



京城機電股份

JINGCHENG MAC

北京京城機電股份有限公司

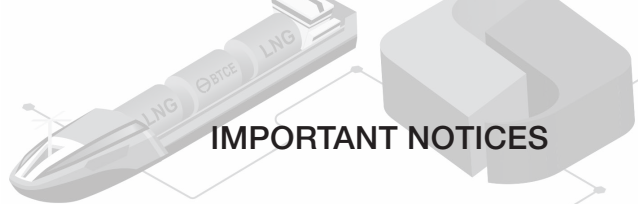
Beijing Jingcheng Machinery Electric Company Limited

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

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

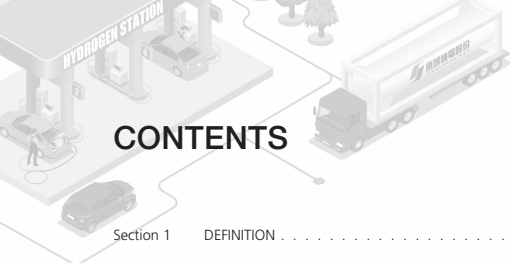


INTERIM REPORT 2020



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 Financial Report has not been audited.
4. Mr. Wang Jun, the person in charge of the Company, Ms. Jiang Chi, the Accounting Director and Mr. Wang Yandong, Accounting Manager (accountant in charge), have declared that they guarantee the trueness, accuracy and completeness of the financial statements contained in this Interim Report.
5. Resolutions of profit distribution or capitalisation from capital reserves of the Company for the Reporting Period examined and reviewed by the Board
Nil
6. Declaration on risk in forward-looking statements
 Applicable Not Applicable

The forward-looking statements involving future plans in this interim report, due to their uncertainties, do not constitute substantial undertakings of the Company to investors, who are advised to be cautious about investment risks.
7. Whether or not the controlling shareholders of the Company or its associates have misappropriated the Company's funds
No
8. Whether or not any external guarantees are provided in violation of any specified decision-making procedures?
No
9. IMPORTANT RISK WARNINGS
 1. The Company's net profit attributable to shareholders of the Company for 2018 was negative, and its net profit attributable to shareholders of the Company for 2019 remained negative. In accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, if the audited net profit of the Company for the year 2020 remains negative, the listing of A shares of the Company will be suspended. Investors are advised to pay attention to the investment risks.
 2. To report on Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, has received a civil writ by Shanghai Junzheng Logistics Co., Ltd.* (上海君正物流有限公司). The litigation matter concerns a contractual dispute over the production and delivery of tank containers in which Shanghai Junzheng Logistics Co., Ltd.* alleged that Tianhai Cryogenic had failed to produce and deliver certain tank containers to it as requested. Since the litigation has not yet been tried in a hearing, it is currently impossible to estimate the impacts on the Company's profit for or after the current period. The Company shall actively respond to the case to protect the legal interests and rights of the Company. The Company will perform its obligation of information disclosure in a timely manner in accordance with the progress. Investors are advised to pay attention to the relevant announcement(s) and the investment risks.
10. Others
 Applicable Not Applicable



Section 1	DEFINITION	3
Section 2	COMPANY PROFILE AND KEY FINANCIAL INDICATORS	5
Section 3	BUSINESS SUMMARY OF THE COMPANY	9
Section 4	MANAGEMENT DISCUSSION AND ANALYSIS	12
Section 5	IMPORTANT MATTERS	23
Section 6	CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS	40
Section 7	INFORMATION ABOUT PREFERENCE SHARE	43
Section 8	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	44
Section 9	CORPORATE BONDS	46
Section 10	FINANCIAL REPORT	47
Section 11	DOCUMENTS AVAILABLE FOR INSPECTION	144

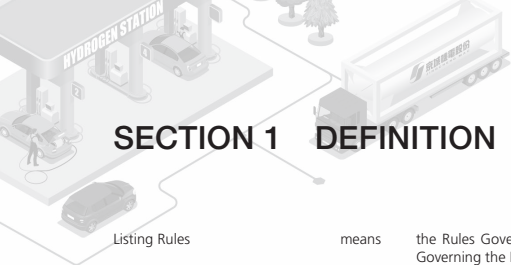


SECTION 1 DEFINITION

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 or 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 or 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
AGM	means	the 2019 Annual General Meeting convened on 9 June 2020
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 2020 to 30 June 2020
SSE	means	the Shanghai Stock Exchange
Hong Kong Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under the CSRC
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Base in Huo County	means	the base for production of liquefied natural gas cylinder for vehicles and cryogenic equipment (LNG industry)



SECTION 1 DEFINITION

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)
Issuance/non-public issuance	means	a non-public issuance of no more than 84,400,000 shares (inclusive) of ordinary shares (A shares) to Jingcheng Machinery Electric in the form of the non-public issuance

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS



I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities affairs representative
Name	Luan Jie	Chen Jian
Contact address	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Telephone	010-67365383/58761949	010-67365383/58761949
Facsimile	010-87392058/58766735	010-87392058/58766735
E-mail	jcgf@btic.com.cn	jcgf@btic.com.cn

III. CHANGES OF BASIC INFORMATION

Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Postal code of the office address of the Company	101109
Company's international internet website	www.jingchenggf.com.cn
E-mail	jcgf@btic.com.cn
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	*ST京城	600860	京城股份
H share	The Stock Exchange of Hong Kong Limited	JINGCHENG MAC	00187	JINGCHENG MAC

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. OTHER RELATED INFORMATION

√ Applicable □ Not applicable

Name 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	Liu Dongyue, Wang Xin
	Name	Da Hua Certified Public Accountants (Special General Partnership)
The domestic legal adviser engaged by the Company	Office address	8/F, Xihai International Center, Building 1, No.99 Courtyard, Beisanhuan West Road, Haidian District, Beijing City
	Names of signing accountant	Liu Guoqing, Bai Lihan
The overseas legal adviser engaged by the Company	Name	Beijing Kang Da Law Firm
	Office address	No.19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC
Sponsor performing continuous supervision duties during the Reporting Period	Name	Woo Kwan Lee & Lo
	Office address	26/F, Jardine House, Central, Hong Kong
Other basic information of the Company	Name	Zhong De Securities Company Limited
	Office address	22/F, Office building no. 1, China Central Place, 81 Jianguo Avenue, Chaoyang District Beijing
	Sponsor representatives	Hao Guodong, Li Zhifeng
	Time of continuous supervision	10 July 2020 to the end of the Reporting Period of year 2021
	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	For the	Increase/Decrease
	Reporting Period (January – June)	same period last year	comparing the Reporting Period with the Reporting Period last year (%)
Operating income	523,831,648.77	595,157,618.64	-11.98
Net profit attributable to shareholders of listed company	-24,089,791.77	-35,573,865.71	-
Net profit attributable to shareholders of listed company after extraordinary items	-27,666,725.33	-36,309,230.68	-
Net cash flow from operating activities	26,638,246.85	15,298,022.79	74.13
	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	522,167,353.34	337,286,095.32	54.81
Total assets	1,866,734,002.76	1,670,839,500.81	11.72

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(2) Key financial indicators

Key financial indicators	For the Reporting Period (January – June)	For the same period last year	Increase/Decrease comparing the Reporting Period with the Reporting Period last year (%)
Basic earnings per share (RMB/share)	-0.06	-0.08	–
Diluted earnings per share (RMB/share)	-0.06	-0.08	–
Basic earnings per share after extraordinary items (RMB/share)	-0.07	-0.09	–
Return on net assets on weighted average basis (%)			Increased by 0.51 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-7.41	-7.92	Decreased by 0.42 percentage points
	-8.51	-8.09	

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	-247,284.92	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax		
Government subsidies included in current profit or loss, other than on-going government subsidies which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	1,529,056.88	
Capital occupation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or asset under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation		
Gain or loss on entrusted loans	2,756,424.57	
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	-90,584.84	
Other gain or loss items falling within the definition of extraordinary items		
Effect of minority interest	-364,119.93	
Effect of income tax	-6,558.20	
Total	3,576,933.56	

X. OTHERS

Applicable Not applicable



SECTION 3 BUSINESS SUMMARY OF THE COMPANY

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

1. Scope of business:

Licensed items of operation: general logistics; professional contracting.

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

Main products and applications:

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

2. Business model:

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

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

3. Industry overview:

(1) Industrial gas industry

As the global industrial gas market is affected by the epidemic, it is expected that the domestic macroeconomic trend will gradually follow the development of the epidemic in the second half of 2020. In the second quarter, there was a steady growth in the economy of the PRC, with a 3.2% year-on-year increase which released a very positive signal. Driven by policies such as "Made in China 2025" and "Energy Conservation and Emission Reduction", the PRC's high-end equipment manufacturing industry structure adjustment and the development of strategic emerging industries will greatly expand the field of application of industrial gas, and the demand for industrial gas will increase. However, there is also a serious problem of polarization in the industrial gas industry. The top four major manufacturers in the world account for more than 50% of the market scale. At present, the development of gas industry in the world is basically monopolized by several major companies in countries such as the United States, Germany, France and Japan, and there is a continuing trend of expanding into developing countries. At present, the annual production volume for seamless cylinders in the PRC exceeds 5 million each year, which is far more than the annual demand of approximately 3.7 million cylinders. The competition within the industry is fierce. However, in the midst of an economic downturn, it is a key period for the reconstruction of the industry, and it is a critical period for enterprises to practice their internal skills and seize the opportunity so as to take the lead.



SECTION 3 BUSINESS SUMMARY OF THE COMPANY

(2) Natural gas industry

The promotion of urbanisation has brought a relatively greater room for development for the “coal-to-gas”. There is report showing that, with the promotion of urbanisation in the PRC, the “coal-to-gas” project in the urban areas has brought a growth in use of gas for concentrated heating, while the “coal-to-gas” in the rural areas has brought a growth in the use of gas for heating in rural areas. In 2020, the urbanisation rate in the PRC will achieve approximately 63%, and the rate of use of gas of urban residents will achieve approximately 54% with the population of approximately 470 million. The urbanization rate in developed countries is generally more than 80%, and the urbanization rate in Japan has even reached 93%. Accordingly, the urban population in the PRC will increase significantly and there will be enormous room for growth of the national gas using population.

In 2020, the number of “coal-to-gas” constructions in the northern region will be reduced as compared with the previous period, and the momentum of the increase in demand for the clean heating and coal-to-gas in the north will be weakened. There will be more and new demands coming from the “coal-to-gas” projects in the Yangtze River economic belt.

Due to the relatively high cost of the production of tank containers, one-way land transportation cannot reflect the advantages of tank containers. Therefore, there is a need to use the characteristics of tank containers and introduce the “multimodal transportation” model to enable the cost advantages of transportation of tank containers. According to calculations, multimodal transportation can greatly reduce the logistics costs as compared to pure land transportation, especially in winter, which can effectively solve the problem of lack of gas in the northern region. However, based on the gas source competition between different LNG upstream suppliers, the multimodal transportation can demonstrate its greater effect only if there are gas source factories or LNG receiving stations near the destination. Therefore, water and land transportation can only be used in specific areas and specific times so as to have a higher commercial value. The PRC will make use of land and rail LNG container transportations and (gas storage) tank container transportation to enrich the multiple channels of natural gas transportation. However, due to factors such as the imbalanced, unconnected and unintegrated development currently on various transportation methods, the traditional logistics channel layout being over-singled, and the capability in supporting the expansion in economic spaces strongly needing to be strengthened, they are all restricting the development of multimodal transportation. The actual implementation of LNG tank container business requires multi-party linkage and coordinated development of the entire industry chain.

The development of the PRC’s LNG receiving stations still faces challenges: firstly, the layout is imbalanced, with more in the south and less in the north overall; secondly, the scale of the receiving stations is relatively small with adversely insufficient peak shaving capacity. According to the PRC’s natural gas supply and demand forecast, there will be a shortfall in the existing LNG receiving capacity after 2023. From the market perspective, LNG receiving stations in Northern China are basically operating at full capacity and require further capacity expansion; LNG receiving capacity along the Yangtze River is weak, and there is currently a resource gap; LNG receiving capacity in Southern China has not been fully utilized.

(3) Hydrogen energy and fuel cell industry

The National Energy Administration issued the “Announcement on the Public Solicitation of Four Projects Including the Energy Technology and Equipment Innovation Supporting Energy Revolution and Green Development Research from the Science and Technology Department of the National Energy Administration”, in which from the perspective of the development of the hydrogen energy industry and its technical equipment innovation support research, the main content: put forward development goals of the field of hydrogen energy technical equipment in stages of 2025, 2035 and 2050, as well as the major missions in terms of hydrogen production, hydrogen storage, hydrogen transportation, hydrogen utilisation, and hydrogen safety, which provided targeted strategic safeguard measures and recent policy recommendations.

At present, hydrogen energy industry of the PRC has initially formed five major development regions: “East, West, South, North, and Middle”, in which the eastern region which had the most extensive hydrogen energy layout is represented by Shanghai, Guangdong, Jiangsu and Shandong. It is the earliest region for the development and demonstration of fuel cell vehicles in the PRC. With the advancement of the infrastructure construction process and the implementation of the Central and local government’s subsidy and cooperation policies, the production volume will demonstrate a positive growth in the next few years.

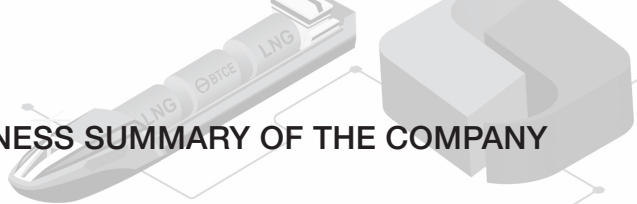
II. DESCRIPTION OF MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

√ Applicable □ Not applicable

1. On 18 May 2020, the Company disclosed the “Announcement on the Results of the Acquisition of Shares and Capital Reduction of BTIC America Corporation”, Beijing Tianhai and Bill Zheng and Susan Guo, shareholders of both sides of BTIC America had completed the change of share certificates and Beijing Tianhai had received the new share certificates. At this point, the transaction is completed.
2. As of 30 June 2020, 63,000,000 restricted 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 registered capital (share capital) of RMB63,000,000.00 was added and increasing the capital reserve by RMB144,725,197.96.

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

SECTION 3 BUSINESS SUMMARY OF THE COMPANY



III. 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, sale system, human resources, etc.:

1. Scale and Brand Advantages

The Company is a group company consisted of 8 production bases manufacturing of professional gas storage and transportation equipment (including Beijing Tianhai, Minghui Tianhai, Tianhai Low Temperature, Tianjin Tianhai, Shanghai Tianhai, Kuancheng Tianhai, Tianhai Hydrogen Energy, Jiangsu Tianhai) and an American Company. With 20 years of operation development, the Company has established a corporate image of fine technology basis with product stability and reliability and the brand of Tianhai has become one of the well-known brands in the industry.

2. Technology advantage

After continuous technology research and development, the Company currently has A1, A2, C2, and C3 level pressure vessel design qualifications and A1, A2, B1, B2, B3, C2, C3, D1 and D2 level pressure vessel manufacturing qualifications. It can produce over 800 types of seamless steel gas cylinders, winding cylinders, accumulator shells, asbestos-free acetylene cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders (including those for vehicles), cryogenic tanks and filling stations. The Company owns advanced production lines for aluminum liner fully wrapped carbon fiber composite cylinders, which can design and manufacture various specifications of aluminum liner fully wrapped carbon fiber high-pressure gas storage cylinders with a nominal working pressure of 15-70Mpa, a nominal volume of 0.5-300L, and a nominal diameter of 60-600mm. The Company's products are widely applied in automotive, chemical, fire services, medical, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

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

3. Sales network advantage

The Company has established a complete sales network with over 30 distribution offices scattering across the country, achieving a full coverage in all regions of the country, and is capable of offering components to largest-scaled automobile manufacturer of national automobile industry among the supply chain of components for domestic mainstream automobile manufacturers. The Company has set up various overseas sales offices mainly located in countries such as the United States, Singapore, Korea, India and Australia. Relevant products have been widely accepted by the world's most influential multinational gas companies. To build a bridge between the basic unit and the market, and to increase the vitality of the strategy execution unit and results of operation, the Company carried out transformation and upgrade of the internal management and control so that each of its subsidiaries could establish a business model of unifying research, production, supply and sales, so as to fully unleash the potential of the organization, make flexible and quick responses to the changes in the market and effectively enhance the results of operation.

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

4. Human resource advantage

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



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2020, due to various adverse impacts such as the global economic contraction, the novel coronavirus epidemic, protection of international trade, etc., the domestic and foreign markets are facing a risk of major uncertainties. Faced with the unprecedented complex situation and arduous development tasks, the Company has unwaveringly implemented the strategic development aims formulated by the Company at the beginning of the year to overcome difficulties and advanced the work in an orderly manner.

In terms of principal business, we always adhere to market need as a guide, take reform and innovation as the driving forces, comprehensively accelerated the construction of product diversified structure and market development. Leveraging on the advantages of continuous innovation, the Company continues to consolidate its position in the industrial gas and fire services products, focusing on strengthening the technology innovation in the hydrogen energy industry chain business, LNG marine tanks, tank container business and type IV cylinder products. At the same time, strengthening the internal management, promoting the reduction in cost and increase in efficiency, fully making use of the advantages of capital market and broadening the financing channels to enhance the Company's profitability and achieve diversified development.

During the Reporting Period, the Company realized operating income of approximately RMB523,831,600, representing a decrease of approximately 11.98% as compared with corresponding period of last year. Net profits attributable to shareholders of the Company was approximately RMB-24,089,800, representing an decrease of loss of approximately RMB11,484,100 as compared with the corresponding period of last year.

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

1. Adhere to domestic and foreign markets during the adversity, consolidate the main business of gas storage and transportation equipment

As affected by the intensified trade friction between China and the United States, the spread of epidemic in local and overseas and the fierce industry competition, the domestic and foreign market expansion has been subject to certain fluctuations. The Company has been continuously consolidating the major markets such as the United States and Europe, actively promoting strategic cooperation with multinational gas companies and vigorously developing the emerging markets of "One Belt One Road" to build a sound pattern in which coexists with major markets and emerging market coexist, and cater for medium and high-end products, and moves forward in both domestic and foreign markets.

Field of industrial gas: as affected by the novel coronavirus epidemic, industrial enterprises are under-employed during the first half of year, but there were considerable demand in the medical, pharmaceutical and protective gear industries. Based on the advantage of product quality and branding, the Company has achieved better growth in fire services cylinders and electronic special gas cylinder products. At the same time, the Company actively deploy the post-epidemic era market, deeply meet the needs of the biomedical field, and expand the application of cryogenic industrial bottle products in multiple dimensions.

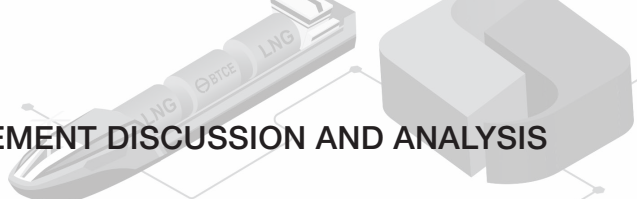
Field of natural gas: in the first half of 2020, as domestic natural gas price continued to fall, the Company firmly grasped the market demand and actively promoted LNG refueling station tanks, LNG marine tanks and other products, achieving a relatively large business growth; as the heavy truck market gradually recovered in the second quarter, there was a significant increase in terms of the market share of the Company's LNG vehicle products which entered into the domestic OEM market. At the same time, HPDI products have been sold in batches to European vehicle manufacturers and have gained a good reputation.

