145,164,762.08	11,707,050.00	3,483,058.01	160,354,870.09
2. Increase in current period	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00
4. Ending balance	145,164,762.08	11,707,050.00	3,483,058.01	160,354,870.09
II. Accumulated amortization	–	–	–	–
1. Beginning balance	24,636,695.25	11,707,050.00	2,884,975.01	39,228,720.26
2. Increase in current period	1,517,711.52	0.00	106,873.95	1,624,585.47
(1) Provision	1,517,711.52	0.00	106,873.95	1,624,585.47
3. Decrease in current period	0.00	0.00	0.00	0.00
4. Ending balance	26,154,406.77	11,707,050.00	2,991,848.96	40,853,305.73
III. Impairment provision	–	–	–	–
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00
IV. Book value	–	–	–	–
1. Ending book value	119,010,355.31	0.00	491,209.05	119,501,564.36
2. Beginning book value	120,528,066.83	0.00	598,083.00	121,126,149.83

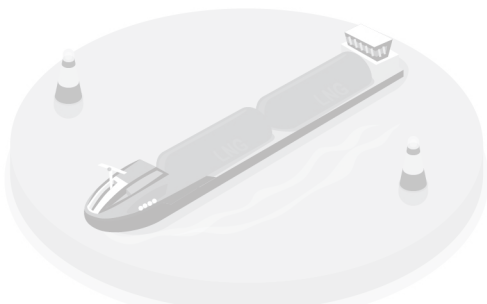
(2) There are no intangible assets formed through internal R&D in the Company at the end of the period.

(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 RMB1,624,585.47 (amount of previous period: RMB1,642,525.29) in the current period.

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

Item	Ending amount	Beginning amount
Within China	119,010,355.31	120,528,066.83
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	119,010,355.31	120,528,066.83
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	119,010,355.31	120,528,066.83



SECTION 10 FINANCIAL REPORT

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

12. Goodwill

(1) Original value

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) Provision for impairment 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

13. Long-term prepaid expenses

Item	Beginning balance	Increase in the current period	Amortization in the current period	Ending balance
Amortization of turnover fees	5,195,787.62	1,441,989.14	2,044,517.61	4,593,259.15
Amortization of installation cost of power transmission and distribution projects	18,488.01	0.00	15,846.78	2,641.23
Total	5,214,275.63	1,441,989.14	2,060,364.39	4,595,900.38

14. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	41,795.64	10,448.91	982,158.80	245,539.71
Depreciation life difference	212,106.62	44,542.39	201,370.86	42,287.88
Total	253,902.26	54,991.30	1,183,529.66	287,827.59

(2) Details of unrecognized deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	—	—
Deductible loss	456,591,210.36	456,591,210.36
Provision for assets impairment	128,222,698.00	152,944,402.18
Total	584,813,908.36	609,535,612.54



SECTION 10 FINANCIAL REPORT

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

14. Deferred income tax assets and deferred income tax liabilities (Continued)

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

Year	Ending amount	Beginning amount	Remarks
2021	43,682,610.69	43,682,610.69	–
2022	34,552,762.03	34,552,762.03	–
2023	103,803,901.25	103,803,901.25	–
2024	84,651,182.18	84,651,182.18	–
2025	52,279,072.51	52,279,072.51	–
2026	0.00	0.00	–
2027	0.00	0.00	–
2028	62,318,223.05	62,318,223.05	–
2029	75,303,458.65	75,303,458.65	–
Total	456,591,210.36	456,591,210.36	–

15. Short-term borrowings

(1) Classification

Category	Ending balance	Beginning balance
Guaranteed borrowing	108,000,000.00	168,000,000.00

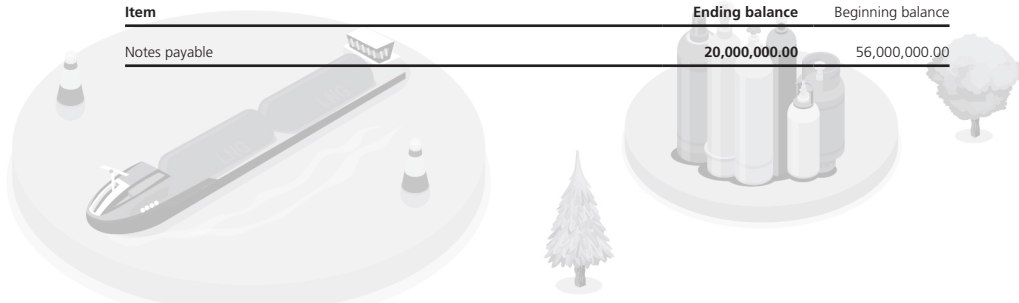
- On August 10, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200056) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB20,000,000.00, lasting from August 12, 2020 to August 12, 2021 and with the loan rate of 5.22%. Jingcheng Machinery will provide 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 made a loan of RMB20,000,000.00.
- On September 15, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200072) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting from September 15, 2020 to September 15, 2021 and with the loan rate of 5.22%. Jingcheng Machinery 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 made a loan of RMB30,000,000.00.
- On September 24, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200108) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB28,000,000.00, lasting from September 25, 2020 to September 25, 2021 and with the loan rate of 5.22%. Jingcheng Machinery 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 RMB28,000,000.00.
- On October 10, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200086) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB30,000,000.00, lasting from October 12, 2020 to October 12, 2021 and with the loan rate of 5.22%. Jingcheng Machinery 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 made a loan of RMB30,000,000.00.

(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 5.22% (5.24% at the end of previous year).

16. Notes payable

Item	Ending balance	Beginning balance
Notes payable	20,000,000.00	56,000,000.00



SECTION 10 FINANCIAL REPORT

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

17. Accounts payable

(1) Presentation of accounts payable

Item	Ending balance	Beginning balance
Material payment, etc.	264,322,964.71	251,829,791.48
Project payment	6,653,688.67	6,486,000.27
Total	270,976,653.38	258,315,791.75

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

Company name	Ending balance	Reasons for unrepayment or carrying over
Xinxiang Jinpeng Metallurgical Equipment Co., Ltd.	10,596,084.70	Unsettled
Beijing Ronghe Gear Manufacturing Co., Ltd.	6,208,281.20	Unsettled
Gaobeidian Baobei Telecommunications Equipment Factory	5,652,723.24	Unsettled
Gaobeidian Hailong Industrial Co., Ltd.	5,539,395.54	Unsettled
Danyang Flywheel Gas Valve Co., Ltd.	5,089,324.18	Unsettled
Beijing Yataihongda Trading Co., Ltd.	5,049,247.34	Unsettled
Shanxi Jinhengrui Metal Materials Co., Ltd.	4,428,043.99	Unsettled
Tianjin Lebeier Catering Management Co., Ltd.	4,177,441.00	Unsettled
Xinxiang Shenkun Machinery Equipment Manufacturing Co., Ltd.	4,030,692.22	Unsettled
Langfang Zhongshi Machinery Manufacturing Co., Ltd.	3,768,130.34	Unsettled
Jiangsu Wuxi Zhengda Metal Products Co., Ltd.	3,076,687.75	Unsettled
Beijing Jingqin Hengxin Metal Material Co., Ltd.	2,953,002.38	Unsettled
Wuxi Zhengda Metal Products Co., Ltd.	2,907,186.95	Unsettled
Tianjin Mingchuang Gas Sales Co., Ltd.	2,889,166.35	Unsettled
Dingzhou Ruiyi Machinery Parts Manufacturing Co., Ltd.	2,517,183.30	Unsettled
Beijing Mingxin Shiji Packing Products Co., Ltd.	2,509,316.54	Unsettled
Nande (China) Service of Testing Co., Ltd. Beijing Branch Company	2,495,451.34	Unsettled
Xianghe Yunxiu Woodwork Sales Co., Ltd.	2,240,991.02	Unsettled
Wuhu Qinhui Technology Co., Ltd.	2,208,108.11	Unsettled
Beijing Zhongduhuiyu Welding Technology Co., Ltd.	2,184,089.73	Unsettled
Beijing Kaitian Chengxin Science and Technology Co., Ltd.	2,145,345.12	Unsettled
Total	82,665,892.34	-

(3) Presentation of accounts payable as per aging

Aging	Ending balance	Beginning balance
Within 1 year	85,790,659.23	200,543,071.53
1-2 years	135,221,902.45	43,300,662.21
2-3 years	38,420,796.78	8,177,162.24
Over 3 years	11,543,294.92	6,294,895.77
Total	270,976,653.38	258,315,791.75



SECTION 10 FINANCIAL REPORT

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

18. Contractual liabilities

(1) Contractual liabilities

Item	Ending balance	Beginning balance
Goods payment received in advance	85,965,855.60	60,853,270.89
Including: more than one year	19,709,510.07	16,919,096.11

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

Item	Amount changed	Causes of the change
Westport Fuel Systems Canada Inc-IT.	12,740,014.85	New contract not performed
ADM GASTECH SOLUTIONS LLP	4,418,750.13	New contract not performed
S VAIDYA CO	3,043,257.26	New contract not performed
LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD.	-2,364,902.52	Contract performed
Dalian Shipbuilding Industry Co., Ltd.	-1,831,034.34	Contract performed
STEEL INDUSTRY SAC	1,569,515.22	New contract not performed
FLUORINE KOREA CO., LTD	1,299,951.86	New contract not performed
Tianjin Baiyan Science & Technology Co., Ltd.	1,132,061.95	New contract not performed
Total	20,007,614.41	-

(3) Significant contractual liabilities aged over 1 year

Company name	Ending balance	Reasons for unrepayment or carrying over
WESTPORT POWER INC.	5,258,807.26	The contract has not been completely fulfilled.
Shanghai Sunwise New Energy System Co., Ltd.	1,596,371.80	The contract has not been completely fulfilled.
EUROTECH CYLINDERS PVT.LTD	940,902.07	The contract has not been completely fulfilled.
Tangshan Caofeidian District Huarui Gas Co., Ltd.	867,256.64	The contract has not been completely fulfilled.
Gas Pantai Timur Sdn.Bhd	825,239.01	The contract has not been completely fulfilled.
Jingkai (Hong Kong) Co., Ltd.	671,187.24	The contract has not been completely fulfilled.
Total	10,159,764.02	-

19. Employee benefits payable

(1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term benefits	24,522,695.95	78,016,845.93	89,001,029.47	13,538,512.41
Post-employment benefits-defined contribution plan	675,347.66	10,300,300.44	9,618,135.67	1,357,512.43
Dismissal welfare	0.00	590,362.74	590,362.74	0.00
Current portion of other welfare	2,978,519.16	0.00	634,706.60	2,343,812.56
Total	28,176,562.77	88,907,509.11	99,844,234.48	17,239,837.40

SECTION 10 FINANCIAL REPORT

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

19. Employee benefits payable (Continued)

(2) Short-term benefits

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salary, bonus, allowance and subsidy	17,617,984.51	63,498,293.26	74,344,611.12	6,771,666.65
Employee welfare expenses	0.00	724,327.14	724,327.14	0.00
Social insurance premium	586,085.50	6,915,453.37	6,938,555.36	562,983.51
Including: medical insurance premium	523,086.85	6,403,087.93	6,442,553.07	483,621.71
Work injury insurance premium	16,979.93	405,842.94	389,479.79	33,343.08
Childbearing insurance premium	46,018.72	106,522.50	106,522.50	46,018.72
Housing provident fund	125,854.94	5,324,444.01	5,297,626.00	152,672.95
Labor union expenditure & personnel education fund	5,378,031.00	1,510,928.15	1,662,709.85	5,226,249.30
Housing allowance	814,740.00	43,400.00	33,200.00	824,940.00
Total	24,522,695.95	78,016,845.93	89,001,029.47	13,538,512.41

(3) Defined contribution plan

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. Corresponding expenditures shall be included in the current profits and losses or related asset cost.

The Group shall pay the fees for endowment insurance and unemployment insurance in the current period as follows:

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance	587,170.88	9,877,760.54	9,233,593.51	1,231,337.91
Unemployment insurance premium	88,176.78	422,539.90	384,542.16	126,174.52
Total	675,347.66	10,300,300.44	9,618,135.67	1,357,512.43

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 RMB10,300,300.44 (amount of previous period: RMB2,402,552.60) into the defined contribution plan for the year in which it participates. On June 30, 2021, the Group still has RMB1,357,512.43 (beginning amount: RMB675,347.66) for deposit, which are due and unpaid during the reporting period. The relevant deposit fees have been deposited after the reporting period.

20. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	1,363,123.15	4,127,446.80
Corporate income tax	596,293.38	1,195,568.89
Individual income tax	459,947.83	741,307.69
City maintenance and construction tax	90,487.99	265,637.81
Property tax	16,313.59	0.00
Land use tax	16,909.50	0.00
Education surcharge	68,074.96	130,145.05
Local education surcharge	2,711.21	72,507.70
Stamp duty	173,361.09	145,920.11
Environmental protection taxes	31,762.19	41,536.33
Disabled person employment security fund payable	330,000.00	0.00
Total	3,148,984.89	6,720,070.38

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

SECTION 10 FINANCIAL REPORT

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

21. Other payables

Item	Ending balance	Beginning balance
Interest payable	0.00	424,599.25
Dividends payable	0.00	0.00
Other payables	22,040,189.30	44,751,775.88
Total	22,040,189.30	45,176,375.13

21.1 Interests payable

(1) Classification

Item	Ending balance	Beginning balance
Interest payable of borrowing	0.00	424,599.25

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

21.2 Other payables

(1) Classification of other payables by nature

Nature of amount	Ending balance	Beginning balance
Cash paid for minority stockholder's reduction of contribution	0.00	10,460,589.18
Funds disbursed for others, etc.	18,284,953.76	31,746,983.17
Transaction payments of related parties	2,915,235.54	1,704,203.53
Rental fees	840,000.00	840,000.00
Total	22,040,189.30	44,751,775.88

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

Company name	Ending balance	Reasons for unrepayment or carrying over
Tianjin Seamless Investment Co., Ltd.	1,704,203.53	Unsettled
Beijing Tianhai Westport Environmental Technology Co., Ltd.	536,214.98	Unsettled
Total	2,240,418.51	—

22. Current portion of non-current liabilities

Item	Ending balance	Beginning balance	Remarks
Current portion of long-term payables	0.00	15,540,454.46	Note

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

23. Other current liabilities

Item	Ending balance	Beginning balance
Pending changeover VAT on sales	4,157,447.04	8,472,856.14

SECTION 10 FINANCIAL REPORT

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

24. Long-term borrowings

Category	Ending balance	Beginning balance
Debt of honor	0.00	1,154,907.30

Note: On April 21, 2020, BTIC AMERICA CORPORATION, a subsidiary of the Company, signed a loan agreement with South western National Bank with the contract number of 6432127105/7410400, with a loan amount of USD177,000 and a loan term of 24 months. This loan is under a salary protection plan supported by the US government. In March 2021, SBA approved the exemption from repayment.

25. Long-term payables

Item	Ending balance	Beginning balance
Long-term payables	7,000,000.00	10,000,000.00
Special payables	0.00	0.00
Total	7,000,000.00	10,000,000.00

Long-term payables

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

Nature of amount	Ending balance	Beginning balance
Subscribed capital contribution	7,000,000.00	10,000,000.00

Note: The registered capital of Beijing Zhichuang Company is RMB100,000,000, of which Beijing Tianhai subscribed for RMB10,000,000, holding 10% of the shares, and the date of subscription is before December 31, 2022. The ending balance is the unpaid capital contribution.

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

Item	Ending balance	Beginning balance
One to two years	7,000,000.00	10,000,000.00

26. Long-term employee benefits payable

(1) Classification

Item	Ending balance	Beginning balance
Net liabilities of post-employment benefits – defined benefit plan	28,991,298.85	28,206,118.61

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

Item	Amount in the current period	Amount in the previous period
Beginning balance	31,184,637.77	28,709,010.21
Defined benefit cost included in current profits and losses	599,810.92	3,450,410.86
1. Current service cost	15,098.96	2,699,218.38
2. Previous service cost	0.00	0.00
3. Settlement gains (losses to be listed with “-”)	0.00	0.00
4. Net interests	584,711.96	751,192.48
Defined benefit cost included in other comprehensive incomes	0.00	0.00
1. Actuarial gains (losses to be listed with “-”)	0.00	0.00
Other changes	-449,337.28	-974,783.30
1. Liabilities eliminated when settling	0.00	0.00
2. Paid welfare	-449,337.28	-974,783.30
Ending balance	31,335,111.41	31,184,637.77
Less: current portion of welfare	2,343,812.56	2,978,519.16
Deduction of current portion of the ending balance	28,991,298.85	28,206,118.61

SECTION 10 FINANCIAL REPORT

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

26. Long-term employee benefits payable (Continued)

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

Item	Amount in the current period	Amount in the previous period
Beginning balance	31,184,637.77	28,709,010.21
Defined benefit cost included in current profits and losses	599,810.92	3,450,410.86
Defined benefit cost included in other comprehensive incomes	0.00	0.00
Other changes	-449,337.28	-974,783.30
Ending balance	31,335,111.41	31,184,637.77

(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.

27. Estimated liabilities

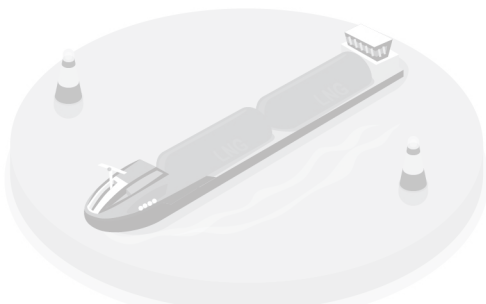
Item	Ending balance	Beginning balance	Cause
Product quality assurance	11,197,893.84	11,197,893.84	Quality bond

Note: Product quality assurance is predicted by the management based on the commitment years and historical data of quality assurance responsibility in the sales contract.

28. Deferred income

(1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause
Government grants	6,011,627.67	0.00	549,644.62	5,461,983.05	Note 1 to Note 4



SECTION 10 FINANCIAL REPORT

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

28. Deferred income (Continued)

(2) Projects using government grants

Projects using government grants	Beginning balance	Newly increased amount of grant in the current period	Amount of non-operating income of current period	Amount included in other incomes in the current period	Amount of costs and expenses offset in the current period	Ending balance	Assets-related/revenue-related
70MPa hydrogen cylinder development project	355,457.22	0.00	0.00	0.00	5,309.74	350,147.48	Revenue-related
Provincial industrial transformation and upgrading projects in 2018	656,170.45	0.00	0.00	0.00	544,334.88	111,835.57	Assets-related
Development project of fixed liquid hydrogen storage tank	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00	Revenue-related
Design and development of vehicle-mounted 1000L liquid hydrogen bottle	3,000,000.00	0.00	0.00	0.00	0.00	3,000,000.00	Revenue-related
Total	6,011,627.67	0.00	0.00	0.00	549,644.62	5,461,983.05	-

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.

Note 3: The development project of fixed liquid hydrogen storage tank is funded by the research and development funds for Key Technologies Research and Development of Vehicle 1000L Liquid Hydrogen Storage System and Fixed Liquid Hydrogen Storage Tank granted by Beijing Municipal Science & Technology Commission.

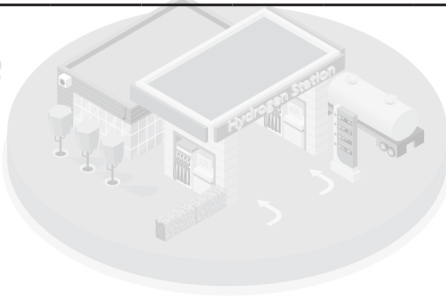
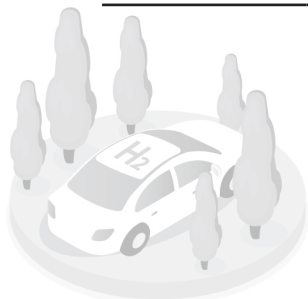
Note 4: The design and R&D of the vehicle-mounted 1000L liquid hydrogen bottle are funded by the research and development funds for Key Technologies Research and Development of Vehicle 1000L Liquid Hydrogen Storage System and Fixed Liquid Hydrogen Storage Tank granted by Beijing Municipal Science & Technology Commission.