Field of hydrogen energy market: the Company has paid close attention to the development trends of the global and domestic hydrogen energy industry, and actively promoted the business layout and expansion of high-pressure hydrogen storage, system integration, liquid hydrogen storage and transportation, and hydrogen refueling stations. At present, a large number of vehicles that have been equipped with the Company's hydrogen supply system have been announced. At the same time, the Company has carried out strategic cooperation with leading enterprises in the hydrogen energy industry chain to jointly promote the development of the hydrogen energy industry, create a new profit growth point for the Company, and promote comprehensive sustainable and healthy development of the Company.

2. Actively promote reform and innovation, enhance the development quality of main business

The Company actively engaged in the Hydrogen Fuel Cell Commercial Vehicle Industry Innovation Center led by Beiqi Foton to establish the hydrogen energy industry alliance and achieve mutual benefit and win-win. The Company also continuously promoted the construction, research and development and production work of the type IV cylinders intelligent digital control production line, and vigorously developed high value-added products.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS



3. Deploy the the function of capital operation platform and the service strategic transformation

During the Reporting Period, the non-public issuance of A Shares of the Company has been successfully carried out. The non-public issuance of A Shares has been completed on 9 July 2020. Jingcheng Machinery Electric, the controlling shareholder, has subscribed the shares, the raised funds after the deduction of issuance expenses will be fully injected into Tianhai Industry, a subsidiary, by way of capital injection for the core strategic products of hydrogen energy related project construction, and to conform to the country's strategic requirements for promoting the development of hydrogen energy industry and service strategy transformation. At the same time, it will be used to repay the debt, improve the gearing structure of the Company, relieve the capital pressure and strengthen the capabilities in anti-risk and profitability.

4. Strengthen technology innovation, lead the development of the industry

By adhering to the concept of innovative development, continuously enhancing its research and development capabilities to achieve product iteration upgrades and closely following to the national development strategies and industrial policies to build a forward-looking research and development mechanism so as to maintain the advanced nature of the technologies and products. During the Reporting Period, the trial production and testing of the type IV cylinders 35MPa products have been completed and registered 3 patents. The Company also actively participated in the 70MPa hydrogen cylinder project of the Beijing Science and Technology Commission and the new energy vehicle major special project of the Ministry of Science and Technology, which obtained significant progress and has become the first domestic enterprise that has completed the national standard certification work with 70MPa large volume type III cylinder for hydrogen fuel commercial vehicles. At the same time, the Company optimized products such as tank containers, and marine tanks of various specifications to meet the differentiated needs of the market.

5. Enhance risk awareness, strengthen corporate risk control mechanism construction

The Company has gradually improved the risk management structure, established the contract management system, strengthened the risk prevention and control of major projects and comprehensively improved the awareness on risk prevention and control to truly implement the risk control work and ensure the sustainable development of the Company. During the Reporting Period, comprehensive legal review on contracts, rules and regulations and major decisions was carried out, a series of seminars and legal knowledge training were commenced, actively responded to the annual review of US countervailing duties, and internal special audits were carried out to strengthen the audit supervision and secure the operation and management of the Company.

6. Strengthen the capital management, lower the operation costs

During the Reporting Period, the Company complied with the policies and adjusted to market changes, continuously innovated its marketing model, strengthened the management's awarenesses on operation and cash flow, adhered to fund management, strengthened the management and control on capital, implemented the comprehensive budget management and cost control, and improved the capital efficiency while establishing stable cooperative relations with financial institutions, adjusting and optimizing the debt structure, increasing the loan concentration, reducing the capital costs and supporting the healthy development of enterprises.

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

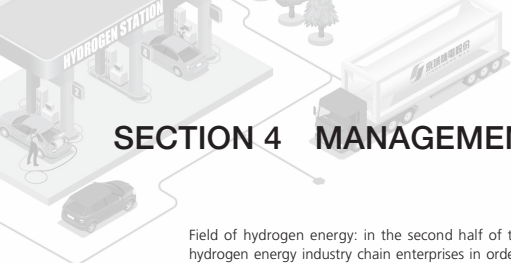
1. Focus on the development of the Company's main businesses, actively expand market

The Company will continue to intensify efforts to develop the international market, pay close attention to the updates on China-US trade war, eliminate unfavorable factors, deepen the mainstream market in the U.S. and exert the role of the European offices to deepen the emerging markets of "One Belt One Road", and expand the proportion of business in the international market through various measures such as increasing cooperation with multinational gas companies, development on new markets and catering for both medium and high-end products.

The Company will continuously optimize and refine the domestic market, pay close attention to the guidance of national policies and the development of downstream industries, improve its comprehensive research and judgement capabilities, increase the market sensitivity, follow the trend so as to implement in-depth marketing.

Field of industrial fire services: the Company will fully utilize the advantages of market service and "JP" brand to further expand the influence of the Company's products in the high-end market, continuously consolidate the leading position in the field of subway fire services and actively increase the market share in the field of marine use fire services market.

Field of natural gas: the Company will accurately grasp the development trend of the LNG industry and the development of competitors, keep up with mainstream customers in the industry, gain insight into customers' needs, and effectively and reasonably adjust sales strategies. By actively connecting with OEMs, strengthening the communication in technology, enhancing the service standard, securing the product quality, and gradually expanding the market share of the vehicle LNG product series in the OEMs market, the Company will pay continuous attention to the market demand in tank containers to develop more application solutions, further enhance the competitiveness of marine tank products to maintain the smooth cooperation channels with major customers so as to consolidate the market position.



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Field of hydrogen energy: in the second half of the year, the Company will continue to carry out extensive cooperation with hydrogen energy industry chain enterprises in order to actively explore the operation model of hydrogen energy industry. At the same time, by utilizing the advantages of products, channels and terminal applications, the domestic commercial application models of 70MPa high-pressure hydrogen storage cylinders and hydrogen supply system will be accelerated, the long-term strategic cooperative relationship with domestic new energy vehicle OEMs will be maintained so as to provide them with competitive product and technology services and achieve the rapid growth in the Company's hydrogen energy sector business.

2. Steadily promote the deepen reform, and continue to release development vitality

In the second half of 2020, the Company will focus on the implementation of working deployment in relation to the "14th Five-Year" plan of Beijing Municipal government, City State-owned Assets Supervision and Administration Commission and Jingcheng Machinery Electric, to do a solid job in the planning work of the "14th Five-Year" plan, further optimizing the spatial arrangement and product structure, accelerating the market promotion of the core products. The Company will also actively seek for strategic cooperation with upstream and downstream enterprises of the hydrogen energy industrial chain, through the promotion and expanded application on the technology of new products such as hydrogen transportation, high-pressure hydrogen storage, etc., to expand the fields of products and promote the development of the Company's hydrogen energy industry. At the same time, the Company will deepen the construction of digitization and informatization, enabling it to be equipped with management capabilities in full-cycle so as to increase competitiveness of the enterprise.

3. Continuous technology innovation and product research and development to enhance the core competitiveness

The Company will continue to increase the investment in technology innovation and research and development of new products, improve the establishment of quality certification system, and improve the Company's market competitiveness.

Field of industrial gas: the Company will continue to promote the development, improvement and product promotion of high pressure light gas cylinder, accelerate the promotion of various gas system assembly projects, an improve the system integration supply capacity. At the same time, the Company will accelerate the promotion of electronic special gas cylinder projects to cultivate new kinetic energy.

Field of natural gas products: the Company will accelerate the research and development and progress on obtaining the certificate of new products including various specifications of marine tank and tank container to enrich the field of products, continue to promote the liquid hydrogen storage and transportation, and start to prepare the enterprise standard proposals for liquid hydrogen tank containers and fixed liquid hydrogen storage tanks. At the same time, the Company will carry out continuous technology innovation certification of LNG cylinders for ultra-large volume vehicles, low-pressure large diameter LNG cylinders, etc..

Field of hydrogen energy products: the Company will concentrate the resource advantage to continuously strengthen the transformation of various technological research and development outcomes, focus on promoting the construction, research and development and production of type IV cylinders, gradually carry out the fiber localization and lightweighting work in products of all series and specifications.

4. Accelerate management and innovation, comprehensively improve the operating level

The Company will continue to deepen reforms, strengthen the assessment and incentives, activate internal potential, and tap potential to increase efficiency, continuously optimize procurement methods, broaden the procurement channels, strengthen the price control on procurement, and strengthen the management on procurement plan, perform well in the preparation, execution, analysis and feedback of capital plans. At the same time, the Company will strictly abide by compliance operations, corporate governance procedures for decision-making, as well as consolidate the contract management and put the risk control at the forefront.

In the second half of 2020, under the combined effect of multiple factors such as the China-US trade war, national tax reduction policies, the continuous growth of investment in new infrastructures, and the new novel coronavirus pneumonia epidemic, the contradiction between market supply and demand will continue. In face of the arduous situation, the Company will actively plan and respond calmly, highlight all profit-centric value orientations, deepen the reforms, release the vitality, increase revenue and reduce expenditures, reduce costs and increase efficiency, drive innovation, transform and upgrade, strengthen the foundation to turn losses into profits.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(1) Analysis of principal businesses

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)
Operating income	523,831,648.77	595,157,618.64	-11.98
Operating cost	460,653,282.50	529,850,732.05	-13.06
Sales expense	23,619,779.98	30,029,952.91	-21.35
Management expense	32,304,626.97	47,714,070.26	-32.30
Financial expense	9,724,015.22	10,945,290.27	-11.16
R&D expenditure	9,163,732.02	4,488,434.23	104.16
Net cash flows from operating activities	26,638,246.85	15,298,022.79	74.13
Net cash flows from investment activities	18,036,307.86	-6,908,049.77	-
Net cash flows from financing activities	137,635,630.94	23,115,963.55	495.41

Reasons for the change in the operating income: decrease of 11.98% as compared with the corresponding period of last year, mainly due to the epidemic which led to a decrease in operating income;

Reasons for the change in operating cost: decrease of 13.06% as compared with the corresponding period of last year, mainly due to the income from principal business decreased which led to a decrease in operating costs of principal business;

Reasons for the change in sales expense: decrease of 21.35% as compared with the corresponding period of last year, mainly due to the decrease in sales revenue which led to a decrease in expenses;

Reasons for the change in management expense: decrease of 32.30% as compared with the corresponding period of last year, mainly due to significant decrease in salaries as compared with the corresponding period of last year, the exemption in social security insurance during the epidemic and other reasons;

Reasons for the change in financial expense: decrease of 11.16% as compared with the corresponding period of last year, mainly due to the change of financing method and the decrease in interest rates;

Reasons for the change in R&D expenditure: increase of 104.16% 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: increase of approximately RMB11,340,200 as compared with the corresponding period of last year, mainly due to the increase in cash received from operating activities while decrease in cash paid for operating activities;

Reasons for the change in net cash flows from investment activities: increase of approximately RMB24,944,400 as compared with the corresponding period of last year, mainly due to the receipt of equity transfer funds and investment income during the current period;

Reasons for the change in net cash flows from financing activities: increase of approximately RMB114,519,700 as compared with the corresponding period of last year, mainly due to the obtain of capital increase during the current period.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

2 Others

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

Applicable Not Applicable

(2) Others

Applicable Not Applicable

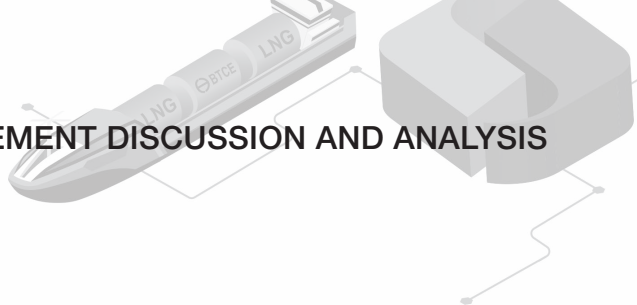
Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)	Description
Investment income	-6,049,911.14	161,801.18	-3839.1	Mainly due to the decrease in net profits of joint ventures during the current period
Non-operating expenses	589,190.45	418,778.96	40.69	Mainly due to the disposal of scrap assets by subsidiaries
Income tax expenses	990,695.35	1,586,865.62	-37.57	Mainly due to the decrease in income tax expenses of subsidiaries in the current period
Net profit attributable to the owner of parent company	-24,089,791.77	-35,573,865.71	N/A	The profitability for the current period has improved as compared to the corresponding period of last year
Other net comprehensive income after tax	343,846.44	-315,646.89	N/A	Mainly due to the effect of the translation balance in the financial statements of foreign currency

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

Applicable Not Applicable

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS



(III) Analysis of assets and liabilities

√ Applicable □ Not Applicable

1. Assets and liabilities

Unit: Yuan Currency: RMB

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the corresponding period last year	Balance at the end of the corresponding period last year over total assets (%)	Change in amount at the end of current period over the corresponding period last year (%)	Description
Monetary funds	294,713,929.09	15.79	79,823,773.84	4.49	269.21	Mainly due to the receipt of fixed increase at the end of the current period
Notes receivable			18,363,421.77	1.03	-100	Mainly due to the decrease in notes to be collected during the current period
Receivables financing	4,097,590.46	0.22			100	Mainly due to the increase in bank acceptance bill planned to be settled in advance
Other receivables	8,747,961.06	0.47	25,968,409.64	1.46	-66.31	Mainly due to the reclassification of rental of associates into contract assets and the recovery of dividends receivable of Shandong Tianhai during the current period
Long-term equity investments	53,932,717.94	2.89	125,060,750.57	7.03	-56.87	Mainly due to the decrease in the equity interests in Shandong Tianhai and the loss in associates at the end of the current period as compared to the corresponding period of last year
Construction in progress	54,164,548.46	2.90	23,769,589.54	1.34	127.87	Mainly due to the increase in investment in type IV cylinders project
Deferred income tax assets	293,783.38	0.02	434,285.35	0.02	-32.35	Mainly due to the deferred taxation impact of the subsidiaries
Short-term borrowings	199,224,748.81	10.67	313,464,154.25	17.62	-36.44	Mainly due to change in financing methods
Notes payable	62,100,000.00	3.33			100	Mainly due to the increase in bank acceptance bill issued by subsidiaries during the current period
Taxes payable	2,701,247.28	0.14	6,503,103.39	0.37	-58.46	Mainly due to the decrease in the unpaid taxes payables during the current period
Other payables	147,669,064.96	7.91	84,780,978.53	4.77	74.18	Mainly due to the increase in borrowings from Jingcheng Holding by subsidiaries during the current period
Other current liabilities	281,811.60	0.02	201,563.68	0.01	39.81	Mainly due to the increase in pending changeover VAT on sales
Long-term borrowings	1,253,071.50	0.07	5,500,000.00	0.31	-77.22	Mainly due to the decrease in long-term borrowings by Kuancheng Tianhai, a subsidiary of the Company
Provisions	4,847,373.02	0.26	3,251,807.32	0.18	49.07	Mainly due to the increase in impairment of LNG products quality guarantee of subsidiaries
Deferred income	6,534,183.27	0.35	2,941,458.70	0.17	122.14	Mainly due to the decrease in the receipt of funding from Technology Commission by the subsidiaries
Other comprehensive income	3,074,103.61	0.16	2,147,309.20	0.12	43.16	Mainly due to the impact of exchange difference arising on translation of foreign currency statements
Other descriptions						
Nil						

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Ending carrying amount	Reasons for restriction
Monetary funds	33,195,707.46	Letters of guarantee, borrowings guarantee from letter of credit and litigation freeze
Fixed assets	174,935,485.10	Pledged to secure bank borrowings
Intangible assets	8,756,365.30	Pledged to secure bank borrowings
Total	216,887,557.86	—

3. Other descriptions

Applicable Not Applicable

(IV) Analysis of investments

1. General analysis of external equity investments

Applicable Not Applicable

(1) Material equity investments

Applicable Not Applicable

The Company held the second extraordinary meeting of the tenth session of the Board on 30 June 2020, the “Resolution in relation to the Use of Raised Funds to Inject Capital into an Indirect Wholly-owned Subsidiary to Implement Investment Projects” was considered and approved. It is agreed that the funds raised from the non-public issuance of A shares of the Company, after deducting the issuance expenses, will be used for capital injection into an indirect wholly-owned subsidiary, Beijing Tianhai. After the completion of capital injection, Beijing Tianhai shall remain as an indirect wholly-owned subsidiary of the Company.

After the Reporting Period, Beijing Tianhai completed the procedures for the change of business registration of equity transfer in respect of change of registered capital of the Company and filling of the Articles of Association of the Company, a new business license has been obtained. The registered capital of Beijing Tianhai has been increased from USD61,401,800 to USD90,719,500. For details, please refer to the “Announcement in relation to the completion of capital injection into an indirect wholly-owned subsidiary” dated 21 July 2020 of the Company.

(2) Material non-equity investments

Applicable Not Applicable

(3) Financial assets measured at fair value

Applicable Not Applicable

(V) Material disposal of assets and equity interest

Applicable Not Applicable

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Analysis of major subsidiaries and associates

Applicable Not Applicable

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$61,401,800	RMB 1,659,002,241.21	RMB 262,504,210.59	RMB -41,261,500.28
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	RMB 170,608,674.18	RMB 164,366,511.39	RMB -373,601.13

(VII) Structured entities under the control of the Company

Applicable Not Applicable

III. OTHER DISCLOSURES

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

Applicable Not Applicable

(II) Potential risks

Applicable Not Applicable

1. Delisting risk

The Company's net profit attributable to shareholders of the Company for 2018 was negative, and its net profit attributable to shareholders of the Company for 2019 remained negative. In accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, if the audited net profit of the Company for the year 2020 remains negative, the listing of A shares of the Company will be suspended. Investors are advised to pay attention to the investment risks.

2. Development risk on new business and new market

The application on hydrogen energy and fuel cell industry is at an early stage of industrialization. There is still a process for quantification and large-scale production, and there remains many uncertainties. There are unexpected risks for the Company in developing new business and new market. In 2020, the Company will continue to enhance the development of hydrogen energy business and promote the development of hydrogen energy industry chain so as to seize market opportunities and accumulate industry experience and lay a foundation for the sustainable development for the Company's future business.

3. Risk of intensified market competition

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

4. Litigation risk

During the Reporting Period, Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, has received a civil writ by Shanghai Junzheng Logistics Co., Ltd.* (上海君正物流有限公司). The litigation matter concerns a contractual dispute over the production and delivery of tank containers in which Shanghai Junzheng Logistics Co., Ltd.* alleged that Tianhai Cryogenic had failed to produce and deliver certain tank containers to it as requested. Since the litigation has not yet been tried in a hearing, it is currently impossible to estimate the impacts on the Company's profit for or after the current period. The Company shall actively respond to the case to protect the legal interests and rights of the Company. The Company will perform its obligation of information disclosure in a timely manner in accordance with the progress. Investors are advised to pay attention to the relevant announcement(s) and the investment risks.



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

5. Global novel coronavirus epidemic risk

Since the outbreak of the novel coronavirus pneumonia epidemic and its global spread, global social and economic operations have been greatly affected, and the international economic situation is relatively severe. As affected by the development of the epidemic and prevention and control measures, domestic economic activities are gradually recovering, and business demand is at risk of a gradual decline. The Company will actively implement the epidemic prevention and control work, pays close attention to the development of the epidemic, observe the changes in the operating environment and policies from a broad perspective, strengthen the communication with customers and suppliers, adopt various methods to promote the continuous and stable operation of the business, strengthen cost control and minimize the adverse impact of the epidemic on the Company's operation and development.

III. Other disclosures

Applicable Not Applicable

1. Financial position analysis

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

Liquidity and capital structure	At the end of the period	At the beginning of the period
(1) Gearing ratio	54.52%	58.07%
(2) Quick ratio	79.61%	58.79%
(3) Liquidity ratio	117.54%	99.93%

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, 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 approximately RMB199,224,700, representing a decrease of 31.53% as compared with the beginning of the year. Long-term borrowings: long-term borrowings amounted to approximately RMB1,253,100 as at the end of the period, non-current liabilities due within one year amounted to RMB16,500,000, representing a decrease of RMB5,500,000 for the period; representing a decrease of 19.30% as compared with the beginning of the year calculated in accordance with non-classification method.