29. 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					Subtotal	Ending amount
		New shares	Bonus shares	Transfer from capital surplus to capital stock	Others			
Total restricted shares	63,000.00	0.00	0.00	0.00	0.00	0.00	63,000.00	
Unrestricted shares	-	-	-	-	-	-	-	
RMB ordinary shares	322,000.00	0.00	0.00	0.00	0.00	0.00	322,000.00	
Overseas listed foreign share	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00	
Total unrestricted shares	422,000.00	0.00	0.00	0.00	0.00	0.00	422,000.00	
Total shares	485,000.00	0.00	0.00	0.00	0.00	0.00	485,000.00	



SECTION 10 FINANCIAL REPORT

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

30. Capital reserve

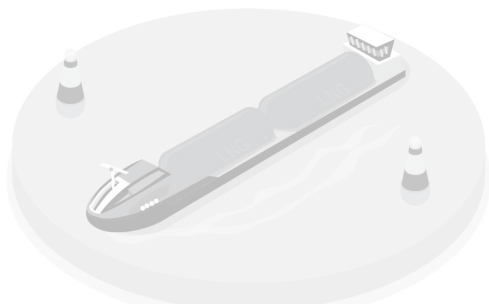
Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Share premiums	707,035,741.33	0.00	0.00	707,035,741.33
Other capital reserves	126,148,094.51	0.00	0.00	126,148,094.51
Total	833,183,835.84	0.00	0.00	833,183,835.84

31. Other comprehensive income

Item	Beginning balance	Amount in the current period					Ending balance
		Amount incurred before income tax in the 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	Attributed to parent company after tax	Attributable to minority shareholders 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	0.00	0.00	0.00	0.00	0.00	160,000.00
II. Other comprehensive income that will be re-classified into profits and losses Including: Other comprehensive income that can be transferred to profit or loss under the equity method	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
Differences arising from translation of foreign currency financial statements	-485,424.59	-315,521.28	0.00	0.00	-286,022.69	-29,498.59	-771,447.28
	11,850.59	-1,117.81	0.00	0.00	-1,117.81	0.00	10,732.78
	-497,275.18	-314,403.47	0.00	0.00	-284,904.88	-29,498.59	-782,180.06
Total of other comprehensive incomes	-325,424.59	-315,521.28	0.00	0.00	-286,022.69	-29,498.59	-611,447.28

32. 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
Total	45,665,647.68	0.00	0.00	45,665,647.68



SECTION 10 FINANCIAL REPORT

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

33. Undistributed profit

Item	Current period	Previous period
Beginning balance	-664,051,428.89	-820,483,186.46
Add: adjustment of undistributed profits at the beginning of the period	0.00	0.00
Beginning balance in the current period	-664,051,428.89	-820,483,186.46
Add: net profits attributable to parent company in the current period	-1,313,304.91	156,431,757.57
Less: appropriation of statutory surplus reserve	0.00	0.00
Appropriation of discretionary surplus reserves	0.00	0.00
Appropriation of general risk provision	0.00	0.00
Ordinary share dividends payable	0.00	0.00
Ordinary share dividends transferred into share capital	0.00	0.00
Ending balance in the current period	-665,364,733.80	-664,051,428.89

34. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	508,272,446.37	435,964,995.70	485,274,619.95	417,037,790.15
Other businesses	18,282,074.38	17,254,289.67	38,557,028.82	43,615,492.35
Total	526,554,520.75	453,219,285.37	523,831,648.77	460,653,282.50

(2) Revenue arising from the contract

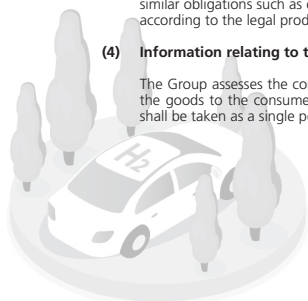
Contract classification	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Classification by type of goods				
Including: seamless steel gas cylinder	254,696,194.16	200,418,062.57	207,812,689.70	163,196,836.31
Full-wrapped cylinder	64,916,143.89	58,448,500.32	43,656,034.81	39,404,906.73
Cryogenic cylinder	49,708,943.97	40,786,468.42	87,432,964.03	78,547,098.73
Cryogenic storage and transportation equipment	79,600,581.96	72,853,016.20	75,647,600.29	72,691,359.42
Others	59,350,582.39	63,458,948.19	70,725,331.12	63,197,588.96
Classification by business area				
Including: domestic	309,538,264.97	261,194,375.50	309,381,513.33	261,095,287.04
Overseas	198,734,181.40	174,770,620.20	175,893,106.62	155,942,503.11
Total	508,272,446.37	435,964,995.70	485,274,619.95	417,037,790.15

(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.

(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.



SECTION 10 FINANCIAL REPORT

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

34. Operating revenue and operating costs (Continued)

(5) Total operating revenue from the top 5 customers of the Group is RMB108,158,361.66, which represents 20.54% of the total operating revenue in the year. (previous period: 23.51%), as listed below:

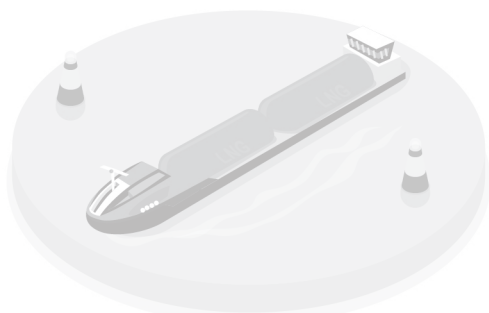
Company name	Operating revenue	Proportion to total operating revenues (%)
LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD.	33,442,665.77	6.35
WESTPORT POWER Inc.-Italy	28,829,557.38	5.48
Cyl-Tec, Inc.	17,476,812.75	3.32
Houpu Clean Energy Co., Ltd.	14,442,513.24	2.74
Jiangsu Tianhai Special Equipment Co., Ltd.	13,966,812.52	2.65
Total	108,158,361.66	20.54

35. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
City maintenance and construction tax	261,579.93	265,324.40
Educational surtax (including local educational surtax)	210,709.15	209,099.78
Property tax	1,112,653.98	2,597,765.33
Land use tax	344,287.27	482,616.13
Stamp duty	107,878.91	169,231.09
Security funds for the disabled	0.00	335,000.00
Resource tax	7,418.60	14,851.20
Environmental protection taxes	88,386.70	30,037.04
Others	383,534.75	103,292.00
Total	2,516,449.29	4,207,216.97

36. Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	11,284,205.17	10,015,063.05
Operational funds	666,308.04	754,501.81
Transportation expenses	700,965.53	6,472,887.99
Warehousing and maintenance fees	18,196.27	77,236.64
Exhibition fees	350,450.21	251,618.71
After-sales service charges	336,208.42	3,391,131.13
Repair cost	17,612.09	140,190.81
Office fees	237,825.78	69,645.70
Traveling expenses	912,170.08	660,825.54
Packing charges	514,823.35	567,118.13
Others	11,722.27	1,219,560.47
Total	15,050,487.21	23,619,779.98



SECTION 10 FINANCIAL REPORT

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

37. Administrative expenses

Item	Amount in the current period	Amount in the previous period
Office fees	2,533,879.86	1,231,862.33
Traveling expenses	356,154.98	211,179.40
Energy fees	150,369.41	19,427.29
Repair cost	136,592.92	346,939.32
Depreciation expense	703,399.46	443,047.70
Employee compensation	28,992,930.88	24,606,625.07
Vehicle fees	759,027.40	844,773.18
Publicity expenses	18,627.80	4,055.87
Business entertainment expenses	283,854.47	99,967.81
Amortization of intangible assets	655,498.89	687,218.24
Fees for employing intermediary organs	2,657,686.65	1,781,343.07
– Audit service fees	74,410.25	216,775.54
– Tax service fees	0.00	0.00
– Other service fees	1,305,883.03	805,771.97
– Lawyer service fees	1,277,393.37	758,795.56
Others	2,668,439.52	2,028,187.69
Total	39,916,462.24	32,304,626.97

38. R&D expenses

Item	Amount in the current period	Amount in the previous period
Research and development expenses	10,015,871.43	9,163,732.02

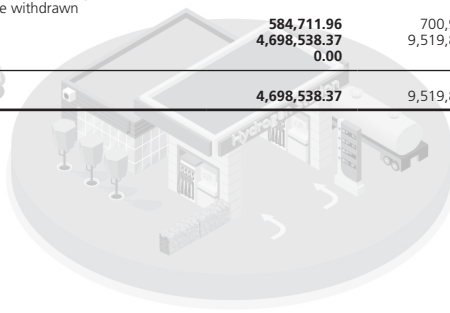
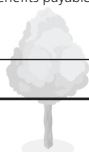
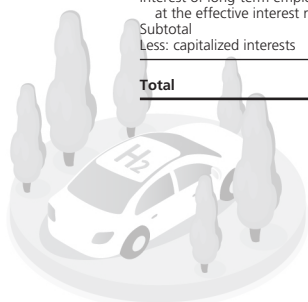
39. Financial expenses

(1) Details of financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	4,698,538.37	9,519,858.78
Less: interest incomes	880,727.71	675,591.55
Add: exchange losses	2,202,510.06	257,722.14
Add: other expenditures	169,616.45	622,025.85
Total	6,189,937.17	9,724,015.22

(2) Details of interest expenses

Item	Amount in the current period	Amount in the previous period
Bank loans and overdraft interests	4,113,826.41	6,714,989.89
Other interests	0.00	2,103,877.25
– Other loan interests that shall be due and repaid within five years	0.00	2,103,877.25
– Other loan interests that shall be due and repaid after five years	0.00	0.00
Interest of long-term employee benefits payable withdrawn at the effective interest rate	584,711.96	700,991.64
Subtotal	4,698,538.37	9,519,858.78
Less: capitalized interests	0.00	0.00
Total	4,698,538.37	9,519,858.78



SECTION 10 FINANCIAL REPORT

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

39. Financial expenses (Continued)

(3) Details of interest incomes

Item	Amount in the current period	Amount in the previous period
Income from bank deposit interests	810,063.32	116,635.88
Income from third-party loan interests	70,664.39	558,955.75
Total	880,727.71	675,591.55

40. Other incomes

Sources of other incomes	Amount in the current period	Amount in the previous period
Transferring-in of deferred revenue	549,644.62	517,835.88
Government grants	7,204,801.32	0.00
Total	7,754,445.94	517,835.88

41. Investment incomes

Sources of investment income	Amount in the current period	Amount in the previous period
Long-term equity investment incomes calculated at equity method	3,532,099.11	-6,049,911.14

42. Credit impairment losses

Item	Amount in the current period	Amount in the previous period
Bad debt losses of accounts receivable	-2,925,645.12	-4,673,431.99
Bad debt losses of other receivables	-91,197.66	-8,070.45
Asset impairment losses of contract	0.00	-225,598.91
Total	-3,016,842.78	-4,907,101.35

43. Assets impairment losses

Item	Amount in the current period	Amount in the previous period
Inventory depreciation loss and contract performance cost impairment loss	-7,227,430.91	-10,848,486.68

44. Incomes from disposal of assets

Item	Amount in the current period	Amount in the previous period	Amount included in current non-recurring profits and losses
Gains from disposal of non-current assets	122,252.07	0.00	122,252.07
Income from disposal of fixed assets	122,252.07	0.00	122,252.07

RMB122,252.07 is included in the current non-recurring profit and loss (previous period: RMB0.00).

SECTION 10 FINANCIAL REPORT

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

45. Non-operating revenues

(1) Details

Item	Amount in the current period	Amount in the previous period	Amount included in current non-recurring profits and losses
Government grants	0.00	1,011,221.00	0.00
Income from breach indemnity	94,000.00	172,894.44	94,000.00
Others	489,967.12	78,426.25	489,967.12
Total	583,967.12	1,262,541.69	583,967.12

RMB583,967.12 is included in the current non-recurring profit and loss (previous period: RMB1,262,541.69).

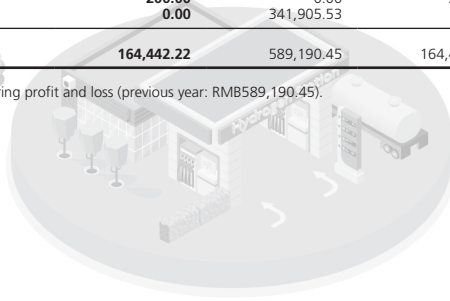
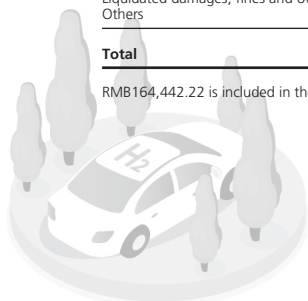
(2) Details of government grants

Item	Amount in the current period	Amount in the previous period	Source and basis	Assets-related/ revenue-related
Award funds from Beijing Municipal Commission of Commerce	0.00	845,393.00	Grants from Beijing Municipal Commission of Commerce	Revenue-related
Special fund for independent innovation in Zhongguancun Beijing	0.00	7,500.00	Note of Appropriating Supporting Fund (second batch) of Zhongguancun International Innovation Resources in 2018	Revenue-related
Patent Subsidies from Beijing Municipal Intellectual Property Office	0.00	0.00	Notice on Declaring the 2018 Beijing Patent Grants and Publication of Beijing Patent Grant Funds for 2018	Revenue-related
Substitution of subsidies with rewards for low nitrogen renovation of gas-fired boiler	0.00	0.00	Overview for low nitrogen transformation project of gas (oil) boiler	Revenue-related
Refund of unemployment insurance expense	0.00	18,328.00	Refund of unemployment insurance expense	Revenue-related
Special funds for air pollution prevention and control	0.00	140,000.00	Notice of Tianjin Finance Bureau on issuing the tenth special fund budget for air pollution prevention and control in 2019	Revenue-related
Total	0.00	1,011,221.00	-	-

46. Non-operating expenses

Item	Amount in the current period	Amount in the previous period	Amount included in current non-recurring profits and losses
Losses from damage and scrapping of non-current assets	164,242.22	247,284.92	164,242.22
Including: Loss from write-off and retirement of fixed assets	164,242.22	247,284.92	164,242.22
Liquidated damages, fines and overdue fines	200.00	0.00	200.00
Others	0.00	341,905.53	0.00
Total	164,442.22	589,190.45	164,442.22

RMB164,442.22 is included in the current non-recurring profit and loss (previous year: RMB589,190.45).



SECTION 10 FINANCIAL REPORT

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

47. Income tax expenses

(1) Income tax expenses

Item	Amount in the current period	Amount in the previous period
Income tax in current period calculated as per tax laws and relevant regulations	1,616,001.45	849,998.08
1. Mainland China corporate income tax	490,737.63	1,074,139.80
2. Hong Kong income tax	0.00	0.00
3. Other regions (USA)	920,025.80	-20,650.32
4. Over-measurement in the previous years (under-measurement)	205,238.02	-203,491.40
Deferred income tax expenses	232,836.29	140,697.27
Total	1,848,837.74	990,695.35

(2) Adjustment process of accounting profits and tax expenses

Item	Amount in the current period
Gross profits consolidated in the current period	1,230,076.37
Income taxes expense calculated at legal or applicable tax rate	307,519.09
Effect from application of different tax rate to subsidiaries	-1,456,346.76
Effect from adjustment of income tax in the previous period	205,238.02
Effect from costs, expenses and losses that cannot be deducted	86,221.10
Effect of non-taxable income	-529,814.87
Effect from using the deductible losses of unrecognized deferred income tax assets	-710,085.89
Deductible temporary difference or effect of deductible loss of unrecognized deferred tax assets in the current period	3,946,107.05
Total	1,848,837.74

48. Other comprehensive income

See relevant contents in "VI. 31 Other comprehensive income" in the Notes for details.

49. Items of cash flow statement

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

1) Other cash received relating to operating activities

Item	Amount in the current period	Amount in the previous period
Margins, deposits and pretty cash recovered	2,350,142.87	5,965,567.85
Interest income	840,092.61	616,082.45
Government grants	6,056,712.01	5,912,883.76
Intercourse funds	2,559,675.75	5,874,539.28
Penalty	31,794.00	66,116.65
Others	3,490,213.20	2,938,962.63
Total	15,328,630.44	21,374,152.62

2) Other cash paid relating to operating activities

Item	Amount in the current period	Amount in the previous period
General expenses	20,650,304.04	25,749,925.64
Guarantee deposit, security deposit	10,615,000.00	28,859,279.61
Intercourse funds	4,756,499.54	0.00
Handling charge	156,451.42	688,261.34
Penalty	200.00	40,000.00
Others	3,951,693.12	333,676.24
Total	40,130,148.12	55,671,142.83

SECTION 10 FINANCIAL REPORT

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

49. Items of cash flow statement (Continued)

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

3) Other cash received relating to financing activities

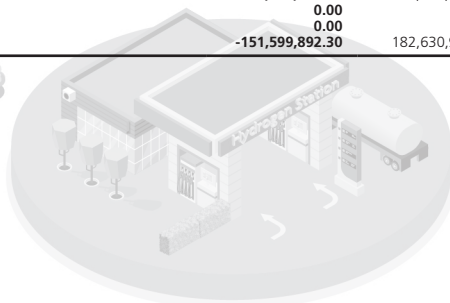
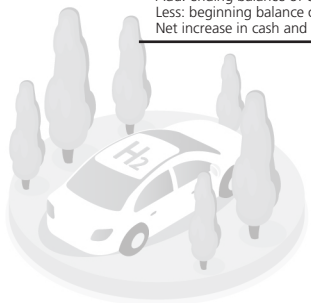
Item	Amount in the current period	Amount in the previous period
Jingcheng Holding borrowings, etc.	0.00	40,000,000.00

4) Other cash paid relating to financing activities

Item	Amount in the current period	Amount in the previous period
Cash paid for minority stockholder's reduction of contribution	10,864,936.71	11,266,908.56

(2) Supplementary information to consolidated cash flow statement

Item	Amount in current period	Amount in previous period
1. Reconciliation from net profit to cash flows from operating activities:	-	-
Net profit	-618,761.37	-37,446,012.29
Add: provision for assets impairment	7,227,430.91	10,848,486.68
Credit impairment losses	3,016,842.78	4,907,101.35
Depreciation of fixed assets	24,914,195.22	25,302,535.46
Investment real estates	0.00	403,023.82
Depreciation of right-to-use asset	0.00	0.00
Amortization of intangible assets	1,624,585.47	1,642,525.29
Amortization of long-term deferred expenses	2,060,364.39	2,221,991.16
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-122,252.07	0.00
Losses on retirement of fixed assets (gains to be listed with "-")	164,242.22	247,284.92
Loss from changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	6,346,879.89	9,199,065.05
Losses on investment (gains to be listed with "-")	-3,532,099.11	6,049,911.14
Decrease on deferred income tax asset (increases to be listed with "-")	232,836.29	140,697.27
Increases in deferred income tax liabilities (decreases to be listed with "-")	0.00	0.00
Decreases on inventory (increases to be listed with "-")	-63,523,695.99	7,707,364.68
Decreases on operating receivables (increases to be listed with "-")	17,855,691.35	-32,452,862.68
Increase on operating payables (decreases to be listed with "-")	-37,694,458.11	27,867,135.00
Others	0.00	0.00
Net cash flows from operating activities	-42,048,198.13	26,638,246.85
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Translation of debt into capital	0.00	0.00
Current portion of convertible corporate bonds	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
3. Net change in cash and cash equivalents:		
Ending balance of cash	94,546,205.59	261,518,221.63
Less: beginning balance of cash	246,146,097.89	78,887,242.25
Add: ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-151,599,892.30	182,630,979.38



SECTION 10 FINANCIAL REPORT

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

49. Items of cash flow statement (Continued)

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	94,546,205.59	246,146,097.89
Including: cash on hand	159,034.95	125,049.92
Cash at bank available for payment at any time	94,387,170.64	246,021,047.97
Other cashes at bank and on hand available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Ending balance of cash and cash equivalents	94,546,205.59	246,146,097.89
Including: cash and cash equivalents that the parent company or subsidiaries of the Group are limited to use	0.00	0.00