3. Foreign exchange risk management

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group is mainly exposed to foreign exchange risk relating to USD. The Group's main operation is settled by RMB, except BTIC America Corporation and Jingcheng Holding (Hong Kong) Co., Ltd., subsidiaries of the Company, which use USD for sales and purchases. Accordingly, it may be exposed to foreign exchange risks arising from the changes in the exchange rate between USD and RMB.

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 approximately RMB506,984,300, while cash outflow amounted to approximately RMB480,346,100. Net cash flow during the Reporting Period from operating activities amounted to approximately RMB26,638,200.

2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to approximately RMB36,264,000, which was mainly due to the receipt of equity transfer funds and investment income for the current period, cash outflow to investment activities amounted to approximately RMB18,227,700, which was mainly used for capital expense on the contributions to joint ventures and purchase of fixed assets. Net cash flow from investment activities for the Reporting Period amounted to approximately RMB18,036,300.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to approximately RMB312,355,300, which was mainly derived from capital increase and bank loans. Cash outflow to fundraising activities during the Reporting Period amounted to approximately RMB174,719,700. Net cash flow from fund-raising activities for the Reporting Period amounted to approximately RMB137,635,600.

Net cash flow from operating activities during the current period increased by approximately RMB11,340,200 compared with the corresponding period last year, which was mainly due to the cash received from operating activities increased and the cash paid for operating activities decreased. Net cash flow generated from the investment increased by approximately RMB24,944,400 compared with the corresponding period last year was mainly attributable to the receipt of equity transfer funds and investment income for the current period. Net cash flow generated from fundraising activities increased by approximately RMB114,519,700 compared with the corresponding period last year, which was mainly due to the obtaining of fund from capital increase in the current period as compared to the corresponding period of last year.

Net cash flow generated from operating activities for the current period was approximately RMB26,638,200. Net profit for the current period was approximately RMB-37,446,000. The Company mainly raised capital for operations from cash flow generated internally and borrowings.

5. Capital structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to approximately RMB849,016,400, of which, minority interests amounted to approximately RMB326,849,000, and total liabilities amounted to approximately RMB1,017,717,600. Total assets amounted to approximately RMB1,866,734,000. As at the end of the Reporting Period, the Company's gearing ratio was 54.52%.

Capital structure by liquidity

Total current liabilities	Approximately RMB834,922,400	Accounting for 44.73% of assets
Total equity interest attributable to shareholders	Approximately RMB849,016,400	Accounting for 45.48% of assets
Of which: minority shareholders' interests	Approximately RMB326,849,000	Accounting for 17.51% 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	33,195,707.46	Deposits of bank acceptance note, borrowings guarantee from letter of credit, frozen for litigation
Fixed assets	174,935,485.10	Pledged to secure bank borrowings
Intangible assets	8,756,365.30	Pledged to secure bank borrowings
Total	216,887,557.86	–



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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 1,574 people.

(2) Remunerations:

Remunerations paid to employees during the Reporting Period was approximately RMB73,636,900.

(3) Remuneration Policies

The Company implemented diversified salaries system based on the performance of positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to labor market for confirming the relative value of the post, 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 based on level and category, such as the implementation of evaluation and hiring based on technical level and technological innovation incentives for technical staff; the sales commission approach for sales and marketing staff; piecework or hourly wage system for production workers and annual salary system for senior management.

(4) Training Plan

In the first half of 2020, due to the impact of the pandemic, the training plan was adjusted in a timely manner, and offline courses were adjusted to online training. In addition, the pandemic prevention and control training was stepped up. According to the "2020 training plan", a total of 49,636.8 hours of training was completed, with training of 5,862 staffs, number of training hours per staff reached 28.9 hours. According to the Company's annual training plan, the Company organized and completed the "online pandemic prevention and control training", "ISO45001 Occupational Health and Safety Management System Training", "Hazard Source Identification and Risk Improvement Training", "2020 ISO Occupational Health and Safety Management System Promotion", "New Staff Induction Training" and "Fundamental Course for Finance" and other training courses.

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 do their own work while coordinating with each other and to operate in compliance with requirements. The Board of the Company and its strategy 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 2020 interim report of the Company has been reviewed by the audit committee under the Board of the Company.
- (3) The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Reporting Period.
- (4) During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. 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 2020.
- (5) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
- (6) There was no change in scope of the consolidated statements as compared to the financial report for the previous year.



SECTION 5 IMPORTANT MATTERS

I. INTRODUCTION TO THE GENERAL MEETINGS

Meeting	Date of holding	Index for details on websites designated for publishing resolutions	Date of disclosure of the resolutions
2019 AGM	9 June 2020	Shanghai Securities News, the website of the SSE (www.sse.com.cn) and the website of the Stock Exchange HKExnews (www.hkexnews.hk)	9 June 2020

General meetings

Applicable Not Applicable

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

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

Whether to distribute profit or convert capital reserve	No
Number of shares to be distributed for every ten sha	
Amount to be distributed for every ten	
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

SECTION 5 IMPORTANT MATTERS

III. FULFILLMENT OF UNDERTAKINGS

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

√ Applicable □ Not Applicable

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Undertaking relating to the material asset reorganisation	Settlement of connected transactions	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "As for the connected transactions for us and the companies under our control with the Listed Company and the companies under its control that cannot be avoided or have reasonable grounds, these connected transactions will be conducted in the principles of openness, fairness and justice for market transactions at fair and reasonable prices by us and the companies under our control, and the decision-making procedures for and information disclosure obligations in respect of connected transactions will be performed in accordance the requirements of laws, regulations and regulatory documents. We warrant that we and the companies under our control will not obtain any improper benefits or subject the Listed Company or any of the companies under its control to any improper obligations by way of any connected transactions with the Listed Company or any of the companies under its control. We will indemnify the Listed Company and any of the companies under its control against any losses incurred by them as a result of any transaction with them in violation of the undertakings above."	Long term	Yes	Yes		
	Solving the issues concerning competition in the same industry	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "In relation to the businesses or business opportunities similar to those of the Listed Company including that we and other companies under our control anticipate or substantially in place to conduct, and assets and businesses of such businesses or business opportunities that may constitute potential competition. The company will not conduct and make efforts to cause the other companies under the control of the company not to conduct businesses which are the same as or similar to those of the Listed Company in order to avoid direct or indirect competition with the operation of business of the Listed Company. In addition, if unfair impact may be made to the Listed Company in the areas of market share, business opportunities and resource allocation by the company and the other companies under the control of the company, the company will voluntarily give up and make efforts to cause the other companies under the control of the company to give up business competition with the Listed Company. The company undertakes that starting from the date of issue of this Letter of Undertaking, it will compensate the Listed Company for any losses suffered or expenses incurred by the Listed Company as a result of the violation of any provisions of this undertaking by the company. This Letter of Undertaking continues to be effective during the period in which the Listed Company legally and validly subsists and the company is the controlling shareholder (or beneficial controller) of the Listed Company."	Long term	Yes	Yes		

SECTION 5 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "that after the completion of this Material Asset Reorganisation, it will warrant the independence of the personnel, assets, finances, organisations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company."	Long term	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "1. Within 30 days from the receipt of a notice on this matter of Material Asset Reorganisation of Beiren Holdings by the creditors of Beiren Holdings, within 45 days from the date of the first announcement on this matter of Material Asset Reorganisation of Beiren Holdings in case of no receipt of the notice, if they demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings has not repaid the liabilities or provided the security, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 2. If Beiren Holdings cannot reach the creditors, and for those creditors who have not expressed clear opinion after the receipt of the notice or the expiry of the notice period, if they have expressed clearly disagreement opinion before the completion of this Material Asset Reorganisation, and Beiren Holdings has not repaid the liabilities nor provided security upon their demand, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after the receipt of the notice or the expiry of the notice period, if after the completion of this Material Asset Reorganisation, the recipient of the Outgoing Assets cannot repay its liabilities, the Company is in charge of the repayment. After the Company has been liable for guarantee responsibility and repayment responsibility, it has the right to seek repayment from the recipient of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "if, in the future, the production workshops of Tianhai Industry in Mulin Town is needed to be relocated due to real estate problems in defects of the lease, the Company will fully compensate in cash the Listed Company after the completion of this transaction for all the losses of Tianhai Industry caused by the relocating process."	Long term	Yes	Yes		

SECTION 5 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Jingcheng Holding undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets, and will not unilaterally refuse to sign or request cessation, termination or change of the "Framework Agreement in relation to the Material Asset Reorganisation of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd.", the "Material Asset Reorganisation Agreement of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" and relevant agreements due to the defects of the Outgoing Assets.</p> <p>If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings, Beiren Group Corporation shall make full compensation to Beiren Holdings if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse. The Company undertakes: the Company will be jointly liable for the compensation obligations of Beiren Group Corporation."</p>	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	

SECTION 5 IMPORTANT MATTERS

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group	<p>Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."</p> <p>If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; the Company shall make full compensation to Beiren Holdings; if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse."</p>	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group	<p>Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."</p>	Long term	Yes	Yes		



SECTION 5 IMPORTANT MATTERS

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Description of the appointment and dismissal of accounting firms

Applicable Not Applicable

Description of change of accounting firms during the audit period

Applicable Not Applicable

The Company's explanation of "Non-Standard Audit Report" of the accounting firm

Applicable Not Applicable

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

Applicable Not Applicable

V. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company has material litigations and arbitrations during the Reporting Period

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

(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

Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, has received a civil writ by Shanghai Junzheng Logistics Co., Ltd.* (上海君正物流有限公司). The litigation matter concerns a contractual dispute over the production and delivery of tank containers in which Shanghai Junzheng Logistics Co., Ltd.* alleged that Tianhai Cryogenic had failed to produce and deliver certain tank containers to it as requested. Since the litigation has not yet been tried in a hearing, Beijing Tianhai Cryogenic Equipment Co. is actively preparing to respond to the lawsuit, and there is no subsequent development. For details, please refer to the "Announcement on litigation involving Beijing Tianhai Cryogenic Equipment Co. Ltd." disclosed by the Company on 2 June 2020.

Shanghai Securities News, the website of the SSE (www.sse.com.cn) 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 5 IMPORTANT MATTERS

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

Applicable Not Applicable

VIII. 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 has good credit status.

IX. 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

X. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

SECTION 5 IMPORTANT MATTERS

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

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

Applicable Not Applicable

Type of matter

Index for enquiry

On 4 December 2019, the "Resolution in relation to the registered share capital reduction of BTIC America Corporation (hereinafter "BTIC America") to realize the withdrawal of part of the shares held by the external shareholders and connected transaction" was considered and approved at the eighteenth extraordinary meeting of the ninth session of the Board of the Company. Beijing Tianhai and external shareholders, Bill Zheng and Susan Guo entered into the "Shareholders' Agreement Amendment Agreement" and "Stock Purchase Agreement", respectively. External shareholders sell a total of 520 shares of BTIC America to BTIC America at an aggregate consideration of US\$3,206,360. BTIC America will cancel the shares transferred. Upon the completion of project, BTIC America has a total of 680 shares in which Beijing Tianhai holds 612 shares and external shareholders collectively hold 68 shares (among which Bill Zheng and Susan Guo each holds 34 shares), the registered capital of BTIC America will be reduced to US\$1,908,280 which is held as to 90% by Beijing Tianhai and external shareholders collectively hold 10% (among which Bill Zheng and Susan Guo each holds 5%).

Shanghai Securities News, the website of the SSE (www.sse.com.cn) and the website of the Stock Exchange HKExnews (www.hkexnews.hk)

On 18 May 2020, the Company disclosed the "Announcement on the Results of the Acquisition of Shares and Capital Reduction of BTIC America Corporation", Beijing Tianhai and Bill Zheng and Susan Guo, shareholders of both sides of BTIC America had completed the change of share certificates and Beijing Tianhai had received the new share certificates. At this point, the connected transaction is completed.

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 5 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

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
Beijing Mechanical and Electrical Research Institute Co., Ltd.	Subsidiary of shareholder				7,000.00	-7,000.00	0.00
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	494,358.97	1,335,943.59	1,830,302.56	13,812,054.75	-7,781,142.53	6,030,912.22
Beijing Jingcheng Industrial Logistics Co., Ltd.	Controlling subsidiary of parent company				902,227.27		902,227.27
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Parent company				182,259,666.64	41,265,930.76	223,525,597.40
Beijing No. 1 Machine Tool Plant	Wholly-owned subsidiary of parent company				667,359.09	90,000.00	757,359.09
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	Associate	26,723,697.03	-370,147.56	26,353,549.47	39,200,000.00	-11,781,356.24	27,418,643.76
Zheng Guoxiang	Others					5,674,856.41	5,674,856.41
Guo Zhihong	Others					5,674,856.40	5,674,856.40
Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd.	Others				428.00		428.00
Tianjin Steel Pipe and Steel Trade Co., Ltd	Others				7,295,646.36	-973,027.22	6,322,619.14
Tianjin Seamless Investment Co. Ltd.	Others				4,294,369.42		4,294,369.42
Total		27,218,056.00	965,796.03	28,183,852.03	248,438,751.53	32,163,117.58	280,601,869.11
Reasons for occurrence of related creditor's right and deb transactions	Normal operation						
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company							



SECTION 5 IMPORTANT MATTERS

(V) Other substantial connected transactions

Applicable Not Applicable

As of 30 June 2020, the Group has entered into connected transactions with the following entities that are regarded as connected persons of the Company under the Listing Rules.

- (1) Tianjin Seamless is a shareholder of Tianjin Tianhai, holding 45% interests in Tianjin Tianhai. Tianjin Seamless and Tianjin Steel Pipe are both wholly-owned subsidiaries of Tianjin Steel Pipe Group. Therefore, Tianjin Steel Pipe is an associate of Tianjin Seamless and a connected person of the Company.
- (2) Jingcheng Machinery Electric is a controlling shareholder of the Company. Therefore, Jingcheng Machinery Electric is a connected person of the Company.

As of 30 June 2020, details of connected transactions and continuing connected transactions for the half year are set out below:

Connected transactions

On 17 December 2019, the Company received the “Approval in relation to the Non-public Issuance of Shares by Beijing Jingcheng Machinery Electric Company Limited” (Zheng Jian Xu Ke [2019] No. 2551) (《關於核准北京京城機電股份有限公司非公開發行股票的批覆》(證監許可[2019]2551號)) issued by the China Securities Regulatory Commission (hereinafter “CSRC”), in which the Company’s non-public issuance of not more than 84,400,000 (inclusive) new A shares has been approved.

The issuance of ordinary shares (A Shares) of 63,000,000 shares with the issue price of RMB3.41/share, raised a total fund 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.

On 30 June 2020, ShineWing Certified Public Accountants (Special General Partnership) has verified the funds placement of the Company’s non-public issuance of shares and issued the “Capital Verification Report” No. XYZH/2020BJA40504.

On 9 July 2020, the new shares issued have completed the share registration procedures at the China Securities Depository and Clearing Company Limited (Shanghai Branch).

On 9 July 2020, the non-public issuance is completed. The number of shares held by Jingcheng Machinery Electric, the controlling shareholder, has increased from 182,735,052 shares to 245,735,052 shares, the shareholding has increased from 43.30% before the issuance to 50.67% after the issuance. For details, please refer to the Company’s announcement dated 10 July 2020 on the completion of the non-public issuance of A shares.

Continuing connected transactions

On 30 October 2019, Tianjin Tianhai, Kuancheng Tianhai, subsidiaries of the Company, entered into the “Gas Cylinder Pipe Sale and Purchase Framework Agreements” with Tianjin Pipe, pursuant to which, within three years from 1 January 2020 to 31 December 2022, the monetary caps for Tianjin Tianhai to purchase gas cylinder pipes from Tianjin Steel Pipe amounted to RMB300 million, while the monetary caps for Kuancheng Tianhai to purchase gas cylinder pipes from Tianjin Steel Pipe amounted to RMB200 million. For the part that exceeds the cap, both parties shall enter into a supplementary agreement, which has the same effect as the framework agreements. On 16 December 2019, the resolution in relation to Tianjin Tianhai High Pressure Containers Co., Ltd. and Kuancheng Tianhai High Pressure Containers Co., Ltd. to enter into the “Gas Cylinder Pipe Sale and Purchase Framework Agreements” and connected transactions with Tianjin Pipe Steel Trade Co., Ltd. was considered and approved at the fourth extraordinary meeting of 2019 of the Company.

During the Reporting Period, the above continuing connected transactions were processed in accordance with their contractual agreements. The independent non-executive directors of the Company have reviewed each continuing connected transaction and confirmed that:

- (1) it was entered into by the Group in the ordinary and usual course of business;
- (2) it was conducted on normal commercial terms;
- (3) it was carried out in accordance with the terms of the relevant transaction agreement, which were fair and reasonable and in the interests of the Company’s shareholders as a whole.

Such transactions were entered into in the ordinary and usual course of business of the Company, which were necessary for and continued during the operation of the Company. Also, such transactions would in no way affect the independence of the Company and harm the interests of the Company and its shareholders, and in particular, the medium-sized shareholders and the minority shareholders.



SECTION 5 IMPORTANT MATTERS

(VI) Others

Applicable Not Applicable

XI. MATERIAL CONTRACTS AND THEIR EXECUTION

1. Trust, contracting and lease matters

Applicable Not Applicable

2. Guarantee

Applicable Not Applicable

3. Other material contracts

Applicable Not Applicable

XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

Applicable Not Applicable

1. Targeted poverty alleviation plan

Applicable Not Applicable

2. Summary of the targeted poverty alleviation during the Reporting Period

Applicable Not Applicable

3. Results of the targeted poverty alleviation

Applicable Not Applicable

4. Interim progress on the performance of the social responsibilities of the targeted poverty alleviation

Applicable Not Applicable

5. Subsequent plan for the targeted poverty alleviation

Applicable Not Applicable

XIII. CONVERTIBLE BONDS

Applicable Not Applicable

XIV. ENVIRONMENTAL INFORMATION

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

Applicable Not Applicable

1. Information on emission of pollutants

Applicable Not Applicable

Tianjin Tianhai, a subsidiary of the Company was included in the list of key pollutant-discharging units by Tianjin Environmental Protection Bureau in 2019.

SECTION 5 IMPORTANT MATTERS

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, suspended solids, chemical oxygen demand, petroleum, biochemical oxygen demand, ammoniac nitrogen. The "Pollutant Discharge License" does not indicate the permitted annual emission limit.

In the first half of 2020, 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 reached the emission standard throughout the first half of year.

Statistical table of emission concentration of water pollutant

Table 1-1

Unit: mg/L

Pollutants	Standard Limit	Emission concentration monitoring data (average) 2020		Emission pattern	Emission flow
Regular pollutants	PH value	6~9	7.34	Stable and continuous disposal	Sewage treatment plant in the extended area of the bonded area
	COD	500	198.25		
	ammoniac nitrogen	45	4.35		
	suspended solids	400	24		
Characteristic pollutants	phosphorous	8	0.815		
	petroleum	15	0.125		

Statistics of total emission volume of water pollutant

Table 1-2

Unit: tons

Pollutants	Data Source	2020	
		Production volume	Disposal volume
Total disposal volume of wastewater	Statistical method	53475	—
Regular pollutants	chemical oxygen demand	Third-party testing	10.6
	ammoniac nitrogen	Third-party testing	0.233
	suspended solids	Third-party testing	1.283
	phosphorous	Third-party testing	0.044
Characteristic pollutants	petroleum	Third-party testing	0.007



SECTION 5 IMPORTANT MATTERS

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.