50. Assets with restricted ownership or use right

Item	Ending book value	Reasons
Cash at bank and on hand	15,350,166.73	Deposits of bank acceptance bill, guarantee deposits and litigation freeze

51. Monetary items in foreign currency

(1) Monetary items for foreign currency

Item	Ending foreign currency balance	Exchange rate for translation	Ending balance of converted CNY
Cash at bank and on hand	–	–	14,745,096.25
Including: USD	2,258,794.26	6.4601	14,592,036.81
EUR	19,913.36	7.6862	153,058.03
HKD	1.69	0.8321	1.41
Accounts receivable	–	–	67,986,253.75
Including: USD	6,506,637.25	6.4601	42,033,527.28
EUR	3,376,535.41	7.6862	25,952,726.47
Other receivables	–	–	969,015.00
Including: USD	150,000.00	6.4601	969,015.00
Accounts payable	–	–	15,522,798.32
Including: USD	2,402,872.76	6.4601	15,522,798.32
Other payables	–	–	50,046.53
Including: USD	7,747.02	6.4601	50,046.53

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

52. Government grants

(1) Basic information about government grants

Category	Amount	Item presented	Amount included in the current profits and losses
Revenue-related	7,204,801.32	Other incomes	7,204,801.32
Revenue-related	5,350,147.48	Deferred incomes	5,309.74
Assets-related	111,835.57	Deferred incomes	544,334.88

(2) Refund of government grants

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

SECTION 10 FINANCIAL REPORT

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business merger under different control

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

2. Business merger under common control

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

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, the USA	Houston, the USA	Sales
Kuancheng Tianhai Pressure Container Co., Ltd.	Chengde, Hebei	Chengde, Hebei	Production
Jingcheng Holding (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Trading, investment

(Continued)

Name of subsidiary	Registered capital	Shareholding proportion (%)		Acquisition method
		Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	USD90,719,500	100.00		Business merger under common control
Tianjin Tianhai High Pressure Container Co., Ltd.	RMB225,578,400.00		55.00	Establishment
Shanghai Tianhai Composite Cylinders Co., Ltd.	USD3,017,400.00		87.84	Business merger 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 merger under common control
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	RMB545,225,200		38.51	Establishment
BTIC AMERICA CORPORATION	680.00 shares		90.00	Business merger under different control
Kuancheng Tianhai Pressure Container Co., Ltd.	RMB81,584,000.00		61.10	Establishment
Jingcheng Holding (Hong Kong) Co., Ltd.	HKD1,000	100.00		Business merger under common control



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 non-controlling shareholders (%)	profit or loss attributable to minority shareholders in current period	Other comprehensive income attributable to minority shareholders in the current period	Changes in capital reserve this period	Minority stockholder's reduction of contribution in the current period	Dividends to be Paid to Minority Shareholders in the Current Period	Ending balance of minority interest in the current period
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	61.49	-102,665.29	0.00	0.00	0.00	0.00	200,260,721.03
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	-148,255.71	0.00	0.00	0.00	0.00	-11,564,519.74
BTC AMERICA CORPORATION	10.00	338,145.61	-29,498.59	0.00	0.00	0.00	2,600,789.41
Shanghai Tianhai Composite Cylinders Co., Ltd.	12.16	233,860.68	0.00	0.00	0.00	0.00	6,950,105.21
Tianjin Tianhai High Pressure Container Co., Ltd.	45.00	1,832,340.74	0.00	0.00	0.00	0.00	84,192,536.99
Kuancheng Tianhai Pressure Container Co., Ltd.	38.90	-1,458,882.49	0.00	0.00	0.00	0.00	20,357,715.46
Total	-	694,543.54	-29,498.59	0.00	0.00	0.00	302,797,348.36

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



SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	152,422,677.04	405,529,323.26	557,952,000.30	224,284,775.22	11,022,930.81	235,307,706.03
Beijing Tianhai Cryogenic Equipment Co., Ltd.	136,219,089.19	18,953,511.86	155,172,601.05	196,584,716.96	4,845,963.03	201,430,679.99
BTIC AMERICA CORPORATION	44,817,281.35	44,542.39	44,861,823.74	13,771,531.88	0.00	13,771,531.88
Shanghai Tianhai Composite Cylinders Co., Ltd.	40,059,213.08	16,697,271.58	56,756,484.66	3,575,769.95	0.00	3,575,769.95
Tianjin Tianhai High Pressure Container Co., Ltd.	144,197,020.34	167,234,440.58	311,431,460.92	126,636,407.63	0.00	126,636,407.63
Kuancheng Tianhai Pressure Container Co., Ltd.	44,160,181.65	101,539,066.18	145,699,247.83	93,480,599.35	111,835.57	93,592,434.92

(Continued 1)

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	146,627,419.57	415,906,048.06	562,533,467.63	228,699,279.97	11,022,930.81	239,722,210.78
Beijing Tianhai Cryogenic Equipment Co., Ltd.	145,262,193.46	24,803,580.57	170,065,774.03	210,884,867.09	4,845,963.03	215,730,830.12
BTIC AMERICA CORPORATION	53,556,685.68	44,560.89	53,601,246.57	24,442,517.59	1,154,907.30	25,597,424.89
Shanghai Tianhai Composite Cylinders Co., Ltd.	39,980,911.40	16,538,763.92	56,519,675.32	5,262,156.97	0.00	5,262,156.97
Tianjin Tianhai High Pressure Container Co., Ltd.	162,680,925.61	171,675,129.32	334,356,054.93	153,632,869.95	0.00	153,632,869.95
Kuancheng Tianhai Pressure Container Co., Ltd.	34,544,173.40	107,172,629.07	141,716,802.47	85,203,478.51	656,170.45	85,859,648.96

(Continued 2)

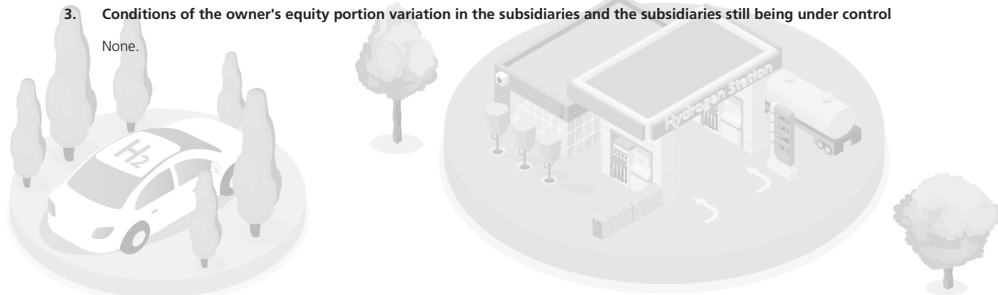
Name of subsidiary	Amount in the current period			Cash flow generated from operating activities
	Operating revenue	Net profit	Total comprehensive incomes	
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	94,914,576.76	-166,962.58	-166,962.58	1,157,810.40
Beijing Tianhai Cryogenic Equipment Co., Ltd.	95,771,711.05	-593,022.85	-593,022.85	7,764,746.68
BTIC AMERICA CORPORATION	68,996,926.48	3,381,456.11	3,086,470.18	-7,204,909.55
Shanghai Tianhai Composite Cylinders Co., Ltd.	26,287,687.33	1,923,196.36	1,923,196.36	-1,266,950.48
Tianjin Tianhai High Pressure Container Co., Ltd.	210,337,008.45	4,071,868.31	4,071,868.31	-1,594,743.59
Kuancheng Tianhai Pressure Container Co., Ltd.	76,109,565.28	-3,750,340.60	-3,750,340.60	-243,603.43

(Continued 3)

Name of subsidiary	Amount in the previous period			Cash flow generated from operating activities
	Operating revenue	Net profit	Total comprehensive incomes	
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	96,924,975.62	-8,282,568.83	-8,282,568.83	264,960.22
Beijing Tianhai Cryogenic Equipment Co., Ltd.	77,174,213.79	-9,466,522.59	-9,466,522.59	-5,577,389.63
BTIC AMERICA CORPORATION	62,114,181.08	788,879.68	1,117,258.99	-6,226,157.92
Shanghai Tianhai Composite Cylinders Co., Ltd.	26,869,567.44	2,207,080.14	2,207,080.14	-393,821.08
Tianjin Tianhai High Pressure Container Co., Ltd.	179,016,368.95	-10,564,975.50	-10,564,975.50	-1,038,171.52
Kuancheng Tianhai Pressure Container Co., Ltd.	78,217,559.49	-3,275,733.00	-3,275,733.00	7,206,679.25

3. Conditions of the owner's equity portion variation in the subsidiaries and the subsidiaries still being under control

None.



SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

4. 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	
Jiangsu Tianhai Special Equipment Co., Ltd.	Jiangsu Province Zhenjiang city	Jiangsu Province Zhenjiang city	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	Lease		49.00	Equity method
Beijing Zhichuang (Beijing) New Energy Vehicle Technology Co., Ltd.	Beijing	Beijing	Production		10.00	Equity method

- 1) Jiangsu Tianhai was founded on April 27, 2015. It has a registered capital of RMB80 million, which is jointly established by Beijing Tianhai and Nanjing Bibo Industry & Commerce Industrial Co., Ltd. (hereinafter referred to as Nanjing Bibo), of which Beijing Tianhai contributes RMB28 million and holds 35% of its equity.

Beijing Tianhai has invested in welding bottles and acetylene bottles worthy of RMB9,855,800 (taking the equipment appraisal value of RMB9,855,800 in the Beijing Fangxin Asset Appraisal Co., Ltd. FPBZ No. 2015011 Asset Appraisal Report for Machinery Equipment Investment Project of Beijing Tianhai Industry Co., Ltd. as a reference) and the welding bottles and acetylene bottles patents, right to use proprietary technology priced by RMB18.414 million (taking the Beijing Fangxin Asset Appraisal Co., Ltd. FPBZ No.2015010 Asset Appraisal Report of Beijing Tianhai Industry Co., Ltd. for Foreign Investment in Intangible Assets Project as a reference), totalling RMB28 million, accounting for 35% of the shares, while Nanjing Bibo invested RMB52 million in cash, accounting for 65% of the shares.

The Board of Directors of Jiangsu Tianhai is composed of 5 directors, including 2 directors nominated by Beijing Tianhai and 3 directors by Nanjing Bibo. Jiangsu Tianhai does not have a Board of Supervisors, but has two supervisors, including: one from Beijing Tianhai and Nanjing Bibo respectively. Jiangsu Tianhai has a general manager nominated by Nanjing Bibo; one person in charge of administration and personnel, nominated by Nanjing Bibo; one person in charge of finance, nominated by Beijing Tianhai; and one person in charge of technology and quality, nominated by Beijing Tianhai. The daily management of Jiangsu Tianhai is mainly carried out by the personnel dispatched by Nanjing Bibo, so as to exert a great influence on Jiangsu Tianhai, and the equity method is adopted for accounting.

- 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, Shaanxi Aerospace Science and Technology Corporation (hereinafter referred to as "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 6, 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 1, 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.

- 4) Beijing Zhichuang (Beijing) New Energy Vehicle Technology Co., Ltd. (hereinafter referred to as Beijing Zhichuang Company) was established on August 20, 2020 by nine companies including Beijing Tianhai and Beiqi Foton Motor Co., Ltd., the legal representative is Wu Xibin, with a registered capital of RMB100 million, of which Beijing Tianhai subscribed capital of RMB10 million, holding 10% of shares. The date of subscribed capital contribution is before December 31, 2022. Beijing Zhichuang Company has a board of nine directors, with one of them from Beijing Tianhai.

SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(2) Main financial information of important joint ventures or associates

1) Jiangsu Tianhai (associated enterprise)

Item	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Current assets	75,142,033.39	62,665,378.44
Including: cash and cash equivalents	37,650,497.78	26,698,046.02
Non-current assets	78,057,260.81	80,469,336.06
Total assets	153,199,294.20	143,134,714.50
Current liabilities	41,609,686.67	34,243,055.34
Non-current liabilities	0.00	0.00
Total liabilities	41,609,686.67	34,243,055.34
Minority interest	0.00	0.00
Equity attributable to shareholders of the parent company	111,589,607.53	108,891,659.16
Net assets share calculated at shareholding proportion	39,056,362.64	38,112,080.71
Adjustments	-6,093,733.70	-6,413,928.00
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	-6,093,733.70	-6,413,928.00
– Others	0.00	0.00
Book value of equity investment to associated enterprises	32,962,628.94	31,698,152.71
Fair value of equity investment in associated enterprises with public offer	0.00	0.00
Operating revenue	61,011,298.64	54,485,834.31
Financial expenses	283,313.60	62,595.56
Income tax expenses	637,551.05	393,516.03
Net profit	3,612,789.22	2,229,924.17
Net profits from termination of operation	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive incomes	3,612,789.22	2,229,924.17
Dividends received from associated enterprises	0.00	0.00

2) Jingcheng Haitong (joint venture)

Item	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Current assets	48,650,011.85	20,009,148.51
Including: cash and cash equivalents	41,920,332.20	10,686,538.63
Non-current assets	386,757,221.62	398,853,966.29
Total assets	435,407,233.47	418,863,114.80
Current liabilities	55,970,743.53	52,406,201.68
Non-current liabilities	373,278,294.36	385,502,690.90
Total liabilities	429,249,037.89	437,908,892.58
Minority interest	0.00	0.00
Equity attributable to shareholders of the parent company	6,158,195.58	-19,045,777.78
Net assets share calculated at shareholding proportion	3,017,515.83	-9,332,431.11
Adjustments	0.00	9,332,431.11
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	0.00	0.00
– Others	0.00	9,332,431.11
Book value of equity investment to associated enterprises	3,017,515.83	0.00
Fair value of equity investment in associated enterprises with public offer	0.00	0.00
Operating revenue	24,898,023.32	14,237.61
Financial expenses	238,168.12	65,334.67
Income tax expenses	0.00	0.00
Net profit	9,663,518.90	-14,144,978.75
Net profits from termination of operation	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive incomes	9,663,518.90	-14,144,978.75
Dividends received from associated enterprises	0.00	0.00

SECTION 10 FINANCIAL REPORT

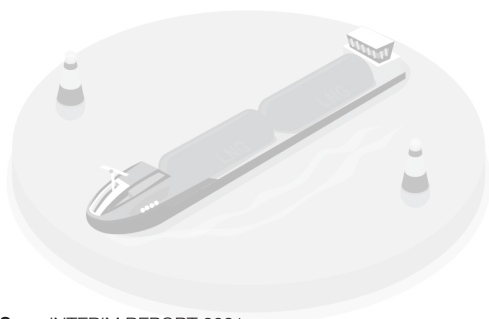
VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(3) Summary of financial information of unimportant associates

Item	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Associated enterprise:	-	-
Total book value of investment	16,744,232.90	17,822,953.97
Others	0.00	-1,017,314.66
Total amount of following items according to shareholding proportion	-	-
- Net profit	-179,947.94	100,654.99
- Other comprehensive incomes	-1,117.81	0.00
- Total comprehensive incomes	-181,065.75	100,654.99

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



SECTION 10 FINANCIAL REPORT

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Group include loans, receivables, payables, etc; refer to Note VI for detailed information of all financial instruments. 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 monitors 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 risks

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 use USD to purchase and sell, other main business activities of the Group are priced and settled in RMB. On June 30, 2021, expect for the balances of the assets and liabilities in USD, sporadic EUR and HKD mentioned in the following table, the balances of assets and liabilities of the Group are expressed in RMB. Foreign currency risk associated with the assets and liabilities of such foreign currency balances may have influence on the Group's business performance.

Item	June 30, 2021		December 31, 2020	
	Original currency	Equivalent to RMB	Original currency	Equivalent to RMB
Cash at bank and on hand	-	14,745,096.25	-	30,631,164.15
USD	2,258,794.26	14,592,036.81	4,560,398.88	29,756,146.65
EUR	19,913.36	153,058.03	107,381.38	861,735.58
HKD	1.69	1.41	15,781.76	13,281.93
Accounts receivable	-	67,986,253.75	-	97,588,607.99
USD	6,506,637.25	42,033,527.28	3,661,668.48	23,892,020.65
EUR	3,376,535.41	25,952,726.47	9,183,375.37	73,696,587.34
Advances to suppliers	-	3,436,831.85	-	15,507,218.53
USD	481,536.42	3,110,773.42	2,376,351.06	15,505,453.03
EUR	42,421.28	326,058.43	220.00	1,765.50
Other receivables	-	969,015.00	-	978,735.00
USD	150,000.00	969,015.00	150,000.00	978,735.00
Accounts payable	-	15,522,798.32	-	15,089,635.23
USD	2,402,872.76	15,522,798.32	2,112,148.88	13,781,560.23
EUR	0.00	0.00	163,000.00	1,308,075.00
Advances from customers	-	56,318,876.33	-	36,969,229.69
USD	6,745,534.29	43,576,826.03	5,650,558.37	36,869,328.31
EUR	1,657,782.82	12,742,050.30	12,448.77	99,901.38
Other payables	-	50,046.53	-	11,168,276.64
USD	7,747.02	50,046.53	1,711,639.51	11,168,276.64
Long-term borrowings	-	0.00	-	1,154,907.30
USD	0.00	0.00	177,000.00	1,154,907.30

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

2) Interest rate risk

Loans of the Group are all with fixed interest rate.

3) Price risk

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



SECTION 10 FINANCIAL REPORT

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) Credit Risk

On June 30, 2021, 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 the other party to the contract failed to perform obligations.

The carrying amounts of the financial assets that have been recognized in the consolidated balance sheet; for any financial instrument measured at the fair value, the carrying amount indicates its risk exposure, but not the most significant one, which will change along with the fluctuation in the fair value in the future.

In order to reduce credit risk, a special department responsible for confirming credit lines, performing credit review, and executing supervisory procedures, has been established in the Group in order to ensure that necessary measures are taken to retrieve expired claims. Besides, the Group reviews the recovery situation of each single receivable on each balance sheet date, to ensure drawing of sufficient provision for bad debts for irrecoverable amount. Therefore, the management believes that credit risks borne by this Group have been reduced significantly.

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, 8.87% (12.59% for the previous year) and 26.21% (35.22% 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 period. WESTPORT POWER Inc.-Italy, the customer with the largest balance of accounts receivable at the end of the period. It is a high quality customer, so the Group has no significant credit risk.

The top five receivables total to RMB62,552,786.73.

(3) Liquidity risk

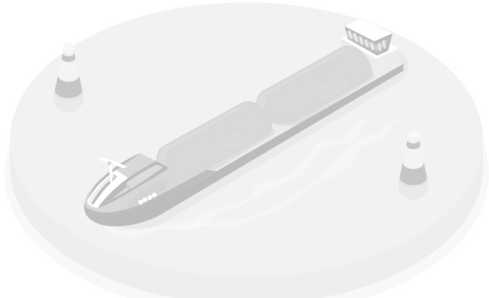
The Group has managed the liquidity risk in a way by ensuring sufficient financial liquidity to perform due debts, so as to avoid causing unacceptable loss or causing damage to enterprise reputation. The Group has analyzed the liability structure and duration on a regular basis, so as to ensure sufficient 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. On June 30, 2021, the amount of unused bank loans and bank acceptance notes of the Group was RMB144 million (on December 31, 2020: RMB56 million).