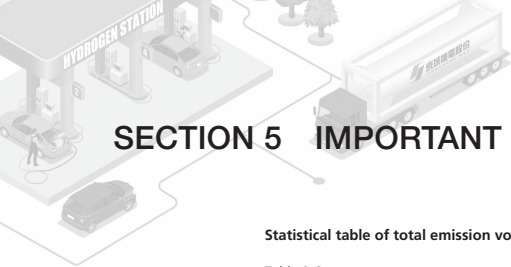
In the first half of 2020, the exhaust gas undergone sampling and monitoring through Tianjin Guona Product Testing Technology Service Co., Ltd., the results were in compliance with "Emission Standard of Air Pollutants for Industrial Kilns and Furnaces" (DB12/556-2015) and "Volatile Organic Compound Emission Control Standards for Industrial Enterprises" (DB12/524-2014), and reached the emission standard throughout the first half of year.

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 (mg/m ³) 2020	Maximum allowable emission rate (kg/h)
Natural gas combustion exhaust gas port			
Regular pollutants			
sulfur dioxide	50	6.75	—
nitrogen oxides	150	32.5	—

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) 2020	Maximum allowable emission rate (kg/h)
Spray paint exhaust gas port			
Characteristic pollutants			
benzene	1	0.004	0.2
sum of toluene and xylene	20	0.148	0.6



SECTION 5 IMPORTANT MATTERS

Statistical table of total emission volume of air pollutant

Table 2-3

Unit: tons/year

Emission volume of natural gas combustion		m ³	
Emission volume of spray paint exhaust gas		m ³	2020
Pollutants		Source	Emission volume
Regular pollutants	sulfur dioxide	Third-party testing	0.481
	nitrogen oxides	Third-party testing	1.244
	benzene	Third-party testing	0.00028
	sum of toluene and xylene	Third-party testing	0.00928

3 · Emission control on hazardous waste

In the first half of 2020, general solid wastes generated during the production process, such as tube head, scrap iron, cap, oxide, etc., are 969.8 tons and shall be recycled and reused by Tianjin Qingjiangqing Trading Company. Hazardous waste of 11.14 tons shall be transferred to Tianjin Hejia Veolia Environmental Services Co., Ltd., a qualified hazardous waste disposal unit for disposal in accordance with the regulations.

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

Since Tianjin Tianhai's establishment in 2003, all construction projects are in compliance with the environmental laws and regulations as well as the standard requirements. Two production plants of Tianjin Tianhai in No. 268, Jinbin Road and No. 306, Xingang Road of Tianjin Pilot Free Trade Zone (Tianjin Port Bonded Area) have obtained the "Pollutant Discharge License" in June 2020, the number of the license are 91120116746652398J003V and 91120116746652398J002V, respectively.

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 IMPORTANT MATTERS

5. Environmental self-monitoring scheme

Applicable Not Applicable

In accordance with the requirements of the "Management Measures for Pollution Discharge Permits (Trial) (Ministry Order No. 48) of the Ministry of Environmental Protection, Tianjin Tianhai conducts self-monitoring on all existing ports and all pollutants discharged from the plants, and formulates self-monitoring plans.

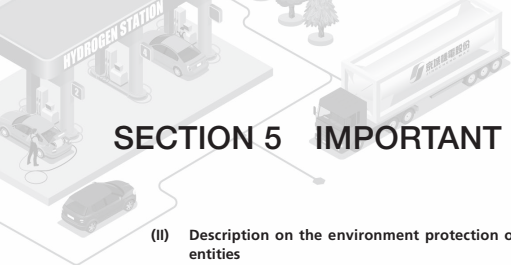
Tianjin Tianhai has 11 ports in total, including 2 wastewater ports and 9 exhaust gas ports.

Pollution sources and pollutants

Types of pollutants	No. of ports	Monitoring factor	Execution standard	Standard limit (concentration mg/m ³)	Monitoring frequency			
Wastewater	WS-BS018 WS-BS100	PH value (dimensionless)	"Integrated Wastewater Discharge Standard" (DB/12/356-2018)	6-9	once/quarter			
		COD		500				
		5-day biochemical oxygen demand		300				
		suspended solids		400				
		ammoniac nitrogen		45				
		total nitrogen		70				
		phosphorous		8				
Exhaust gas	FQ-BS192 FQ-BS197	sulfur dioxide	"Emission standard of air pollutants for industrial kiln and furnace" (DB12/556-2015)	25	once/quarter			
		nitrogen oxides		150				
		particulates		10				
	FQ-BS044 FQ-BS176	ringelmann scale		level 1	once/quarter			
		sulfur dioxide		50				
		nitrogen oxides		300				
	FQ-BS042 FQ-BS045 FQ-BS0191	particulates	"Emission control standard on the volatile organic of industrial enterprises" (DB12/524-2014)	20	once/quarter			
		ringelmann scale		level 1				
		benzene		1				
		sum of toluene and xylene		20				
		VOCs		50				
		FQ-BS0189 FQ-BS0190		sulfur dioxide		"Emission Standard of Air Pollutants for Industrial Kiln and Furnace" (DB12/556-2015)	25	once/quarter
				nitrogen oxides			150	
Plant boundary noise	Four sides of the plant boundary	particulates	"Emission control standard on the volatile organic of industrial enterprises" (DB12/524-2014)	level 1	once/quarter			
		ringelmann scale		level 1				
		benzene		1				
		sum of toluene and xylene		20				
		VOCs		50				
		Equivalent continuous		"Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348-2008)		65dB (A) in daytime	once/quarter	
		A sound level				55dB (A) in nighttime		

6. Other disclosable environmental information

Applicable Not Applicable



SECTION 5 IMPORTANT MATTERS

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

Applicable Not Applicable

1. Industrial sewage

Names of major pollutants and characteristic pollutants: Total amount of industrial sewage generated was approximately 38,412.86 tons, Chemical Oxygen Demand (COD) of approximately 0.18 tons, ammonia nitrogen of approximately 0.15 tons, suspended solids of approximately 0.32 tons, total phosphorus of approximately 0.11 tons, animal and vegetable oil of approximately 0.015 tons, petroleum of approximately 0.0054 tons; a total of 2 discharge ports, all meeting the discharge standard.

2. Exhaust gas emissions

Names of major pollutants and characteristic pollutants: Emission of sulfur dioxide of approximately 0.07 tons, nitrogen oxides of 2.63 tons, benzene of approximately 0.001 tons, benzene series of approximately 0.0167 tons, non-methane total hydrocarbon of approximately 0.48 tons; a total of 24 discharge ports, all meeting the discharge standard.

3. Solid waste

Total amount of waste generated was approximately 1,843.56 tons, of which total amount of hazardous waste generated was approximately 43.28 tons (excluding storage), the storage capacity was approximately 3.89 tons, and total amount of hazardous waste disposed was approximately 59.27; the wastes were disposed by companies which possess hazardous waste treatment qualifications.

4. Construction and operation of pollution prevention & treatment facilities:

Beijing Minghui Tianhai has set up pollution prevention facilities for each of the production facilities. 35 sets of dust removal devices are functioning normally.

Tianhai Cryogenic has set up pollution prevention facilities for each of the production facilities. Tianhai Cryogenic established 5 sets of centralized smoke and dust purification rooms, 1 set of plasma cutting smoke and dust collection facilities, 1 set of root cleaning smoke and dust collection facilities, and 65 sets of mobile smoke and dust purifiers are operating normally and effectively.

5. Emergency plan for environmental emergencies:

The Company has formulated the "Emergency Plan for Radiation Safety Accidents QSD/EH12-01-07", the "Emergency Plan for Sudden Environmental Pollution Incidents QSD/EH12-01-08", and the "Beijing Tianhai Industrial Co., Ltd. Air Pollution Emergency Plan" to respond to emergent issues.

6. Environmental self-monitoring plan:

The Company has accepted and cooperated with the local environmental protection bureau's supervision and inspection, and arranged to entrust a third party to conduct self-monitoring in accordance with the requirements of the Company's ISO14001: 2015 "Environmental Management System Requirements and Guidelines".



SECTION 5 IMPORTANT MATTERS

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

Applicable Not Applicable

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

Applicable Not Applicable

XV. EXPLANATION ON OTHER IMPORTANT MATTERS

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

Applicable Not Applicable

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

Applicable Not Applicable

(III) Others

Applicable Not Applicable

1. General election of the Board and the Supervisory Committee

On 27 March 2020, the Company convened the eleventh meeting the the ninth session of the Board and the thirty-first meeting of the ninth session of the Supervisory Committee, respectively, to consider and approve the resolutions in relation to the general election of the Board of the Company, and the general election of the Supervisory Committee, respectively. The above resolutions were considered and approved in the annual general meeting of 2019. On 9 June 2020, the general employees' meeting was convened, at which the election of Ms. Wen Jinhua as the employee supervisor of the tenth session of the Supervisory Committee of the Company was considered and approved. On 10 June 2020, the first extraordinary meeting of the tenth session of the Board was convened, at which the resolution on the "Election of chairman of the tenth session of the Board of the Company" was considered and approved, and the first meeting of the Supervisory Committee was convened, at which the resolution on the "Election of chairman of the tenth session of the Supervisory Committee" was considered and approved. The Board and Supervisory Committee of the Company had completed the general election.

2. Non-public issuance of A shares

The Company completed the non-public issuance of A shares on 9 July 2020. Jingcheng Machinery Electric, the controlling shareholder, subscribed for 63,000,000 shares in full, the amount of shares held increased from 182,735,052 shares to 245,735,052 shares, the shareholding changed from 43.30% to 50.67%. The raised funds after the deduction of issuance expense will be injected to Tianhai Industrial, a subsidiary by way of capital injection. For details, please refer to the Company's announcement dated 10 July 2020 on the completion of the non-public issuance of A shares.



SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(1) Statement of changes in shares

1. Statement of changes in shares

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

2. Explanation on the changes in the shares

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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.

On 30 June 2020, the subscription funds of the subscriber has been transferred to the designated accounts for raised funds, and ShingWing Certified Public Accountants (Special General Partnership) has verified the funds placement of the Company's non-public issuance of shares and issued the "Capital Verification Report" No. XYZH/2020BJA40504. Pursuant to the report, as of 30 June 2020, 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.

Pursuant to the terms of the issuance, the issue price of the non-public issuance of A shares shall not be less than 90% of the average transaction price of the A shares in the 20 trading days prior to the pricing benchmark date (i.e. the first day of issuance of A shares, being 29 June 2020). Ordinary shares (A Shares) of 63,000,000 shares were issued under the issuance at the issue price of RMB3.41/share. The share registration procedures of the new shares under the non-public issuance of A shares are completed in China Securities Depository and Clearing Corporation Limited (Shanghai Branch) on 9 July 2020.

Prior to the non-public issuance of A shares, the total share capital of the Company amounted to 422,000,000 shares, of which Jingcheng Machinery Electric held 182,735,052 shares, representing 43.30% of the total share capital of the Company. Upon the completion of the non-public issuance of A shares, the total share capital of the Company increased to 485,000,000 shares, the amount of shares held by Jingcheng Machinery Electric increased to 245,735,052 shares, representing 50.67% of the total share capital of the Company after the completion of the non-public issuance of A shares.

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 Company did not utilize any of the raised funds.

The raised funds (after deduction of various issuance expenses and tax) are proposed to be utilized in the following ways:

- (1) The construction project of intelligent numerical control production line for type IV cylinders, with the net proceeds of RMB52,000,000.00; the Company will complete the project in accordance with the publication and implementation progress of the group standard related to the "compressed hydrogen plastic carbon fiber full-winding compound gas cylinders for vehicles", which is currently under review.
- (2) The research and development project of hydrogen energy product, with the net proceeds of RMB27,285,000.00, expected to be completed by the end of June 2022.
- (3) The repayment of debts owed to Jingcheng Electric Machinery and financial institutions, with the net proceeds of RMB128,020,400.64, completed on 30 July 2020.

(2) Changes in shares subject to selling restrictions

Applicable Not Applicable

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

II. INFORMATION ABOUT SHAREHOLDERS

(1) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period	14,766
Total number of shareholders of preference shares with restored voting right as at the end of the Reporting Period	0

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

Unit: share

Name of shareholder (full name)	Shareholdings of top ten shareholders				Pledged or frozen Share status	Number	Shareholder(s) Nature
	Increase/decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions			
Beijing Jingcheng Machinery Electric Holding Co., Ltd	0	182,735,052	43.30	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	-48,000	99,259,147	23.52	0	Unknown	-	Unknown
Hu Suhua	1,044,400	3,006,400	0.71	0	Unknown	-	Unknown
Li Qidong	2,061,390	2,061,390	0.49	0	Unknown	-	Unknown
Xu Zihua	0	1,708,100	0.41	0	Unknown	-	Unknown
Huang Zhiping	913,888	1,680,778	0.40	0	Unknown	-	Unknown
He Yong	700	1,678,120	0.40	0	Unknown	-	Unknown
Yang Qing	198,710	1,627,210	0.39	0	Unknown	-	Unknown
Xu Rui	0	1,594,300	0.38	0	Unknown	-	Unknown
Hong Kong Securities Clearing Company Limited	426,963	1,568,258	0.37	0	Unknown	-	Unknown

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		Type	Class and number of shares	Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd	182,735,052	Ordinary shares denominated in RMB		182,735,052	
HKSCC NOMINEES LIMITED	99,259,147	Overseas listed foreign shares		99,259,147	
Hu Suhua	3,006,400	Ordinary shares denominated in RMB		3,006,400	
Li Qidong	2,061,390	Ordinary shares denominated in RMB		2,061,390	
Xu Zihua	1,708,100	Ordinary shares denominated in RMB		1,708,100	
Huang Zhiping	1,680,778	Ordinary shares denominated in RMB		1,680,778	
He Yong	1,678,120	Ordinary shares denominated in RMB		1,678,120	
Yang Qing	1,627,210	Ordinary shares denominated in RMB		1,627,210	
Xu Rui	1,594,300	Ordinary shares denominated in RMB		1,594,300	
Hong Kong Securities Clearing Company Limited	1,568,258	Ordinary shares denominated in RMB		1,568,258	

Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders

As of the Reporting Period, shares subject to selling restrictions held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

Explanation on preferred shareholders whose voting rights has resumed and their shareholdings

N/A



SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

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 2020, 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 2020, 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 2020, the Company did not issue any convertible securities, options, warrants or any other similar right.

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

Applicable Not Applicable

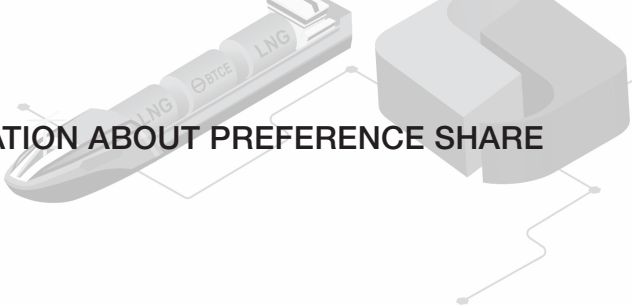
(3) Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares

Applicable Not Applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable Not Applicable

SECTION 7 INFORMATION ABOUT PREFERENCE SHARE



Applicable Not Applicable

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGE OF SHAREHOLDING

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

Applicable Not Applicable

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

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

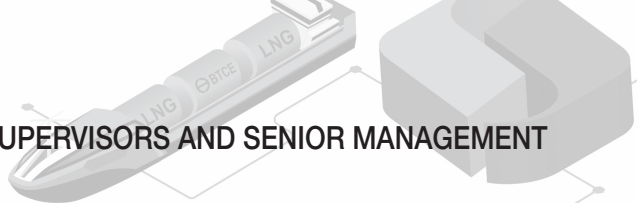
Applicable Not applicable

Name	Position	Reason for change
Wang Jun	Executive director and chairman	Election
Li Junjie	Executive director and general manager	Election
Zhang Jiheng	Executive director	Election
Jin Chunyu	Non-executive director	Election
Wu Yanzhang	Non-executive director	Election
Xia Zhonghua	Non-executive director	Election
Li Chunzi	Non-executive director	Election
Xiong Jianhui	Independent non-executive director	Election
Zhao Xuguang	Independent non-executive director	Election
Liu Jingtai	Independent non-executive director	Election
Luan Dalong	Independent non-executive director	Election
Miao Junhong	Chairman of the Supervisory Committee	Election
Li Zhe	Supervisor	Election
Wen Jinhua	Supervisor	Election
Luan Jie	Secretary to the Board	Appointment
Jiang Chi	Chief accountant (financial controller)	Appointment
Shi Fengwen	Chief engineer	Appointment
Yang Yi	General counsel	Appointment
Wu Yan	Original independent non-executive director	Resignation
Liu Ning	Original independent non-executive director	Resignation
Yang Xiaohui	Original independent non-executive director	Resignation
Fan Yong	Original independent non-executive director	Resignation
Liu Guangling	Original supervisor	Resignation

Change of Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



1. On 27 February 2020, the Board of the Company received the written resignation letter tendered by Mr. Yang Xiaohui, an independent non-executive director of the Company. Due to job changes, Mr. Yang Xiaohui applied to resign from the positions of independent non-executive director of the Company and the chairman of the audit committee of the Board. Upon his resignation taking effect, he will no longer hold any position in the Company. The resignation as an independent non-executive director has taken effect after the new independent non-executive director is elected to fill his vacancy at the general meeting of 2019 which was held on 9 June 2020. Before the resignation took effect, Mr. Yang would still perform the duties of an independent non-executive director in accordance with relevant laws and regulations and various rules and regulations of the Company. On 28 February 2020, the Company convened the twentieth extraordinary meeting of the ninth session of the Board, at which the resolution in relation to the change in members of the audit committee of the ninth session of the board of directors of the Company was considered and approved. With the nomination by the nomination committee, all attending directors unanimously consented to the appointment of Mr. Fan Yong as the chairman of the audit committee of the ninth session of the Board and Mr. Liu Ning as a member of the audit committee, with the term commencing from 28 February 2020 until the 2019 annual general meeting.
2. The Company held the general meeting of 2019 on 9 June 2020, at which the resolution in relation to the general election of the Board was considered and approved, and Wang Jun, Li Junjie and Zhang Jiheng were elected as executive directors of the tenth session of the Board of the Company, Jin Chunyu, Wu Yanzhang, Xia Zhonghua and Li Chunzi were elected as non-executive directors of the tenth session of the Board of the Company and Xiong Jianhui, Zhao Xuguang, Liu Jingtai and Luan Dalong were elected as independent non-executive directors of the tenth session of the Board of the Company;

The resolution on the general election of the supervisory committee was considered and approved, and Miao Junhong and Li Zhe were elected as supervisors of the tenth session of the supervisory committee of the Company;

The term of office of the above-mentioned personnel is three years commencing from 9 June 2020 until the 2022 annual general meeting.

3. The Company convened the general employees' meeting on 9 June 2020, at which the election of Ms. Wen Jinhua as the employee supervisor of the tenth session of the supervisory committee of the Company was considered and approved, with the term of office commencing from 9 June 2020 until the 2022 annual general meeting.
4. The Company convened the first extraordinary meeting of the tenth session of the Board on 9 June 2020, at which Mr. Wang Jun was elected as the chairman of the tenth session of the Board of the Company, with the term of office of three years commencing from 9 June 2020 until the 2022 annual general meeting.

The resolution on the appointment of general manager of the Company and the secretary to the Board nominated by the chairman was considered and approved, and appointed Mr. Li Chunjie as the general manager of the Company, Mr. Luan Jie as the secretary to the Board of the Company, the term of office of the general manager and secretary to the Board are three years commencing from 9 June 2020 until the 2022 annual general meeting.

The resolution on the appointment of chief accountant (financial controller), chief engineer and general counsel nominated by the general manager of the Company was considered and approved, and appointed Ms. Jiang Chi as the chief accountant (financial controller), Mr. Shi Fengwen as the chief engineer and Ms. Yang Yi as the general counsel. The term of office of the above-mentioned personnel is three years commencing from 9 June 2020 until the 2022 annual general meeting.

III. OTHER INFORMATION

- Applicable Not Applicable



SECTION 9 CORPORATE BONDS

Applicable Not Applicable

SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET

June 30, 2020

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

Unit: RMB

Item	Note	Ending balance	Ending balance for the previous period
Current assets:			
Cash at bank and on hand	VI. 1	294,713,929.09	83,509,311.05
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	VI. 2	249,171,999.78	190,226,684.14
Receivables financing	VI. 3	4,097,590.46	8,247,436.93
Advances to suppliers	VI. 4	48,605,244.52	54,366,914.14
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Other receivables	VI. 5	8,747,961.06	46,407,948.62
Including: Interest receivable			
Dividends receivable	VI. 5.1	270,300.00	7,619,884.14
Financial assets purchased under agreements to resell			
Inventories	VI. 6	316,679,045.91	322,173,505.52
Contractual assets	VI. 7	22,452,248.39	21,661,449.47
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	VI. 8	36,919,890.32	55,967,530.79
Total current assets		981,387,909.53	782,560,780.66
Non-current assets:			
Loans and advances paid			
Debt investment			
Available-for-sale financial assets			
Investment in other debentures			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI. 9	53,932,717.94	61,184,187.22
Other equity instrument investments			
Other non-current financial assets			
Investment properties	VI. 10	27,514,831.11	27,917,854.93
Fixed assets	VI. 11	620,589,712.61	641,752,611.90
Construction in progress	VI. 12	54,164,548.46	25,554,133.59
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VI. 13	122,750,735.20	124,393,260.49
Development expenditures			
Goodwill	VI. 14		
Long-term deferred expenses	VI. 15	6,099,764.53	7,042,191.37
Deferred income tax assets	VI. 16	293,783.38	434,480.65
Other non-current assets			
Total non-current assets		885,346,093.23	888,278,720.15
Total assets		1,866,734,002.76	1,670,839,500.81

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2020

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

Unit: RMB

Item	Note	Ending balance	Ending balance for the previous period
Current liabilities:			
Short-term borrowings	VI. 17	199,224,748.81	290,964,226.81
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VI. 18	62,100,000.00	
Accounts payable	VI. 19	327,021,176.31	291,509,493.82
Advances from customers			
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable	VI. 20	19,884,177.92	25,880,020.05
Taxes payable	VI. 21	2,701,247.28	6,941,271.99
Other payables	VI. 22	147,669,064.96	83,829,249.76
Including: Interest payable	VI. 22.1	601,368.81	
Dividends payable			
Fees and commissions payable			
Reinsurance amounts payable			
Contractual liabilities	VI. 23	59,540,183.91	61,714,542.49
Held-for-sale liabilities			
Current portion of non-current liabilities	VI. 24	16,500,000.00	22,000,000.00
Other current liabilities	VI. 25	281,811.60	281,811.60
Total current liabilities		834,922,410.79	783,120,616.52
Non-current liabilities:			
Reserve of insurance contract			
Long-term borrowings	VI. 26	1,253,071.50	
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	VI. 27	143,318,643.76	155,100,000.00
Long-term employee benefits payable	VI. 28	26,841,945.17	26,035,280.87
Provisions	VI. 29	4,847,373.02	3,906,332.75
Deferred incomes	VI. 30	6,534,183.27	2,052,019.15
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		182,795,216.72	187,093,632.77
Total liabilities		1,017,717,627.51	970,214,249.29

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:



SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2020

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

Unit: RMB

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

Item	Note	Ending balance	Ending balance for the previous period
Owner's equity:			
Capital stock	VI. 31	485,000,000.00	422,000,000.00
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	VI. 32	833,000,580.28	687,349,089.60
Less: treasury stocks			
Other comprehensive incomes	VI. 33	3,074,103.61	2,754,544.50
Special reserves			
Surplus reserves	VI. 34	45,665,647.68	45,665,647.68
Provisions for general risk			
Undistributed profit	VI. 35	-844,572,978.23	-820,483,186.46
Total shareholders' equity attributable to parent company		522,167,353.34	337,286,095.32
Minority interest		326,849,021.91	363,339,156.20
Total stockholders' equity		849,016,375.25	700,625,251.52
Total liabilities and stockholders' equity		1,866,734,002.76	1,670,839,500.81

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF PARENT COMPANY

June 30, 2020

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

Unit: RMB

Item	Note	Ending balance	Ending balance for the previous period
Current assets:			
Cash at bank and on hand		211,123,547.32	1,111,993.77
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Advances to suppliers		280.00	
Other receivables	XVII. 1	388,404,067.80	390,404,067.80
Including: Interest receivable		33,404,067.80	35,404,067.80
Dividends receivable			
Inventories			
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		353,822.31	1,491,320.85
Total current assets		599,881,437.43	393,007,662.42
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Investment in other debentures			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVII. 2	694,842,724.41	694,842,724.41
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		43,203.58	36,345.59
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		694,885,927.99	694,879,070.00
Total assets		1,294,767,365.42	1,087,886,732.42

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF PARENT COMPANY (CONTINUED)

June 30, 2020

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

Unit: RMB

Item	Note	Ending balance	Ending balance for the previous period
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Financial assets at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contractual liabilities			
Employee benefits payable		64,145.06	1,927,283.45
Taxes payable		65,483.21	332,593.16
Other payables		21,060,330.39	16,776,285.12
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		281,811.60	281,811.60
Total current liabilities		21,471,770.26	19,317,973.33
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		21,471,770.26	19,317,973.33
Owners' equity:			
Capital stock		485,000,000.00	422,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		811,365,185.81	666,639,987.85
Less: treasury stocks			
Other comprehensive incomes			
Special reserves			
Surplus reserves		38,071,282.24	38,071,282.24
Undistributed profit		-61,140,872.89	-58,142,511.00
Total stockholders' equity		1,273,295,595.16	1,068,568,759.09
Total liabilities and stockholders' equity		1,294,767,365.42	1,087,886,732.42

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

January – June 2020

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		523,831,648.77	595,157,618.64
Including: operating revenue	VI. 36	523,831,648.77	595,157,618.64
Interest income			
Earned premiums			
Fees and commissions incomes			
II. Total operating cost		539,672,653.66	627,330,886.58
Including: operating cost	VI. 36	460,653,282.50	529,850,732.05
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. 37	4,207,216.97	4,302,406.86
Selling expenses	VI. 38	23,619,779.98	30,029,952.91
Administrative expenses	VI. 39	32,304,626.97	47,714,070.26
Research and development expenses	VI. 40	9,163,732.02	4,488,434.23
Financial expenses	VI. 41	9,724,015.22	10,945,290.27
Including: interest expenses		9,519,858.78	10,606,563.98
Interest income		672,612.09	63,953.07
Add: Other income	VI. 42	517,835.88	506,001.66
Investment incomes (loss to be listed with "-")	VI. 43	-6,049,911.14	161,801.18
Including: Investment incomes from associated enterprises and joint ventures		-6,049,911.14	161,801.18
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 "-")			
Exchange gains (loss to be listed with "-")			
Credit impairment loss (loss to be listed with "-")	VI. 44	-4,907,101.35	-5,815,385.93
Asset impairment loss (loss to be listed with "-")	VI. 45	-10,848,486.68	-10,183,520.45
Incomes of assets disposal (loss to be listed with "-")			
III. Operating profit (loss to be listed with "-")		-37,128,668.18	-47,504,371.48
Add: non-operating revenue	VI. 46	1,262,541.69	983,539.32
Less: non-operating expenses	VI. 47	589,190.45	418,778.96
IV. Total profits (total loss to be listed with "-")		-36,455,316.94	-46,939,611.12
Less: income tax expenses	VI. 48	990,695.35	1,586,865.62
V. Net profits (net loss to be listed with "-")		-37,446,012.29	-48,526,476.74
(I) Classified according to operating continuity			
1. Net profit from continuing operations (net loss to be listed with "-")		-37,446,012.29	-48,526,476.74
2. Net profit from discontinuing operations (net loss to be listed with "-")		-37,446,012.29	-48,526,476.74
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the owners of the Parent Company		-37,446,012.29	-48,526,476.74
2. Minority interest income		-13,356,220.52	-12,952,611.03

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January – June 2020

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		343,846.44	-315,646.89
Other net after-tax comprehensive income attributable to the owner of the parent company	VI. 49	319,559.11	-160,691.37
(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			
5. Others			
(II) Other comprehensive income to be reclassified into profit or loss		319,559.11	-160,691.37
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. Change loss and profit of fair value of financial assets available-for-sale			
4. Amount of financial assets reclassified into other comprehensive incomes			
5. Mature investment reclassified to loss and profit of available-for-sale financial assets			
6. Provision for impairment of credit in investment in other debentures			
7. Cash flow hedge reserve (effective portion of profit and loss arising from cash flow hedging)			
8. Converted difference in foreign currency statements for foreign currency		319,559.11	-160,691.37
9. Others			
Other comprehensive incomes after-tax attributable to minority shareholders	VI. 49	24,287.33	-154,955.52
VII. Total comprehensive incomes		-37,102,165.85	-48,842,123.63
Total comprehensive incomes attributable to shareholders of the parent company		-23,770,232.66	-35,734,557.08
Total comprehensive incomes attributable to minority shareholders		-13,331,933.19	-13,107,566.55
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		-0.06	-0.08
(II) Diluted earnings per share (RMB/share)		-0.06	-0.08

Legal representative: Wang Jun

Person in charge of accounting: Jiang Chi

Person in charge of the accounting firm: Wang Yan Dong

SECTION 10 FINANCIAL REPORT

INCOME STATEMENT OF PARENT COMPANY

January – June 2020

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		51,931.30	5,523.38
Selling expenses			
Administrative expenses		2,946,463.59	4,258,710.28
Research and development expenses			
Financial expenses		-33.00	-790,334.57
Including: Interest expenses			
Interest income		-1,489.73	792,560.90
Add: Other income			
Investment incomes (with "-" for losses)			
Including: Investment incomes from associated enterprises and joint ventures			
Derecognition income of financial asset measured at the amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
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 "-")		-2,998,361.89	-3,473,899.09
Add: non-operating revenue			
Less: non-operating expenses			
III. Total profits (total loss to be listed with "-")		-2,998,361.89	-3,473,899.09
Less: income tax expenses			
IV. Net profits (net loss to be listed with "-")		-2,998,361.89	-3,473,899.09
(I) Net profit from continuing operations (net loss to be listed with "-")		-2,998,361.89	-3,473,899.09
(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			
5. Others			
(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. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive incomes			
5. Mature investment reclassified to loss and profit of available-for-sale financial assets			
6. Provision for impairment of credit in investment in other debentures			
7. Cash flow hedge reserve (effective portion of profit and loss arising from cash flow hedging)			
8. Converted difference in foreign currency statements for foreign currency			
9. Others			
VI. Total comprehensive incomes		-2,998,361.89	-3,473,899.09

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT

January – June 2020

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		462,159,937.68	469,141,180.69
Net increase in deposits and placements from financial institutions			
Net increase in borrowings from central bank			
Net increase in placement from other financial institutions			
Cash received from premiums of original insurance contract			
Net amount of reinsurance business			
Net increase in deposits 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			
Taxes and surcharges refunds		23,450,237.87	16,288,989.47
Other cash receipts related to operating activities	VI. 50	21,374,152.62	15,066,793.22
Subtotal of cash inflows from operating activities		506,984,328.17	500,496,963.38
Cash paid for goods and services		313,541,812.65	316,640,202.66
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 financial assets held for trading purposes			
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		90,090,031.47	113,085,835.64
Taxes and surcharges cash payments		21,043,094.37	24,900,956.45
Other cash payments related to operating activities	VI. 50	55,671,142.83	30,571,945.84
Subtotal of cash outflows from operating activities		480,346,081.32	485,198,940.59
Net cash flows from operating activities		26,638,246.85	15,298,022.79
II. Cash flows from investing activities:			
Cash received from return of investment		27,634,150.00	
Cash received from investment income		8,551,142.28	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		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		36,263,959.28	–
Cash paid for purchasing fixed assets, intangible assets and other long-term assets		6,446,295.18	6,908,049.77
Cash paid for investment		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		18,227,651.42	6,908,049.77
Net cash flows from investing activities		18,036,307.86	–6,908,049.77

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2020

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	145,466,001.21
Cash received from issuing bonds			
Other cash received concerning financing activities	<i>VI. 50</i>	40,000,000.00	
Subtotal of cash inflows from financing activities		312,355,289.45	145,466,001.21
Cash paid for repayments of debts			
Cash paid for allocation of dividends, profits or interest repayment		157,239,478.00	113,499,893.26
Including: dividends and profits paid to minority shareholders by subsidiaries		6,213,271.95	8,850,144.40
Other cash paid concerning financing activities	<i>VI. 50</i>	11,266,908.56	
Subtotal of cash outflows from financing activities		174,719,658.51	122,350,037.66
Net cash flows from financing activities		137,635,630.94	23,115,963.55
IV. Effects from change of exchange rate to cash and cash equivalents			
		320,793.73	-897,284.07
V. Net increase in cash and cash equivalents			
Add: beginning balance of cash and cash equivalents	<i>VI. 50</i>	182,630,979.38	30,608,652.50
	<i>VI. 50</i>	78,887,242.25	46,662,121.34
VI. Ending balance of cash and cash equivalents	<i>VI. 50</i>	261,518,221.63	77,270,773.84

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

CASH FLOW STATEMENT OF PARENT COMPANY

January – June 2020

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			
Taxes and surcharges refunds		5,980.33	
Other cash receipts related to operating activities		452,397.77	359,555.17
Subtotal of cash inflows from operating activities		458,378.10	359,555.17
Cash paid for goods and services			
Cash paid to and for employees		1,155,536.95	1,237,948.22
Taxes and surcharges cash payments		853,986.87	1,253,441.84
Other cash payments related to operating activities		1,535,562.73	1,806,756.97
Subtotal of cash outflows from operating activities		3,545,086.55	4,298,147.03
Net cash flows from operating activities		-3,086,708.45	-3,938,591.86
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	3,000,000.00
Subtotal of cash inflows from investing activities		2,000,000.00	3,000,000.00
Cash paid for purchasing fixed assets, intangible assets and other long-term assets			
Cash paid for investment		13,098.00	5,850.00
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	5,850.00
Net cash flows from investing activities		1,986,902.00	2,994,150.00
III. Cash flows from financing activities:			
Cash received from absorbing investment		211,111,360.00	
Cash received from borrowings			
Cash received from issuing bonds			
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	-1,429,458.35
IV. Effects from change of exchange rate to cash and cash equivalents			
V. Net increase in cash and cash equivalents		210,011,553.55	-944,441.86
Add: beginning balance of cash and cash equivalents		1,111,993.77	3,199,803.46
VI. Ending balance of cash and cash equivalents		211,123,547.32	2,255,361.60

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

January – June 2020

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

Unit: RMB

Item	Current period										Total shareholders' equity				
	Equity attributable to shareholders of the parent company					Other equity instruments									
	Capital stock	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve		Undistributed profits	Other	Subtotal	Minority interest
I. Ending balance of the previous period	422,000,000.00				687,540,893.60		2,754,544.50		45,665,647.68		-402,483,186.45	337,266,055.32	363,291,156.20	700,652,515.52	862,268,871.52
Add: Change in accounting policies															
Business merger under common control															
Others															
II. Beginning balance of the current period	422,000,000.00				687,540,893.60		2,754,544.50		45,665,647.68		-402,483,186.45	337,266,055.32	363,291,156.20	700,652,515.52	
III. Current period amount increase/decrease (Decrease to be listed with "-")															
(I) Total comprehensive income	63,000,000.00				145,651,491.68		319,259.11				-24,089,791.77			148,391,123.73	
(II) Capital input or reduction by owners	63,000,000.00				145,651,491.68		319,259.11				-24,089,791.77			-37,002,165.85	
1. Common shares repurchase by shareholders															
2. Contribution capital or holds of other equity instruments															
3. Amount of stock-based payment recognized															
4. Others															
(III) Profit distribution															
1. Appropriation to surplus reserves															
2. Appropriation to general risk provision															
3. Distribution to shareholders															
4. Others															
(IV) Net cash paid over to shareholders' equity															
1. The capital increased from transfer of capital reserves															
2. The capital increased from transfer of surplus reserves															
3. Surplus reserves to cover loss															
4. Transfer earnings carried forward to changes in defined benefit plans															
5. Transfer earnings carried forward to other comprehensive income															
6. Others															
(V) Special reserve															
1. Current year amount															
2. Current year supply															
(VI) Others															
IV. Closing balance of the current year	485,000,000.00				833,000,580.28		3,074,103.61		45,665,647.68		-444,572,978.23	337,266,055.32	522,167,253.34	849,048,011.91	849,016,213.25

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

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

January – June 2020

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

Unit: RMB

Item	Equity attributable to shareholders of the parent company										Total shareholders' equity			
	Capital stock	Preferred shares	Perpetual bond	Other instruments	Less: treasury stock	Other comprehensive income	Capital reserves	Surplus reserves	Special reserves	General risk reserve		Undistributed profits	Other	Subtotal
I. Ending balance of the previous period	422,000,000.00			687,549,089.60		2,308,000.57	45,665,647.68				-601,446,493.91	396,329,264.94	383,268,871.52	862,268,871.52
Add: Change in accounting policies														
Business merger under common control														
Others														
II. Beginning balance of the current period	422,000,000.00			687,549,089.60		2,308,000.57	45,665,647.68				-601,446,493.91	396,329,264.94	383,268,871.52	862,268,871.52
III. Current period amount increase/decrease														
(Decrease to be listed with "-")														
(I) Total comprehensive income														
(1) Capital input and receipt by owners														
1. Commission receipt by shareholders														
2. Contribution capital of holders of other equity instruments														
3. Amount of share-based payment recognized as shareholder's interest														
4. Others														
(II) Profit distribution														
1. Appropriation to surplus reserves														
2. Appropriation to general risk provision														
3. Distribution to shareholders														
4. Others														
(III) Total 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 transferred to reserves														
4. Reserves carried forward from changes in defined benefit plans														
5. Reserves carried forward to other comprehensive income														
6. Others														
(IV) Special reserve														
1. Current period amount														
2. Current period equity														
(V) Others														
IV. Ending balance in the current period	422,000,000.00			687,549,089.60		2,147,399.20	45,665,647.68				-716,002,265.62	61,141,749.86	382,841,988.03	814,045,147.88

Person in charge of the accounting firm:

Person in charge of accounting:

Legal representative:

SECTION 10 FINANCIAL REPORT

STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY

January - June 2020

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

Unit: RMB

Item	Current period											Total shareholders' equity
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	
		Preferred shares	Perpetual bond	Others								
I. Ending balance of the previous period	422,000,000.00				666,639,987.85				38,071,282.24	-58,142,511.00		1,061,373,963.94
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Beginning balance of the current period	422,000,000.00				666,639,987.85				38,071,282.24	-58,142,511.00		1,068,568,759.69
III. Current period amount increase/decrease (Decrease to be listed with "+")	63,000,000.00				144,725,191.96					-2,998,361.89		204,726,838.07
(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 transfer 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. Current year accrue												
2. Current year deploy												
(vi) Others												
IV. Ending balance in the current period	485,000,000.00				811,365,185.81				38,071,282.24	-61,140,872.89		1,274,295,595.16

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:

SECTION 10 FINANCIAL REPORT

STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY (CONTINUED) January - June 2020

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 income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Ending balance of the previous period	422,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96		1,066,611,292.13
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Beginning balance of the current period	422,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96		1,066,611,292.13
III. Current period 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. Input capital by other equity instrument owners												
3. Amount of share-based payment recognized as shareholder's interest												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Distribution to shareholders												
3. Others												
(IV) Internal transfer 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. Current year accrue												
2. Current year deploy												
(VI) Others												
IV. Ending balance in the current period	422,000,000.00				666,639,987.85	-	-	-	38,071,282.24	-63,573,871.05		1,063,137,293.04

Legal representative:

Person in charge of accounting:

Person in charge of the accounting firm:



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 Holding) signed the *Agreement on Gratuitous Transfer of State-owned Stock Equity between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation* on June 16, 2012, under which, Beiren Group Corporation gratuitously transferred the Company’s 201,620,000 A-shares to Jingcheng Holding; and after the share transfer, the Company’s total capital stock remained the same, and Jingcheng Holding held 201,620,000 shares of the Company stock which accounted for 47.78% of total capital stock and became the Company’s controlling shareholder. The gratuitous equity transfer this time has been approved by the State-owned Assets Supervision and Administration Commission of the State Council on September 01, 2012. The Company received the *Confirmation of Transfer Register issued by China Securities Depository and Clearing 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 relevant assets of gas storage and transport equipment business owned by Jingcheng Holding, and the balance was made up by Jingcheng Holding in cash. The proposed traded-out property was the Company’s all assets and liabilities, the proposed traded-in property was 88.50% equity of Beijing Tianhai Industry Co., Ltd., 100% equity of Jingcheng Holding (Hong Kong) Co., Ltd. and 100% equity of Beijing Jingcheng Compressor Co., Ltd. with its environmental protection business stripped, and all the three are held by Jingcheng Holding.