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, 2021:

Item	Within one year	One to two years	Two to five years	More than five years	Total
Financial Assets					
Cash at bank and on hand	109,896,372.32	0.00	0.00	0.00	109,896,372.32
Accounts receivable	173,126,754.38	0.00	0.00	0.00	173,126,754.38
Receivables financing	5,234,897.48	0.00	0.00	0.00	5,234,897.48
Other receivables	11,743,941.07	0.00	0.00	0.00	11,743,941.07
Financial liabilities					
Short-term borrowings	108,000,000.00	0.00	0.00	0.00	108,000,000.00
Notes payable	20,000,000.00	0.00	0.00	0.00	20,000,000.00
Accounts payable	273,725,142.77	0.00	0.00	0.00	273,725,142.77
Other payables	23,455,283.64	0.00	0.00	0.00	23,455,283.64
Employee benefits payable	17,239,837.40	0.00	0.00	0.00	17,239,837.40
Long-term payables	0.00	7,000,000.00	0.00	0.00	7,000,000.00



SECTION 10 FINANCIAL REPORT

X. DISCLOSURE OF FAIR VALUE

1. Ending fair value of the assets measured at fair value

Item	Ending fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement	–	–	–	–
Receivables financing	0.00	0.00	5,234,897.48	5,234,897.48

2. Valuation techniques and qualitative and quantitative information about key parameters of items subject to continuous and non-continuous level 3 fair value measurement

Receivables financing represents the best estimate of the fair value of such financial assets with the discount rate (with a term exceeding one year) or the amount equivalent to the expected credit loss in the whole duration.

XI. 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 (RMB10,000)	Shareholding proportion (%) to the Company	Proportion (%) of voting right to the Company
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Beijing Economic-Technological Development Area	State-owned assets	235,563.708296	50.67	50.67

(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.	235,563.71	0.00	0.00	235,563.71

(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.	24,573.5052	24,573.5052	50.67	50.67



SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Relationship of related parties (Continued)

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 associates

For details of important joint ventures or associates of the Company, please refer to contents of “VIII. 4. Interests in joint ventures or associates” in the Notes. The information on other joint ventures or associates which produced balance for conducting affiliated party transaction with the Company in this period or in the earlier period is shown as follows:

Name of joint venture or associated enterprise	Relationship with the Company
Jiangsu Tianhai Special Equipment Co., Ltd.	Associated enterprise
Beijing Bolken Energy Technology Inc.	Associated enterprise
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Joint ventures
Beijing Zhichuang (Beijing) New Energy Vehicle Technology Co., Ltd.	Associated enterprise

4. Other related parties

Name of other related parties	Relationship with the Company
Name of other related parties	Relationship with the Company
Beijing Mechanical and Electrical Research Institute Co., Ltd.	Other enterprises under the control of the same controlling shareholder and ultimate controlling party
Beijing First Machine Tool Plant	Other enterprises under the control of the same controlling shareholder and ultimate controlling party
Beijing Jingcheng Industrial Logistics Co., Ltd.	Other enterprises under the control of the same controlling shareholder and ultimate controlling party
Tianjin TPCO Investment Co., Ltd.	Minority shareholders of the subsidiary
Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	Minority shareholders of the subsidiary
Zheng Guoxiang	Minority shareholders of the subsidiary
Guo Zhihong	Minority shareholders of the subsidiary
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Wholly-owned subsidiary of joint venture

(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 party transactions	Amount in the current period	Amount in the previous period
Tianjin Steel Pipe & Steel Trading Co., Ltd.	Purchasing goods	–	52,301,463.09
Jiangsu Tianhai Special Equipment Co., Ltd.	Purchasing goods	30,755,424.59	21,133,455.91
Total	–	30,755,424.59	73,434,919.00

Note: Tianjin Steel Pipe & Steel Trading Co., Ltd. and Tianjin Tianhai High Pressure Container Co., Ltd. had no relationship at the end of last year.

(2) Selling goods/rendering services

Related party	Content of related party transactions	Amount in the current period	Amount in the previous period
Jiangsu Tianhai Special Equipment Co., Ltd.	Sales of goods Rendering of labor services	19,108,555.99	27,203,779.35
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Selling goods	360,357.52	0.00
Total	–	19,468,913.51	27,203,779.35

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transaction (Continued)

2. Related lease

(1) Lease

Name of the leaser	Name of lessee	Type of leased assets	Leasing income recognized in this period	Lease income recognized in previous period
Beijing Tianhai Industry Co., Ltd.	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Land and buildings	0.00	12,382,834.66

(2) Leasing conditions

Name of the leaser	Name of lessee	Type of leased 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	0.00	90,000.00
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	The Company	Houses	274,650.00	258,976.19
Total	–	–	274,650.00	348,976.19

3. Related party guarantees

As the guaranteed party

Guarantor	Guaranteed amount	Start date of the guarantee	Due date of the guarantee	Whether the guarantee has been fulfilled
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2020-8-12	2021-8-12	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2020-9-16	2021-9-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	28,000,000.00	2020-9-27	2021-9-27	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2020-10-12	2021-10-12	No

4. Capital lending between related parties

Name of related party	Amount of lending/borrowing	Start date	Due date	Remarks
Lending				
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	3,000,000.00	2019-3-29	2024-3-28	–

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)	0.00	1,265,930.76
Zheng Guoxiang (interest expense)	219,641.57	0.00
Guo Zhihong (interest expense)	219,641.57	0.00
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd. (interest revenue)	70,664.39	71,054.80

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transaction (Continued)

6. Remuneration of key management personnel

Project name	Amount in the current period	Amount in the previous period
Total compensation	2,197,291.88	1,565,288.05

7. Continuing related party transactions

The related party transactions disclosed in Item 5 "Miscellaneous" of Article 14 "Substantive Connected Transaction" of Section 7 "Important Matters" of the Company's 2021 Semi-annual Report also constitute the related party transactions or continuing related party transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong limited.

(III) Balance of intercourse funds among related parties

1. Receivables

Project 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.	2,614,701.85	42,096.70	107,985.42	1,738.57
	Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.	884,000.00	158,324.40	3,270,914.89	37,778.89
	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	317,438.00	5,110.75	0.00	0.00
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	238,034.18	6,965.87	19,224.06	161.48
	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	3,495,832.62	81,801.53	3,457,570.47	29,043.59
	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	38,400.00	11,646.72	0.00	0.00
Advances to suppliers	Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.	724,400.00	6,084.96	0.00	0.00
	Jiangsu Tianhai Special Equipment Co., Ltd.	0.00	0.00	1,519,122.52	0.00
	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	0.00	0.00	273,750.00	0.00

2. Payables

Project 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.	4,934,656.77	4,879,030.65
	Tianjin TPCO Investment Co., Ltd.	2,925,832.73	2,590,165.89
	Beijing First Machine Tool Plant	478,800.00	478,800.00
Contractual liabilities	Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.	0.00	5,299.15
	Jiangsu Tianhai Special Equipment Co., Ltd.	155,400.54	133,780.66
Other payables	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	0.00	428.00
	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	7,499.08	7,574.30
	Beijing First Machine Tool Plant	7,359.09	7,359.09
	Tianjin TPCO Investment Co., Ltd.	2,915,235.54	1,704,203.53
Interests payable	Zheng Guoxiang	0.00	5,230,294.59
	Guo Zhihong	0.00	5,230,294.59
	Zheng Guoxiang	0.00	212,299.62
Current portion of non-current liabilities	Guo Zhihong	0.00	212,299.63
	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	0.00	15,540,454.46
Long-term payables	Beiqing Zhichuang (Beijing) New Energy Vehicle Technology Co., Ltd.	7,000,000.00	10,000,000.00

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Commitment of related parties

Beijing Zhichuang, an associated enterprise of Beijing Tianhai, a subsidiary of the Company, has a registered capital of RMB100,000,000, of which Beijing Tianhai subscribed for a capital contribution of RMB10,000,000, holding 10% of the shares, and the date of subscription is before December 31, 2022. As of June 30, 2021, the unpaid capital contribution is RMB7 million.

(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
Amount in the current period					
Executive director					
Li Junjie	112,400.00	102,129.94	54,998.00	0.00	269,527.94
Zhang Jiheng	112,400.00	101,508.86	54,998.00	0.00	268,906.86
Supervisor					
Li Zhe	121,200.00	101,508.86	49,500.00	0.00	272,208.86
Liu Guangling	68,922.00	91,933.60	53,005.00	0.00	213,860.60
Wen Jinhua	58,698.00	61,964.00	35,800.00	0.00	156,462.00
Total	473,620.00	446,264.09	292,048.71	0.00	1,180,966.26
Amount in the previous period					
Executive director					
Li Junjie	112,400.00	69,628.40	65,998.00	0.00	248,026.40
Zhang Jiheng	112,400.00	69,628.40	65,998.00	0.00	248,026.40
Supervisor					
Li Zhe	101,400.00	69,628.40	59,400.00	0.00	230,428.40
Liu Guangling	7,783.00	6,705.61	6,764.00	0.00	21,252.61
Wen Jinhua	46,835.00	57,262.04	38,574.00	0.00	142,671.04
Total	380,818.00	272,852.85	236,734.00	0.00	890,404.85

Executive directors and non-executive directors do not receive directors' fees in the Company, and supervisors do not receive supervisors' fees in the Company. Executive directors (except chairman) and supervisors have the right to receive remuneration according to their respective positions in the Company and its subsidiaries (except directors and supervisors).

2. Five persons with the highest compensation

Of five persons (three persons for the previous period) with the highest compensation for the current period, three persons are directors and supervisors, and their compensation is recorded in the Note "XI.(V). (1)". Compensation for the other 2 (in the previous year: 2) is as follows:

Item	Amount in the current period	Amount in the previous period
Salary and allowance	222,492.00	254,600.00
Contribution to retirement fund plan	204,259.88	139,256.80
Year-end bonus	124,500.00	59,400.00
Total	551,251.88	453,256.80

Scope of compensation:

Item	Number of people for the current period	Number of people for the previous period
Within HKD 1,000,000.00	5	5
HKD1,000,001.00 to HKD1,500,000.00		
HKD1,500,001.00 to HKD2,000,000.00		
HKD2,000,001.00 to HKD2,500,000.00		

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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 the current period	Amount in the previous period
Salary and allowance	893,842.00	731,318.00
Contribution to retirement fund plan	834,783.88	481,738.05
Bonus	468,666.00	352,232.00
Total	2,197,291.88	1,565,288.05

(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.

XII. SHARE-BASED PAYMENT

As at June 30, 2021, the Group has no share-based payment.

XIII. CONTINGENCIES

As at June 30, 2021, the Group has no significant contingency.

XIV. COMMITMENTS

As at June 30, 2021, the Group has no other significant commitments.