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

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

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

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

Jingcheng Holding bought 2,115,052 shares of the Company’s A-share through the trading system of Shanghai Stock Exchange on August 03, 2016, accounting for 0.50% of the Company’s total capital stock. After the increase in holding, Jingcheng Holding held 182,735,052 A-shares of the Company’s unrestricted shares, accounting for 43.30% of the total capital stock of the Company.

On June 30, 2020, Jingcheng Holding subscribed for 63,000,000 shares of the Company through private placement, accounting for 12.99% of the total share capital of the Company, and has completed the share registration procedures on July 9, 2020. After this issuance, the total share capital of the Company is increased to 485,000,000 shares, of which Jingcheng Holding held 182,735,052 non-restricted circulating 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.

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

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



SECTION 10 FINANCIAL REPORT

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Preparation basis

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

2. Going concern

The Group has evaluated the going concern ability within 12 months since June 30, 2020 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 period 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 beginning 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.

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.

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 does 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.

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 will recognize the difference as impairment loss, debit "credit 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 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, "credit 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 incurred. 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 and 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, 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 and 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.

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 valuation

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.

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 Period, the Group recognizes employee payroll cost generated from other long-term employee welfares as the following components: service cost; net interest amount of net liabilities or assets of other long-term employee welfares; changes generated from 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.

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 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

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.

As the monetary assets, the government grants shall be measured based on the actually received amounts; the subsidies paid according to fixed quota standards, or when concrete evidence shows that relevant conditions specified in fiscal support policies can be met and the fiscal support funds can be received based on estimates at the end of period, shall be measured based on the receivable amounts; as the non-monetary assets, the government grants shall be measured based on the fair value; if the fair value cannot be estimated reliably, it shall be measured based on nominal amount (RMB 1).

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.

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 abalienates 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 abalienated 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 (Continued)

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.

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.

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

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

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%
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 for January to June 2020.

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, 2020; “ending balance” refers to that on June 30, 2020; “current period” runs from January 01, 2020 to June 30, 2020; “previous period” runs from January 01, 2019 to June 30, 2019; 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	85,156.82	124,645.45
Cash in bank	261,433,064.81	78,762,596.80
Other cash at bank and on hand	33,195,707.46	4,622,068.80
Total	294,713,929.09	83,509,311.05
Including: total amount deposited abroad	28,115,169.35	45,029,613.30

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

Item	Ending balance	Beginning balance
Loan deposit by letter of credit	853,000.00	2,553,000.00
Bank acceptance deposits	30,550,000.00	0.00
Guarantee deposits	0.00	2,069,068.80
Litigation freezing	1,792,707.46	0.00
Total	33,195,707.46	4,622,068.80

2. Accounts receivable

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

Category	Ending balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts provided individually	27,009,815.42	8.59	27,009,815.42	100.00	0.00
Bad debt provision made as per portfolio	287,278,952.96	91.41	38,106,953.18	-	249,171,999.78
Including: portfolio by ageing	287,278,952.96	91.41	38,106,953.18	13.26	249,171,999.78
Total	314,288,768.38	100.00	65,116,768.60	-	249,171,999.78

(Con't)

Category	Beginning balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts provided individually	30,323,820.42	12.07	30,323,820.42	100.00	0.00
Bad debt provision made as per portfolio	220,901,143.58	87.93	30,674,459.44	-	190,226,684.14
Including: portfolio by ageing	220,901,143.58	87.93	30,674,459.44	13.89	190,226,684.14
Total	251,224,964.00	100.00	60,998,279.86	-	190,226,684.14

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			
	Accounts receivable	Bad debt provision	Provision proportion (%)	Reasons for provision
Sichuan Hengruifeng International Trade Co., Ltd.	4,238,181.00	4,238,181.00	100.00	Downgrade of credit rating of the counterparty, and significant increase in credit risk
Tianjin Xihuan Chengguang Trading Co., Ltd.	5,075,527.29	5,075,527.29	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	
Shijiazhuang Northern Hardware & Electrical Co., Ltd.	685,864.81	685,864.81	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Baotou Huafeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	1,929,000.00	100.00	
Baotou Xinneng Technology Co., Ltd.	353,425.00	353,425.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	961,666.50	100.00	
Xinjiang Jinguang Automotive Supplies Co., Ltd.	393,620.00	393,620.00	100.00	
Linfen Jinbaifeng New Energy Technology Co. Ltd.	2,771,125.00	2,771,125.00	100.00	
Lvliang Dongsen Gas Energy Co., Ltd.	2,720,000.00	2,720,000.00	100.00	
Xingxian Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	1,770,000.00	100.00	
Total	27,009,815.42	27,009,815.42	-	

(Con't)

名稱	Beginning balance			
	Accounts receivable	Bad debt provision	Provision proportion (%)	Reasons for provision
Sichuan Hengruifeng International Trade Co., Ltd.	4,238,181.00	4,238,181.00	100.00	Downgrade of credit rating of the counterparty, and significant increase in credit risk
Tianjin Xihuan Chengguang Trading Co., Ltd.	5,075,527.29	5,075,527.29	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	
Shaanxi Yulin Orient New Energy Special Purpose Vehicle Co., Ltd.	1,824,775.00	1,824,775.00	100.00	
Shijiazhuang Northern Hardware & Electrical Co., Ltd.	685,864.81	685,864.81	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Baotou Huafeng Construction and installation Engineering Co., Ltd., Jian'an Branch	1,929,000.00	1,929,000.00	100.00	
Baotou Xinneng Technology Co., Ltd.	423,425.00	423,425.00	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Xinjiang Zhongzheng Chenbang Gas Co., Ltd.	961,666.50	961,666.50	100.00	
Xinjiang Jinguang Automotive Supplies Co., Ltd.	1,202,850.00	1,202,850.00	100.00	
Jilin Jingwei New Energy Technology Co., Ltd.	610,000.00	610,000.00	100.00	
Linfen Jinbaifeng New Energy Technology Co. Ltd.	2,771,125.00	2,771,125.00	100.00	
Lvliang Dongsen Gas Energy Co., Ltd.	2,720,000.00	2,720,000.00	100.00	
Xingxian Jinbaifeng Gas Technology Co., Ltd.	1,770,000.00	1,770,000.00	100.00	
Total	30,323,820.42	30,323,820.42	-	

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 portfolio*

Including: portfolio by ageing

Aging	Ending balance		Provision proportion (%)
	Book balance	Bad debt provision	
Within 1 year	219,909,158.48	3,540,283.02	1.61
1-2 years	31,406,602.90	5,625,578.55	17.91
From 2 to 3	4,957,231.31	1,503,432.13	30.33
From 3 to 4	3,338,375.19	1,972,125.04	59.07
From 4 to 5	12,925,941.61	10,723,890.97	82.96
Over 5 years	14,741,643.47	14,741,643.47	100.00
Total	287,278,952.96	38,106,953.18	—

(Con't)

Aging	Beginning balance		Provision proportion (%)
	Book balance	Bad debt provision	
Within 1 year	177,109,780.49	2,851,835.91	1.61
1-2 years	6,752,304.91	1,209,661.79	17.91
From 2 to 3	4,440,511.88	1,346,625.44	30.33
From 3 to 4	16,376,620.93	9,674,410.63	59.07
From 4 to 5	3,698,106.80	3,068,107.10	82.96
Over 5 years	12,523,818.57	12,523,818.57	100.00
Total	220,901,143.58	30,674,459.44	—

(2) Accounts receivable presented by ageing

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	219,909,158.48	177,109,780.49
1-2 years	31,406,602.90	6,924,804.91
2-3 years	5,129,731.31	7,379,036.88
Over 3 years	57,843,275.69	59,811,341.72
3-4 years	6,276,900.19	23,916,808.69
4-5 years	19,856,129.37	5,051,061.03
Over 5 years	31,710,246.13	30,843,472.00
Total	314,288,768.38	251,224,964.00

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	60,998,279.86	7,429,856.56	2,637.18	2,756,424.57	557,580.43	65,116,768.60

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.	70,000.00	Remittance	Return amount received
Shaanxi Yulin Orient New Energy Special Purpose Vehicle Co., Ltd.	1,824,775.00	Remittance	Return amount received
Xinjiang Jinguan Automotive Supplies Co., Ltd.	691,649.57	Write-off	Contract changes
Jilin Jingwei New Energy Technology Co., Ltd.	170,000.00	Write-off	Contract changes
Total	2,756,424.57	-	-

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

Item	Amount written off
Accounts receivable actually written off	557,580.43

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?
Jilin Jingwei New Energy Technology Co., Ltd.	Payment for sold products	440,000.00	Irrecoverable	Review by the board of directors	No
Xinjiang Jinguan Automotive Supplies Co., Ltd.	Payment for sold products	117,580.43	Irrecoverable	Review by the board of directors of subsidiary	No
Total	-	557,580.43	-	-	-

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

	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, 2020	0.00	30,674,459.44	30,323,820.42	60,998,279.86
In the current period, as at January 01, 2020, 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	7,429,856.56	0.00	7,429,856.56
Reversals in the current period	0.00	0.00	2,756,424.57	2,756,424.57
Write-off in current period	0.00	0.00	0.00	0.00
Canceled after verification in the current period	0.00	0.00	557,580.43	557,580.43
Other changes	0.00	2,637.18	0.00	2,637.18
Balance on June 30, 2020	0.00	38,106,953.18	27,009,815.42	65,116,768.60

(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
Top Speed Energy Oversea Corp	24,070,926.80	Within 2 years	7.66	1,791,611.99
Shaanxi Heavy Duty Automobile Co., Ltd.	23,479,863.29	Within 1 year	7.47	378,025.80
Zhunshida Energy Technology (Shanghai) Co., Ltd.	20,794,149.31	Within 2 years	6.62	1,348,820.10
WESTPORT POWER Inc.-Italy	15,920,182.90	Within 1 year	5.07	256,314.94
Tyco Safety Equipment (Shanghai) Co., Ltd.	11,865,366.61	Within 1 year	3.78	191,032.40
Total	96,130,488.91	-	30.60	3,965,805.23

3. Receivables financing

Item	Ending balance	Beginning balance
Notes receivable	4,097,590.46	8,247,436.93

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	39,166,015.12	80.58	51,917,649.57	95.50
1-2 years	7,309,589.72	15.04	1,659,141.22	3.05
2-3 years	1,532,674.22	3.15	436,828.23	0.80
Over 3 years	596,965.46	1.23	353,295.12	0.65
Total	48,605,244.52	100.00	54,366,914.14	100.00

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

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

Company name	Ending balance	Aging	Proportion in total ending balance of advances to suppliers (%)
TORAY INTERNATIONAL INC	4,569,879.97	Within 1 year	9.40
Shandong Quansheng Material Co., Ltd.	3,691,193.26	Within 1 year	7.59
Tianjin Runde Zhongtian International Trade Co., Ltd.	3,110,521.57	Within 1 year	6.40
Chengdu Maofan Business Co., Ltd.	2,665,830.49	Within 1 year	5.48
Zhongfu Shenying Carbon Fiber Co., Ltd.	1,748,700.00	Within 1 year	3.60
Total	15,786,125.29		32.47

5. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	270,300.00	7,619,884.14
Other receivables	8,477,661.06	38,788,064.48
Total	8,747,961.06	46,407,948.62

SECTION 10 FINANCIAL REPORT

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

5.1 Dividends receivable

(1) Classification of dividends receivable

Item (or the investee)	Ending balance	Beginning balance
Shandong Tianhai High Pressure Container Co., Ltd. (now renamed as Shandong Yongan Special Equipment Co., Ltd.)	270,300.00	7,619,884.14

(2) Significant dividends receivable with aging over 1 year

Item (or the investee)	Ending balance	Aging	Reasons for none recovery	Impairment and judgment basis
Shandong Tianhai High Pressure Container Co., Ltd. (now renamed as Shandong Yongan Special Equipment Co., Ltd.)	270,300.00	1-2 years	Fund shortage	The operation is normal and no impairment has occurred.

(3) Bad debt provision of dividends receivable

The Group has no bad debt provision of dividends receivable in the current period.

5.2 Other receivables

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

Category	Ending balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made as per portfolio	10,419,158.80	100.00	1,941,497.74	-	8,477,661.06
Including: portfolio by ageing	10,419,158.80	100.00	1,941,497.74	18.63	8,477,661.06
Total	10,419,158.80	100.00	1,941,497.74	-	8,477,661.06

(Con't)

Category	Beginning balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Bad debt provision made as per portfolio	40,721,491.77	100.00	1,933,427.29	-	38,788,064.48
Including: portfolio by ageing	40,721,491.77	100.00	1,933,427.29	4.75	38,788,064.48
Total	40,721,491.77	100.00	1,933,427.29	-	38,788,064.48

SECTION 10 FINANCIAL REPORT

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

5.2 Other receivables (Continued)

(2) Bad debt provision of other receivables accrued as per portfolio

Including: portfolio by ageing

Aging	Ending balance		Provision proportion (%)
	Other receivables	Bad debt provision	
Within 1 year	3,601,500.32	30,228.42	0.84
1-2 years	4,676,182.43	133,271.2	2.85
2-3 years	260,621.34	15,716.15	6.03
3-4 years	132,328.62	14,079.23	10.64
4-5 years	485.00	161.65	33.33
Over 5 years	1,748,041.09	1,748,041.09	100.00
Total	10,419,158.80	1,941,497.74	-

(Con't)

Aging	Beginning balance		Provision proportion (%)
	Other receivables	Bad debt provision	
Within 1 year	38,339,502.69	322,173.65	0.84
1-2 years	579,923.48	16,511.57	2.85
2-3 years	182,828.62	11,025.41	6.03
3-4 years	10,723.46	1,140.80	10.64
4-5 years	38,906.50	12,968.84	33.33
Over 5 years	1,569,607.02	1,569,607.02	100.00
Total	40,721,491.77	1,933,427.29	-

(3) Classification of other receivables by nature

Nature of amount	Ending balance	Beginning balance
Pretty cash	2,094,047.40	1,686,234.53
Deposit, security, etc.	2,778,762.53	4,701,044.32
Advances to suppliers more than five years	1,664,049.59	1,304,663.42
Intercourse funds	3,882,299.28	33,029,549.50
Total	10,419,158.80	40,721,491.77

SECTION 10 FINANCIAL REPORT

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

5.2 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, 2020	0.00	1,933,427.29	0.00	1,933,427.29
Book balance of other receivables on January 01, 2020 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 Stage1	0.00	0.00	0.00	0.00
Provision in current period	0.00	8,070.45	0.00	8,070.45
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
Balance on June 30, 2020	0.00	1,941,497.74	0.00	1,941,497.74

(5) Other receivables listed as per aging

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	3,601,500.32	38,339,502.69
1-2 years	4,676,182.43	579,923.48
2-3 years	260,621.34	182,828.62
Over 3 years	1,880,854.71	1,619,236.98
3-4 years	132,328.62	10,723.46
4-5 years	485.00	38,906.50
Over 5 years	1,748,041.09	1,569,607.02
Total	10,419,158.80	40,721,491.77

Note: The increase of other receivables over five years in this period is due to the newly increased prepayments over five years of RMB359,386.17, which are reclassified to other receivables for bad debts.

(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	1,933,427.29	8,070.45	0.00	0.00	1,941,497.74

(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)

5.2 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	3,492,204.61	Within 2 years	33.52	82,823.54
Tianjin Tianbao Energy Co., Ltd.	Reimbursed expenses	763,882.99	1-2 years	7.33	22,873.08
Liu Bo	Bid bond	548,580.00	Within 3 years	5.27	2,913.84
Baotou Steel Union Sales Co., Ltd.	Intercourse funds	400,648.84	Over 5 years	3.85	400,648.84
Taiyuan Heavy Industry Co., Ltd.	Intercourse funds	350,000.00	Over 5 years	3.36	350,000.00
Total		5,555,316.44		53.33	859,259.30

(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	121,294,254.18	18,712,047.17	102,582,207.01
Products in process	134,693,042.10	21,705,766.22	112,987,275.88
Finished goods	107,692,579.63	7,361,003.58	100,331,576.05
Goods shipped	812,574.88	34,587.91	777,986.97
Total	364,492,450.79	47,813,404.88	316,679,045.91

(Con't)

Item	Beginning balance		
	Book balance	Inventory falling price reserves	Book value
Raw materials	118,416,947.90	19,864,801.16	98,552,146.74
Products in process	148,827,823.68	21,816,261.62	127,011,562.06
Finished goods	102,164,155.98	8,329,211.50	93,834,944.48
Goods shipped	2,790,887.91	16,035.67	2,774,852.24
Total	372,199,815.47	50,026,309.95	322,173,505.52

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	19,864,801.16	4,013,965.92	0.00	5,166,719.91	0.00	18,712,047.17
Products in process	21,816,261.62	2,834,659.11	0.00	2,945,154.51	0.00	21,705,766.22
Finished goods	8,329,211.50	3,965,273.74	0.00	4,933,481.66	0.00	7,361,003.58
Goods shipped	16,035.67	34,587.91	0.00	16,035.67	0.00	34,587.91
Total	50,026,309.95	10,848,486.68	0.00	13,061,391.75	0.00	47,813,404.88

(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.15 Inventories" for provision method of inventory falling price reserves.