XV. 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. Development in Tianhai Cryogenic Equipment litigation

Beijing Tianhai Cryogenic Equipment Co., Ltd. (hereinafter referred to as Tianhai Cryogenic Equipment), a subsidiary of the Company, received the Civil Complaint from Shanghai Junzheng Logistics Co., Ltd. (hereinafter referred to as Junzheng Company) in May 2020. Tianhai Cryogenic Equipment was required to refund the contract price, capital occupation loss, travel expenses, vehicle rental fees, notary fees, etc. to Junzheng Company totaling RMB66,035,037.20; Tianhai Cryogenic Equipment shall bear the security expense, insurance premium and all litigation expenses. Tianhai Cryogenic Equipment immediately made a counterclaim.

On May 13, 2021, Tianhai Cryogenic Equipment received the civil judgment of Shanghai No.1 Intermediate People's Court, which ruled that Junzheng Company lost the case in the first instance and paid the counterclaim party Tianhai Cryogenic Equipment a storage fee of RMB1.8 million.

Junzheng Company appealed against the judgment. After the Shanghai Higher People's Court filed a case, it formed a collegial panel according to law, which will hold a hearing on August 24, 2021.

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

SECTION 10 FINANCIAL REPORT

XVI. OTHER SIGNIFICANT MATTERS

1. Issuing shares and paying cash to purchase assets and raise matching funds

The Company plans to issue shares to 17 natural persons such as Li Hong and Qingdao Aitenuo and pay cash to purchase 80% of the shares of Qingdao Beiyang Tianqing United Digital Intelligence Co., Ltd. (hereinafter referred to as Beiyang Tianqing), and raise matching funds from no more than 35 specific objects through non-public offering of shares.

On June 9, 2021, the Company received the Decision on Not Approving the Application of Beijing Jingcheng Machinery Electric Co., Ltd. to Issue Shares to Purchase Assets and Raise Matching Funds issued by China Securities Regulatory Commission (ZJXK [2021] No.1879), which made a decision not to approve the application of issuing shares and paying cash to purchase assets and raise matching funds.

In view of the fact that the implementation of the Company's asset restructuring plan is conducive to enhancing the core competitiveness of the Company's operations, improving asset quality, improving financial position and enhancing sustainable profitability, it is in line with the interests of the Company and all shareholders. The Board of Directors of the Company decided to continue to promote this asset restructuring, and held the 11th interim meeting of the 10th Board of Directors on June 11, 2021, and reviewed and approved the Proposal on Beijing Jingcheng Machinery Electric Co., Ltd. to Continue to Promote the Issuance of Shares, Pay Cash to Purchase Assets and Raise Matching Funds.

The Company will further revise, supplement and improve the trading plan and relevant application materials in accordance with the audit opinions of the M&A Committee of the China Securities Regulatory Commission and the actual situation of the Company, in cooperation with relevant intermediaries.

Before this transaction, the Group was mainly engaged in research and development, production and processing and sales of pressure vessels. After this transaction, the Group will gain a controlling stake in Beiyang Tianqing, and its business scope will cover the overall solutions in the intelligent production line construction, upgrading and transformation.

This transaction will inject high-quality assets into the Group, which is conducive to the coordinated development of the whole solutions in the intelligent and information-based production line construction and upgrading industry and the original pressure vessel business of the Group, optimizing the industrial layout and strengthening the ability of going concern. Through this transaction, the Group will fully share the technology accumulation and superior resources of Beiyang Tianqing in the field of intelligent manufacturing, and help the Group promote industrial transformation.

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

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

1. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	35,353,312.81	35,353,312.81
Dividends receivable	0.00	0.00
Other receivables	340,000,000.00	346,000,000.00
Total	375,353,312.81	381,353,312.81

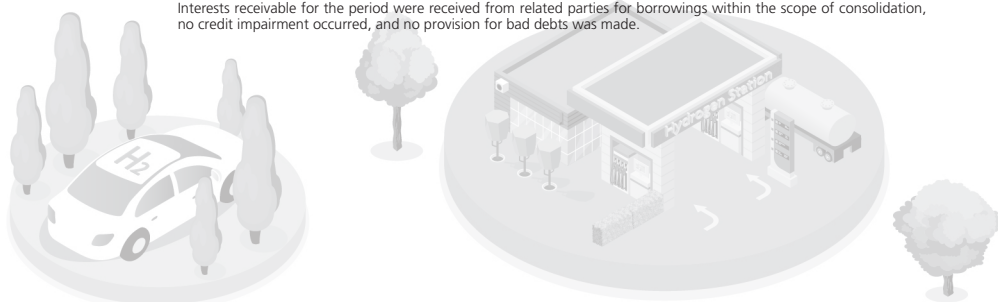
1.1 Interest receivable

(1) Classification of interest receivable

Item	Ending balance	Beginning balance
Interest on borrowings between affiliates	35,353,312.81	35,353,312.81

(2) Provision for bad debts of interest receivable

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



SECTION 10 FINANCIAL REPORT

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

1. Other receivables (Continued)

1.2 Other receivables

Nature of amount	Ending book balance	Beginning book balance
Other receivables	340,000,000.00	346,000,000.00
Less: bad debt provision	0.00	0.00
Net amount	340,000,000.00	346,000,000.00

(1) Classification of other payables by nature

Nature of amount	Ending book balance	Beginning book balance
Concerned borrowings	340,000,000.00	340,000,000.00
Concerned intercourse funds	0.00	6,000,000.00
Total	340,000,000.00	346,000,000.00

(2) Bad debt provision of other receivables

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

(3) Other receivables listed as per aging

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	0.00	0.00
1-2 years	0.00	6,000,000.00
2-3 years	0.00	0.00
Over 3 years	340,000,000.00	340,000,000.00
3-4 years	0.00	0.00
4-5 years	0.00	0.00
Over 5 years	340,000,000.00	340,000,000.00
Total	340,000,000.00	346,000,000.00

(4) Bad debt provision of other receivables

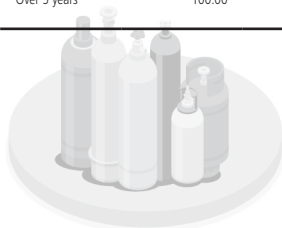
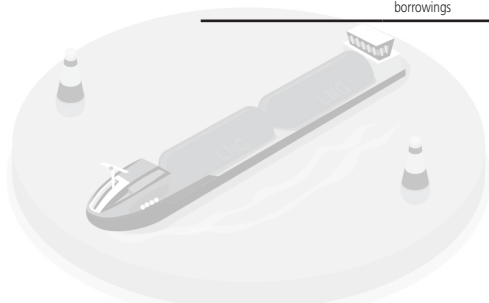
Other receivables for the period were borrowings from related parties within the scope of consolidation, no credit impairment occurred, and no bad debt provision was made.

(5) No other receivables actually written off in the current period

No other receivables actually written off in the current year.

(6) Other receivables collected as per the debtors

Company name	Nature of amount	Ending balance	Aging	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
Beijing Tianhai Industry Co., Ltd.	Concerned borrowings	340,000,000.00	Over 5 years	100.00	0.00



SECTION 10 FINANCIAL REPORT

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

2. Long-term equity investments

(1) Classification

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	902,148,125.05	0.00	902,148,125.05	902,148,125.05	0.00	902,148,125.05
Investment in joint ventures and associates	0.00	0.00	0.00	0.00	0.00	0.00
Total	902,148,125.05	0.00	902,148,125.05	902,148,125.05	0.00	902,148,125.05

(2) Investment in subsidiaries

Investees	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Impairment provision provided in the current period	Ending balance of impairment provision
Beijing Tianhai Industry Co., Ltd.	760,104,096.95	0.00	0.00	760,104,096.95	0.00	0.00
Jingcheng Holding (Hong Kong) Co., Ltd.	142,044,028.10	0.00	0.00	142,044,028.10	0.00	0.00
Total	902,148,125.05	0.00	0.00	902,148,125.05	0.00	0.00

XVIII. APPROVAL OF FINANCIAL REPORT

The financial report is released after being approved by Board of Directors of the Company on August 10, 2021.

Supplementary Information to Financial Statements

1. Breakdown of non-recurring profits and losses in current period

Item	Amount in current period	Notes
Profits and losses from disposal of non-current assets	-41,990.15	VI. 44, 46
Government grants which is included in the current profit and loss	7,754,445.94	VI. 40
Reversal of the provision assessed for impairment on an individual basis	819,000.00	VI. 42
Non-operating revenues and costs other than the above mentioned	583,767.12	VI. 45, 46
Other profit/loss items conforming to definition of the non-recurring profit and loss	0.00	
Subtotal	9,115,222.91	
Less: amount affected by income tax	309,390.46	
Affected amount of non-controlling interest (after tax)	848,526.79	
Total	7,957,305.66	—



SECTION 10 FINANCIAL REPORT

VIII. APPROVAL OF FINANCIAL REPORT (CONTINUED)

Supplementary Information to Financial Statements (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 net assets, basic earnings per share, and diluted earnings per share for the Group are listed below:

Profit for the Reporting Period	Weighted average return on equity (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the parent company	-0.19	-0.01	-0.01
Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss	-1.33	-0.02	-0.02

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 current period	Amount in previous period
Seamless steel gas cylinder	254,696,194.16	207,812,689.70
Full-wrapped cylinder	64,916,143.89	43,656,034.81
Cryogenic cylinder	49,708,943.97	87,432,964.03
Cryogenic storage and transportation equipment	79,600,581.96	75,647,600.29
Others	59,350,582.39	70,725,331.12
Gross sales	508,272,446.37	485,274,619.95
Less: sales tax and other additional charges	2,516,449.29	4,103,924.97
Total	505,755,997.08	481,170,694.98

(2) Taxes

Item	Amount in current period	Amount in previous period
Corporate income tax in the current year	1,616,001.45	849,998.08
Deferred tax liabilities	232,836.29	140,697.27
Total	1,848,837.74	990,695.35

(3) Stock dividend

No dividend paid or declared during the half-year of 2021. No dividend is declared during this reporting period (first half of the year 2020: none).

Beijing Jingcheng Machinery Electric Co., Ltd.

August 10, 2021