7. Contractual assets

(1) Contractual assets

Item	Ending balance		
	Book balance	Bad debt provision	Net book value
Rent of Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	22,861,344.86	409,096.47	22,452,248.39

(Con't)

Item	Beginning balance		
	Book balance	Bad debt provision	Net book value
Rent of Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	21,844,947.03	183,497.56	21,661,449.47

(2) Amount and reason of significant change in the book value of the contract assets in the current period

Item	Amount changed	Causes of the change
Rent of Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	790,798.92	Recognized as per the contract

SECTION 10 FINANCIAL REPORT

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

7. Contractual assets (Continued)

(3) Provision for impairment of contractual assets

	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, 2020	0.00	183,497.56	0.00	183,497.56
In the current period, as at January 01, 2020,				
the book balance of contractual assets	–	–	–	–
– 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	225,598.91	0.00	225,598.91
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, 2020	0.00	409,096.47	0.00	409,096.47

(4) Provision for impairment of contractual assets in the current period

Item	Beginning balance	Provision in current period	Reversals in the current period	Charge-off/write-off in the current period	Ending balance	Causes
Rent of Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	183,497.56	225,598.91	0.00	0.00	409,096.47	Provision for aging portfolio

8. Other current assets

Item	Ending balance	Beginning balance
Added-value tax retained	22,195,462.79	25,941,338.59
VAT not deducted	14,387,542.80	28,093,815.20
Enterprise income tax prepaid	336,884.73	441,056.15
Expenses on private placement of shares	0.00	1,491,320.85
Total	36,919,890.32	55,967,530.79

9. 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	0.00	0.00	0.00
Investment in associates	61,184,187.22	-6,049,911.14	1,201,558.14	53,932,717.94
Subtotal	61,184,187.22	-6,049,911.14	1,201,558.14	53,932,717.94
Less: Impairment provision of long-term equity investments	0.00	0.00	0.00	0.00
Total	61,184,187.22	-6,049,911.14	1,201,558.14	53,932,717.94

SECTION 10 FINANCIAL REPORT

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

9. 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				Others	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			
Associated enterprise										
Jiangsu Tiankai Special Equipment Co., Ltd.	28,305,433.48	0.00	0.00	780,473.46	0.00	0.00	0.00	0.00	29,085,906.94	0.00
Beijing Boken Energy Technology Inc.	19,315,983.44	0.00	0.00	100,654.99	0.00	0.00	1,201,558.14	0.00	18,215,080.29	0.00
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	13,562,770.30	0.00	0.00	-6,931,039.59	0.00	0.00	0.00	0.00	6,631,730.71	0.00
Total	61,184,187.22	0.00	0.00	-6,049,911.14	0.00	0.00	1,201,558.14	0.00	53,932,717.94	0.00

(3) Analysis of long-term equity investments

Item	Ending amount	Beginning amount
Listed	-	-
China (excluding Hong Kong)	18,215,080.29	19,315,983.44
Hong Kong	0.00	0.00
Other regions	0.00	0.00
Subtotal	18,215,080.29	19,315,983.44
Unlisted	35,717,637.65	41,868,203.78
Total	53,932,717.94	61,184,187.22

10. Investment properties

(1) Investment properties in the mode of cost measurement

Item	Plant & buildings	Land use right	Total
I. Original book value			
1. Beginning balance	65,425,484.59	9,008,627.00	74,434,111.59
2. Increase in current period	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00
4. Ending balance	65,425,484.59	9,008,627.00	74,434,111.59
II. Accumulated depreciation and accumulated amortization			
1. Beginning balance	44,519,346.52	1,996,910.14	46,516,256.66
2. Increase in current period	312,937.70	90,086.12	403,023.82
Including: provision or amortization	312,937.70	90,086.12	403,023.82
3. Decrease in current period	0.00	0.00	0.00
4. Ending balance	44,832,284.22	2,086,996.26	46,919,280.48
III. Impairment provision			
1. Beginning balance	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00
IV. Book value			
1. Ending book value	20,593,200.37	6,921,630.74	27,514,831.11
2. Beginning book value	20,906,138.07	7,011,716.86	27,917,854.93

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

(3) The amount of depreciation and amortization for investment properties recognized as profits or losses is RMB403,023.82 (amount of previous period: RMB341,155.88) in the current period.

SECTION 10 FINANCIAL REPORT

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

11. Fixed assets

Item	Ending book value	Beginning book value
Fixed assets	620,529,315.76	641,752,611.90
Disposal of fixed assets	60,396.85	0.00
Total	620,589,712.61	641,752,611.90

11.1 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	477,525,956.92	608,302,753.74	20,475,083.58	8,478,419.25	4,692,606.75	1,119,474,820.24
2. Increase in current period	0.00	2,809,065.78	1,286,081.71	128,782.04	221,238.94	4,445,168.47
(1) Purchase	0.00	20,019.59	527,373.75	128,782.04	221,238.94	897,414.32
(2) Transferred from construction in progress	0.00	2,789,046.19	758,707.96	0.00	0.00	3,547,754.15
3. Decrease in current period	0.00	275,977.01	3,436,902.55	0.00	0.00	3,712,879.56
(1) Disposal or scrapping	0.00	275,977.01	3,436,902.55	0.00	0.00	3,712,879.56
4. Ending balance	477,525,956.92	610,835,842.51	18,324,262.74	8,607,201.29	4,913,845.69	1,120,207,109.15
II. Accumulated depreciation						
1. Beginning balance	88,891,222.12	351,697,831.78	15,478,498.92	6,271,764.58	2,817,657.97	465,156,975.37
2. Increase in current period	5,582,091.83	18,997,827.36	358,626.49	347,615.42	16,374.36	25,302,535.46
(1) Provision	5,582,091.83	18,997,827.36	358,626.49	347,615.42	16,374.36	25,302,535.46
3. Decrease in current period	0.00	253,738.12	3,093,212.29	0.00	0.00	3,346,950.41
(1) Disposal or scrapping	0.00	253,738.12	3,093,212.29	0.00	0.00	3,346,950.41
III. Impairment provision						
1. Beginning balance	0.00	12,444,450.27	0.00	0.00	120,782.70	12,565,232.97
2. Increase in current period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	12,444,450.27	0.00	0.00	120,782.70	12,565,232.97
IV. Book value						
1. Ending book value	383,052,642.97	227,949,471.22	5,580,349.62	1,987,821.29	1,959,030.66	620,529,315.76
2. Beginning book value	388,634,734.80	244,160,471.69	4,996,584.66	2,206,654.67	1,754,166.08	641,752,611.90

Note 1: The Property Ownership Certificate for Kuancheng Manchu Autonomous County (J (2017) No. 0000570) of Kuancheng Tianhai Pressure Container Co., Ltd., a subsidiary of the Company, at the end of the period is used as the mortgage to Bank of China Limited Chengde Branch, involving RMB39,556,300 of the assessed value, the maximum debt limit of RMB18,000,000.00, the loan contract No. of J-04-2017-077 (D) and the loan period from November 24, 2017 to November 23, 2020. The land is located in Xiaolongxumen Village, Longxumen Town, Kuancheng Manchu Autonomous County, with the area of 30,207.04 m² and the plant & buildings area of 17,772.27 m².

Note 2: the ending fixed assets of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the company: ① housing and building certificate J (2017) TBDCQ No. 0029569, with an area of 34727.98 m², located at 101, Floors 1 to 4, No. 1, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB170.67 million; ② plant and building certificate J (2017) TBDCQ No. 0029570, with an area of 8893.46 m², located at 101, Floors-1 to 6, No. 2, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB43.71 million; ③ plant and building certificate J (2017) TBDCQ No. 0029563, with an area of 196.51 m², located at 101, Floor 1, No. 4, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB970,000; ④ plant and building certificate J (2017) TBDCQ No. 0029564, with an area of 368.45 m², located at 101, Floor 1, No. 5, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB1.81 million; ⑤ plant and building certificate J (2017) TBDCQ No. 0029556, covering an area of 160.78 m², is located at 101, Floor 1, No. 6, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB790,000; ⑥ plant and building certificate J (2017) TBDCQ No. 0029561, with an area of 422.15 m², located at 101, Floors 1 to 2, Building 7, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB2.07 million; and ⑦ Land Use Right Land No. JTG (2013C) 00061, with an area of 66,167.64 m², located in the central district of Huoxian Town, Tongzhou District. It is used to provide maximum loan mortgage to Bank of Beijing Co., Ltd., Taoran Sub-branch by Beijing Tianhai Industry Co., Ltd., involving an estimated value of RMB220.02 million, with the mortgage contract No. 0513051-001, and the maximum amount of creditor's rights is RMB80 million, of which the load term of RMB29,942,835.31 is from October 22, 2019 to October 15, 2020, and that of RMB20 million is from October 17, 2019 to October 18, 2020. By the end of the period, the bank has made a loan of RMB49,942,835.31.

SECTION 10 FINANCIAL REPORT

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

11 Fixed assets (Continued)

11.1 Fixed assets (Continued)

- (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 RMB25,302,535.46 (amount of previous period: RMB27,607,735.98) in the current period.
- (7) The gain from sale of fixed assets in the current period is RMB0.00.
- (8) Analysis of plant & buildings based on location and service life:

Item	Ending amount	Beginning amount
Within China	383,052,642.97	388,634,734.80
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	383,052,642.97	388,634,734.80
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	383,052,642.97	388,634,734.80

11.2 Disposal of fixed assets

Item	Ending amount	Beginning amount
Disposal of fixed assets	60,396.85	0.00

12. Construction in progress

Item	Ending amount	Beginning amount
Construction in progress	54,164,548.46	25,554,133.59
Construction materials	0.00	0.00
Total	54,164,548.46	25,554,133.59

SECTION 10 FINANCIAL REPORT

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

12. Construction in progress (Continued)

Construction in progress

Item	Ending balance		
	Book balance	Impairment provision	Book value
Buildings under construction and equipment to be installed	14,645,812.37	0.00	14,645,812.37
CNG-IV cylinder (plastic liner composite cylinder)	39,518,736.09	0.00	39,518,736.09
Total	54,164,548.46	0.00	54,164,548.46

(Con't)

Item	Beginning balance		
	Book balance	Impairment provision	Book value
Buildings under construction and equipment in the process of installation	7,145,528.55	0.00	7,145,528.55
CNG-IV cylinder (plastic liner composite cylinder)	18,408,605.04	0.00	18,408,605.04
Total	25,554,133.59	0.00	25,554,133.59

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	2,459,823.66	3,965,587.82	0.00	0.00	6,425,411.48
CNG-IV cylinder (plastic liner composite cylinder)	18,408,605.04	21,110,131.05	0.00	0.00	39,518,736.09
Total	20,868,428.70	25,075,718.87	0.00	0.00	45,944,147.57

(Con't)

Project name	Budget (ten thousand yuan)	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	3,000.00	72.89	90.00	0.00	0.00	0.00	Self-raised
CNG-IV cylinder (plastic liner composite cylinder)	5,200.00	76.00	50.00	0.00	0.00	0.00	Self-raised
Total	8,200.00	-	-	-	-	-	-

SECTION 10 FINANCIAL REPORT

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

13. 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	21,601,272.21	11,707,050.00	2,653,287.39	35,961,609.60
2. Increase in current period	1,517,711.52	0.00	124,813.77	1,642,525.29
(1) Provision	1,517,711.52	0.00	124,813.77	1,642,525.29
3. Decrease in current period	0.00	0.00	0.00	0.00
4. Ending balance	23,118,983.73	11,707,050.00	2,778,101.16	37,604,134.89
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	122,045,778.35	0.00	704,956.85	122,750,735.20
2. Beginning book value	123,563,489.87	0.00	829,770.62	124,393,260.49

Note: For the detailed mortgage of the land use right of the Group at the end of the period, refer to Note VI. 11 Fixed Assets for related contents.

- (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 RMB1,642,525.29 (amount of previous period: RMB2,497,950.46) in the current period.
- (5) Analysis of land use right based on location and service life:

Item	Ending amount	Beginning amount
Within China	122,045,778.35	123,563,489.87
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	122,045,778.35	123,563,489.87
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	122,045,778.35	123,563,489.87

SECTION 10 FINANCIAL REPORT

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

14. 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

15. Long-term prepaid expenses

Item	Beginning balance	Increase in the current period	Amortization in the current period	Ending balance
Amortization of turnover fees	6,992,009.80	1,279,564.32	2,206,144.38	6,065,429.74
Amortization of installation cost of power transmission and distribution projects	50,181.57	0.00	15,846.78	34,334.79
Total	7,042,191.37	1,279,564.32	2,221,991.16	6,099,764.53

16. 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	991,604.54	247,901.14	989,990.22	247,497.56
Depreciation life difference	218,486.86	45,882.24	890,395.67	186,983.09
Total	1,210,091.40	293,783.38	1,880,385.89	434,480.65

(2) Details of unrecognized deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	–	–
Deductible loss	657,512,588.39	657,512,588.39
Provision for assets impairment	133,416,740.18	131,279,101.47
Total	790,929,328.57	788,791,689.86

SECTION 10 FINANCIAL REPORT

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

16. 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
2019	0.00	0.00	-
2020	50,391,998.76	50,391,998.76	-
2021	44,798,112.53	44,798,112.53	-
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	65,618,137.50	65,618,137.50	-
2026	55,652,043.06	55,652,043.06	-
2027	0.00	0.00	-
2028	142,740,992.43	142,740,992.43	-
2029	75,303,458.65	75,303,458.65	-
Total	657,512,588.39	657,512,588.39	-

17. Short-term borrowings

(1) Classification

Category	Ending balance	Beginning balance
Mortgage borrowing	49,942,835.31	78,319,200.81
Guaranteed borrowing	149,281,913.50	212,645,026.00
Total	199,224,748.81	290,964,226.81

- On October 22, 2018, Beijing Tianhai, a subsidiary of the Company, signed a comprehensive credit contract No. 0513051 with Bank of Beijing Co., Ltd, Taoran Sub-branch. The credit line is RMB80,000,000. The validity period is one year from the date of contract conclusion, and the loan interest rate is 4.35%. The collateral is the ending fixed assets of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the company: ① housing and building certificate J (2017) TBDCQ No. 0029569, with an area of 34,727.98 m², located at 101, Floors 1 to 4, No. 1, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB170.67 million; ② plant and building certificate J (2017) TBDCQ No. 0029570, with an area of 8,893.46 m², located at 101, Floors-1 to 6, No. 2, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB43.71 million; ③ plant and building certificate J (2017) TBDCQ No. 0029563, with an area of 196.51 m², located at 101, Floor 1, No. 4, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB970,000; ④ plant and building certificate J (2017) TBDCQ No. 0029564, with an area of 368.45 m², located at 101, Floor 1, No. 5, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB1.81 million; ⑤ plant and building certificate J (2017) TBDCQ No. 0029556, covering an area of 160.78 m², is located at 101, Floor 1, No. 6, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB790,000; ⑥ plant and building certificate J (2017) TBDCQ No. 0029561, with an area of 422.15 m², located at 101, Floors 1 to 2, Building 7, Courtyard 1, Nansi Street, Huoxian County, Tongzhou District, with an estimated value of RMB2.07 million; and ⑦ Land Use Right Land No. JTG Y (2013C) 00061, with an area of 66,167.64 m², located in the central district of Huoxian Town, Tongzhou District. It is used to provide maximum loan mortgage to Bank of Beijing Co., Ltd., Taoran Sub-branch by Beijing Tianhai, involving an estimated value of RMB220.02 million, with the mortgage contract No. 0513051-001, and the maximum amount of creditor's rights is RMB80 million, of which the lead term of RMB29,942,835.31 is from October 22, 2019 to October 15, 2020, and that of RMB2,000.00 is from October 17, 2019 to October 18, 2020. By the end of the period, the bank has made a loan of RMB49,942,835.31.
- On July 01, 2019, Beijing Tianhai signed a working capital loan contract (No. YYB1210120190041) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of EUR 163,000.00, lasting from July 01, 2019 to November 30, 2020 and with the loan rate of 5.87%. Jingcheng Holding 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 EUR 163,000.00.

SECTION 10 FINANCIAL REPORT

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

17. Short-term borrowings (Continued)

(1) Classification (Continued)

- 3) On July 30, 2019, Beijing Tianhai signed a working capital loan contract (No. YYB1210120190087) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB30 million, lasting from July 30, 2019 to July 30, 2020 and with the loan rate of 5.87%. Jingcheng Holding 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.
- 4) On August 16, 2019, Beijing Tianhai signed a working capital loan contract (No. YYB1210120190098) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB20 million, lasting from August 16, 2019 to August 16, 2020 and with the loan rate of 5.87%. Jingcheng Holding 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.
- 5) On September 17, 2019, Beijing Tianhai signed a working capital loan contract (No. YYB1210120190123) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB30 million, lasting from September 17, 2019 to September 17, 2020 and with the loan rate of 5.87%. Jingcheng Holding 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.
- 6) On October 16, 2019, Beijing Tianhai signed a working capital loan contract (No. YYB1210120190136) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB8 million, lasting from October 16, 2019 to October 16, 2020 and with the loan rate of 5.87%. Jingcheng Holding 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 RMB8 million.
- 7) On April 20, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200042) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB10 million, lasting from April 21, 2020 to April 20, 2021 and with the loan rate of 5.307%. Jingcheng Holding will provide the maximum amount guarantee from the effective date of the main contract to two years after the date of expiry of the debt performance under the main contract. By the end of the period, the bank has lent RMB10,000,000.00.
- 8) On April 28, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200045) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB30 million, lasting from April 29, 2020 to April 29, 2021 and with the loan rate of 5.307%. Jingcheng Holding 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.
- 9) On June 18, 2020, Beijing Tianhai signed a working capital loan contract (No. YYB1210120200051) with Beijing Guanghua Sub-branch of Huaxia Bank, with the loan amount of RMB20 million, lasting from June 18, 2020 to June 18, 2021 and with the loan rate of 5.22%. Jingcheng Holding 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.

(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 5.32% (5.38% at the end of previous period).

18. Notes payable

Item	Ending balance	Beginning balance
Notes payable	62,100,000.00	0.00

SECTION 10 FINANCIAL REPORT

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

19. Accounts payable

(1) Presentation of accounts payable

Item	Ending balance	Beginning balance
Material payment, etc.	321,694,356.47	285,228,037.89
Project payment	5,326,819.84	6,281,455.93
Total	327,021,176.31	291,509,493.82

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

Company name	Ending balance	Reasons for nonrepayment or carrying over
Roth composite machinery	10,375,928.00	Unsettled
Jiangsu Tianhai Special Equipment Co., Ltd.	5,509,616.55	Unsettled
Xinxiang Jinpeng Metallurgical Equipment Co., Ltd.	6,880,274.95	Unsettled
Gaobeidian Haihong Industrial Co., Ltd.	4,437,015.27	Unsettled
Gaobeidian Baobei Telecommunications Equipment Factory	3,361,272.75	Unsettled
Danyang Flywheel Gas Valve Co., Ltd.	3,299,979.70	Unsettled
Jiangsu Dali Energy Saving Technology Co., Ltd.	3,244,670.45	Unsettled
Beijing Yataihongda Trading Co., Ltd.	3,098,212.33	Unsettled
Shengzhongyuan Hoisting Machinery Operation Department, Dongli District, Tianjin	2,681,006.57	Unsettled
Tianjin Seamless Investment Co., Ltd.	2,590,165.89	Unsettled
Wuxi Zhengda Metal Products Co., Ltd.	2,549,464.27	Unsettled
Changzhou Hengpu Electromechanical Engineering Co., Ltd.	2,448,154.48	Unsettled
Tianjin WERH Air Compressor Sales Co., Ltd.	2,006,365.57	Unsettled
Total	52,482,126.78	—

(3) Presentation of accounts payable as per aging

Aging	Ending balance	Beginning balance
Within 1 year	194,009,821.18	258,608,389.73
1-2 years	107,869,669.89	23,950,388.74
2-3 years	17,969,185.08	6,491,516.92
Over 3 years	7,172,500.16	2,459,198.43
Total	327,021,176.31	291,509,493.82

SECTION 10 FINANCIAL REPORT

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

20. Employee benefits payable

(1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term benefits	22,090,375.57	82,687,388.81	88,094,658.92	16,683,105.46
Post-employment benefits-defined contribution plan	1,115,915.14	2,402,552.60	2,479,108.20	1,039,359.54
Dismissal welfare	0.00	15,045.00	15,045.00	0.00
Current portion of other welfare	2,673,729.34	-53,345.14	458,671.28	2,161,712.92
Total	22,880,020.05	85,051,641.27	91,047,483.40	19,884,177.92

(2) Short-term benefits

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salary, bonus, allowance and subsidy	14,320,588.56	70,203,551.69	75,965,616.95	8,558,523.30
Employee welfare expenses	0.00	415,265.16	415,265.16	0.00
Social insurance premium	878,843.05	5,038,993.50	5,300,575.14	617,261.41
Including: medical insurance premium	788,131.57	4,687,290.63	4,930,967.91	544,454.29
Work injury insurance premium	43,212.10	148,166.07	156,060.32	35,317.85
Childbearing insurance premium	47,499.38	203,536.80	213,546.91	37,489.27
Housing provident fund	134,866.94	5,291,343.60	5,298,004.60	128,205.94
Labor union expenditure & personnel education fund	5,072,137.02	1,646,034.86	1,022,997.07	5,695,174.81
Housing allowance	1,683,940.00	92,200.00	92,200.00	1,683,940.00
Total	22,090,375.57	82,687,388.81	88,094,658.92	16,683,105.46

(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	1,005,589.13	2,299,482.44	2,357,318.16	947,753.41
Unemployment insurance premium	110,326.01	103,070.16	121,790.04	91,606.13
Total	1,115,915.14	2,402,552.60	2,479,108.20	1,039,359.54

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 RMB2,402,552.60 (amount of previous period: RMB12,549,224.28) into the defined contribution plan for the year in which it participates. On June 30, 2020, the Group still has RMB1,039,359.54 (beginning amount: RMB1,115,915.14) for deposit, which are due and unpaid during the Reporting Period. The relevant deposit fees have been deposited after the Reporting Period.

SECTION 10 FINANCIAL REPORT

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

21. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	659,392.43	4,761,369.35
Corporate income tax	675,980.68	765,473.55
Individual income tax	574,090.36	679,303.05
City maintenance and construction tax	60,625.87	244,709.09
Education surcharge	38,891.84	121,892.24
Local education surcharge	8,464.76	57,801.99
Stamp duty	328,955.01	294,502.12
Environmental protection taxes	19,846.33	16,220.60
Disabled persons' employment security fund	335,000.00	0.00
Total	2,701,247.28	6,941,271.99

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

22. Other payables

Item	Ending balance	Beginning balance
Interest payable	601,368.81	0.00
Dividends payable	0.00	0.00
Other payables	147,067,696.15	83,829,249.76
Total	147,669,064.96	83,829,249.76

22.1 Interests payable

(1) Classification

Item	Ending balance	Beginning balance
Interest payable of short-term borrowing	601,368.81	0.00

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

22.2 Other payables

(1) Classification of other payables by nature

Nature of amount	Ending balance	Beginning balance
Related party borrowing	91,625,597.40	50,651,159.70
Cash paid for minority stockholder's reduction of contribution	11,349,712.81	0.00
Funds disbursed for others, etc.	35,849,991.38	26,098,020.50
Transaction payments of related parties	7,461,562.62	6,412,710.47
Rental fees	757,359.09	667,359.09
Return of Social Insurance	23,472.85	0.00
Total	147,067,696.15	83,829,249.76

SECTION 10 FINANCIAL REPORT

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

22. Other payables (Continued)

22.2 Other payables (Continued)

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

Company name	Ending balance	Reasons for unrepayment or carrying over
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	55,359,666.64	Unsettled
Tianjin Seamless Investment Co., Ltd.	1,704,203.53	Unsettled
Total	57,063,870.17	

23. Contractual liabilities

(1) Contractual liabilities

Item	Ending balance	Beginning balance
Goods payment received in advance including: more than one year	59,540,183.91	61,714,542.49
	21,718,530.57	18,410,613.50

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

Item	Amount changed	Causes of the change
Beijing Boda Shunyuan Natural Gas Co., Ltd.	-3,050,000.00	Contract performed
Gloryholder Liquefied Gas Machinery (DL) Co., Ltd.	-5,611,200.00	Contract performed
Zhengzhou Tianhai Cylinders Sales Co., Ltd.	1,294,600.00	New contract not performed
CORPORACION BOLIVIANA DE OXIGENO	950,883.04	New contract not performed
Party Time (Qingdao) Industry Limited	761,550.00	New contract not performed
Total	-5,654,166.96	-

(3) Significant contractual liabilities aged over 1 year

Company name	Ending balance	Reasons for unrepayment or carrying over
WESTPORT POWER INC.	5,680,791.16	The contract has not been completely fulfilled.
Dalian Shipbuilding Industry Co., Ltd.	2,069,068.80	The contract has not been completely fulfilled.
EUROTECH CYLINDERS PVT.LTD	1,016,071.11	The contract has not been completely fulfilled.
Tangshan Caofeidian District Huarui Gas Co., Ltd.	980,000.00	The contract has not been completely fulfilled.
Gas Pantai Timur Sdn.Bhd	891,167.69	The contract has not been completely fulfilled.
Total	10,637,098.76	-

SECTION 10 FINANCIAL REPORT

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

24. Current portion of non-current liabilities

Item	Ending balance	Beginning balance	Remarks
Current portion of long-term borrowings	5,500,000.00	11,000,000.00	Note 1
Current portion of special payables	11,000,000.00	11,000,000.00	
Including: Skid-mounted Fueling Station for Liquefied Natural Gas	5,000,000.00	5,000,000.00	Note 2
Self-compression-adding Liquefied Natural Gas (LNG) Welding Thermal Insulation Cylinder Products for Motor Vehicles	2,000,000.00	2,000,000.00	Note 3
Liquefied Natural Gas Low Temperature Storage Tank Product for HPDI-T6 Motor Vehicles	4,000,000.00	4,000,000.00	Note 4
Total	16,500,000.00	22,000,000.00	

Note 1: On December 07, 2017, Kuancheng Tianhai Pressure Container Co., Ltd., a subsidiary of the Company, signed a loan contract (No. J-04-2017-077) with Chengde Branch of Bank of China Limited, with the loan amount of RMB18,000,000.00, lasting for 36 months from December 28, 2017 to December 27, 2020 and with the loan rate of 5.70%. The Company took its property and land (Real Property Ownership Certificate of Land Use Right for Kuancheng Manchu Autonomous County (J (2017) No. 0000570) worthy of RMB39,556,300.00 as assessed in total for mortgage from December 28, 2017 to the date of expiry of the debt performance under the main contract. By the end of the period, the outstanding bank loans were 5.5 million.

Note 2: On December 25, 2012, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a "Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technology Research and Development Projects". Jingcheng Holding granted a supporting fund of RMB5,000,000 on skid-mounted liquefied natural gas (LNG) refilling stations of the Company. The Company would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.

Note 3: On December 22, 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a "Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technology Research and Development Projects". Jingcheng Holding granted Beijing Tianhai Industry Co., Ltd. a supporting fund of RMB2,000,000 on the development of the Company's self-compression-adding liquefied natural gas (LNG) welding thermal insulation cylinder products for motor vehicles. The Company would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.

Note 4: On December 22, 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a "Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technology Research and Development Projects". A supporting fund of RMB4,000,000 on the development of the Company's liquefied natural gas low temperature storage tank product for HPDI-T6 motor vehicles was granted. Beijing Tianhai Industry Co., Ltd. will make RMB1,200,000 and RMB2,800,000 repayment of the non-current liability not repaid at the end of the period that has been adjusted to current portion of non-current liabilities, to Jingcheng Holding within the first 10 working days effective from December 01, 2014 and December 01, 2015, respectively. Such non-current liability has not been repaid at the end of the period.

25. Other current liabilities

Item	Ending balance	Beginning balance
Pending changeover VAT on sales	281,811.60	281,811.60

26. Long-term borrowings

(1) Classification

Category	Ending balance	Beginning balance
Debt of honor	1,253,071.50	0.00

Note: On April 21, 2020, BTIC AMERICA CORPORATION, a subsidiary of the Company, signed a loan agreement with Southwestern National Bank under contract number 6432127105/7410400, with a loan amount of USD177,000 and a loan term of 24 months from April 21, 2020 to April 21, 2022. The repayment method is divided into 17 installments of USD9,961.03 and one installment of USD9,960.95 (including principal and interest). This loan is under a salary protection plan supported by the US government.

The Group's long-term borrowing rate is 1.00%.

SECTION 10 FINANCIAL REPORT

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

26. Long-term borrowings (Continued)

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

Item	Ending amount	Beginning amount
One to two years	1,253,071.50	0.00
Two to five years	0.00	0.00
More than five years	0.00	0.00
Total	1,253,071.50	0.00

Note: The current portion of long-term borrowings is reclassified as the "current portion of non-current liability". Refer to VI. 24 Current portion of non-current liability of the Notes for details.

27. Long-term payables

Item	Ending balance	Beginning balance
Long-term payables	27,418,643.76	39,200,000.00
Special payables	115,900,000.00	115,900,000.00
Total	143,318,643.76	155,100,000.00

27.1 Long-term payables

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

Nature of amount	Ending balance	Beginning balance
Subscribed capital contribution	27,418,643.76	39,200,000.00

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

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

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

Item	Ending balance	Beginning balance
One to two years	27,418,643.76	39,200,000.00
Two to five years	0.00	0.00
More than five years	0.00	0.00
Total	27,418,643.76	39,200,000.00

SECTION 10 FINANCIAL REPORT

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

27. Long-term payables (Continued)

27.2 Special payables

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause
Project of Aluminum Lined Fully-wrapped Composite Gas Cylinder for Tianhai Vehicles	3,900,000.00	0.00	0.00	3,900,000.00	Note 1
Project of Production Base Construction for Gas Storage and Transportation Equipment	100,000,000.00	0.00	0.00	100,000,000.00	Note 2
Intelligent Numerical Control Production Line Construction Phase I Project for 20,000 Plastic Liner Fiber Fully Wrapped Composite Cylinder	12,000,000.00	0.00	0.00	12,000,000.00	Note 3
Total	115,900,000.00	0.00	0.00	115,900,000.00	

Note 1: Beijing Tianhai signed Fund Supporting Contract for Jingcheng Holding's Strategic Products and Technical R&D with Jingcheng Holding in 2009; and Jingcheng Holding provided RMB10,000,000.00 for supporting the Project of Aluminum Lined Fully-wrapped Composite Gas Cylinder for Tianhai Vehicles of Beijing Tianhai. The balance unpaid at the end of the period is RMB3,900,000.

Note 2: State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality issued Notice about Appropriation of 2013 State-owned Capital Operation Budget on June 04, 2013 (JGZ [2013] No.96) to Jingcheng Holding and notified to arrange RMB100,000,000.00 for the Project of Production Base Construction for Gas Storage and Transportation Equipment. Beijing Tianhai received the above funds in August 2013.

Note 3: The State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality issued a Notice about Appropriation of 2013 State-owned Capital Operation Budget (JGZ. [2019] No. 1691) to Jingcheng Holding on August 16, 2019, notified to arrange RMB1,200,000,000 for the Intelligent Numerical Control Production Line Construction Phase I Project for 20,000 Plastic Liner Fiber Fully Wrapped Composite Cylinder. Beijing Tianhai received the above funds in September 2019.

28. Long-term employee benefits payable

(1) Classification

Item	Ending balance	Beginning balance
Net liabilities of post-employment benefits – defined benefit plan	26,841,945.17	26,035,280.87

(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	28,709,010.21	27,685,718.77
Defined benefit cost included in current profits and losses	753,319.16	2,205,050.88
1. Current service cost	52,327.52	841,441.03
2. Previous service cost	0.00	0.00
3. Settlement gains (losses to be listed with "-")	0.00	0.00
4. Net interests	700,991.64	1,363,609.85
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	-458,671.28	-1,181,759.44
1. Liabilities eliminated when settling	0.00	0.00
2. Paid welfare	-458,671.28	-1,181,759.44
Ending balance	29,003,658.09	28,709,010.21
Less: current portion of welfare	2,161,712.92	2,673,729.34
Deduction of current portion of the ending balance	26,841,945.17	26,035,280.87

SECTION 10 FINANCIAL REPORT

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

28. 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	28,709,010.21	27,685,718.77
Defined benefit cost included in current profits and losses	753,319.16	2,205,050.88
Defined benefit cost included in other comprehensive incomes	0.00	0.00
Other changes	-458,671.28	-1,181,759.44
Ending balance	29,003,658.09	28,709,010.21

(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.

29. Estimated liabilities

Item	Ending balance	Beginning balance	Cause
Product quality assurance	4,847,373.02	3,906,332.75	Quality bond

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

30. Deferred income

(1) Classification

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause
Government grants	2,052,019.15	5,000,000.00	517,835.88	6,534,183.27	Note 1 to Note 4

SECTION 10 FINANCIAL REPORT

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

30. 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	392,035.39	0.00	0.00	15,929.22	0.00	376,106.17	Revenue-related
Provincial industrial transformation and upgrading projects in 2018	1,659,983.76	0.00	0.00	501,906.66	0.00	1,158,077.10	Assets-related
Development project of fixed liquid hydrogen storage tank	0.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Revenue-related
Design and development of vehicle-mounted 1000L liquid hydrogen bottle	0.00	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Revenue-related
Total	2,052,019.15	5,000,000.00	0.00	517,835.88	0.00	6,534,183.27	-

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.

31. 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	0.00	63,000.00	0.00	0.00	0.00	63,000.00	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	422,000.00		0.00	0.00	0.00		485,000.00	

SECTION 10 FINANCIAL REPORT

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

32. Capital reserve

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Share premiums	561,384,250.65	145,651,490.68	0.00	707,035,741.33
Other capital reserves	125,964,838.95	0.00	0.00	125,964,838.95
Total	687,349,089.60	145,651,490.68	0.00	833,000,580.28

Note 1: As of June 30, 2020, total 63,000,000 restricted A-shares were issued under the non-public issuance of A shares, and the total amount of raised fund was RMB214,830,000. After deducting various issuance expenses of RMB7,104,802.04 (excluding tax), the actual net raised fund was RMB207,725,197.96, of which the newly added registered capital (capital stock) was RMB63,000,000.00, with an increased capital reserve of RMB144,725,197.96.

Note 2: BTIC AMERICA CORPORATION, a subsidiary of the Company, recovered 520 shares of BTIC AMERICA CORPORATION held by Zheng Guoxiang and Guo Zhihong, two natural person shareholders, and the registered capital of BTIC AMERICA CORPORATION was reduced by USD 1,459,270. The capital reserve increased was RMB926,292.72 in this capital reduction of minority shareholders.

33. 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: Exchange differences arising from foreign currency financial statements	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00
	2,594,544.50	343,846.44	0.00	0.00	319,559.11	24,287.33	2,914,103.61
	2,594,544.50	343,846.44	0.00	0.00	319,559.11	24,287.33	2,914,103.61
Total of other comprehensive incomes	2,754,544.50	343,846.44	0.00	0.00	319,559.11	24,287.33	3,074,103.61

34. 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)

35. Undistributed profit

Item	Current period	Previous period
Beginning balance	-820,483,186.46	-690,446,430.91
Add: adjustment of undistributed profits at the beginning of the period	0.00	0.00
Including: retroactive adjustment as newly stipulated in Accounting Standards		
for Business Enterprises	0.00	0.00
Changes in accounting policies	0.00	0.00
Correction of major early errors	0.00	0.00
Change in scope of consolidation under the common control	0.00	0.00
Other adjustment factors	0.00	0.00
Beginning balance in the current period	-820,483,186.46	-690,446,430.91
Add: net profits attributable to parent company in the current period	-24,089,791.77	-130,036,755.55
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	-844,572,978.23	-820,483,186.46

36. 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	485,274,619.95	417,037,790.15	575,703,089.13	522,388,206.41
Other businesses	38,557,028.82	43,615,492.35	19,454,529.51	7,462,525.64
Total	523,831,648.77	460,653,282.50	595,157,618.64	529,850,732.05

(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	207,812,689.70	163,196,836.31	233,574,260.28	182,876,864.69
Full-wrapped cylinder	43,656,034.81	39,404,906.73	74,864,185.85	71,671,527.24
Cryogenic cylinder	87,432,964.03	78,547,098.73	120,390,292.13	121,633,984.89
Cryogenic storage and transportation equipment	75,647,600.29	72,691,359.42	79,551,266.97	80,297,876.50
Others	70,725,331.12	63,197,588.96	67,323,083.90	65,907,953.09
Classification by business area				
Including: domestic	309,381,513.33	261,095,287.04	324,229,415.12	291,571,976.04
Overseas	175,893,106.62	155,942,503.11	251,473,674.01	230,816,230.37
Total	485,274,619.95	417,037,790.15	575,703,089.13	522,388,206.41

SECTION 10 FINANCIAL REPORT

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

36. Operating revenue and operating costs (Continued)

(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.

- (5) Total operating revenue from the top 5 customers of the Group is RMB114,057,814.43 in the current period, which represents 23.51% of the total operating revenue. (previous period: 24.87%), as listed below:

Company name	Operating revenue	Proportion to total operating revenues (%)
LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD.	28,658,365.42	5.91
Jiangsu Tianhai Special Equipment Co., Ltd.	27,203,779.35	5.61
Shaanxi Heavy Duty Automobile Co., Ltd.	23,501,641.07	4.84
WESTPORT POWER Inc.-Italy	19,237,028.59	3.96
Top Speed Energy Oversea Corp	15,457,000.00	3.19
Total	114,057,814.43	23.51

37. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
City maintenance and construction tax	265,324.40	819,479.05
Educational surtax (including local educational surtax)	209,099.78	598,181.95
Property tax	2,597,765.33	1,856,881.40
Land use tax	482,616.13	608,481.69
Stamp duty	169,231.09	99,733.82
Security funds for the disabled	335,000.00	295,000.00
Resource tax	14,851.20	6,238.39
Environmental protection taxes	30,037.04	18,001.21
Others	103,292.00	409.35
Total	4,207,216.97	4,302,406.86

SECTION 10 FINANCIAL REPORT

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

38. Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	10,015,063.05	11,766,366.05
Operational funds	754,501.81	827,999.45
Transportation expenses	6,472,887.99	7,875,685.47
Warehousing and maintenance fees	77,236.64	774,159.11
Exhibition fees	251,618.71	354,988.89
After-sales service charges	3,391,131.13	4,149,692.15
Repair cost	140,190.81	422,636.83
Office fees	69,645.70	339,385.78
Traveling expenses	660,825.54	1,606,833.01
Packing charges	567,118.13	860,090.05
Others	1,219,560.47	1,052,116.12
Total	23,619,779.98	30,029,952.91

39. Administrative expenses

Item	Amount in the current period	Amount in the previous period
Office fees	1,231,862.33	2,135,882.12
Traveling expenses	211,179.40	518,495.75
Energy fees	19,427.29	162,273.81
Repair cost	346,939.32	215,256.79
Depreciation expense	443,047.70	2,176,326.10
Employee compensation	24,606,625.07	33,396,466.56
Vehicle fees	844,773.18	1,567,142.28
Publicity expenses	4,055.87	333,145.79
Business entertainment expenses	99,967.81	285,560.01
Amortization of intangible assets	687,218.24	1,514,059.93
Fees for employing intermediary organs	1,781,343.07	2,422,949.20
– Audit service fees	216,775.54	389,501.55
– Tax service fees	0.00	66,037.73
– Other service fees	805,771.97	723,515.31
– Lawyer service fees	758,795.56	1,243,894.61
Others	2,028,187.69	2,986,511.92
Total	32,304,626.97	47,714,070.26

40. R&D expenses

Item	Amount in the current period	Amount in the previous period
Research and development expenses	9,163,732.02	4,488,434.23

SECTION 10 FINANCIAL REPORT

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

41. Financial expenses

(1) Breakdown of financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	9,519,858.78	10,606,563.98
Less: interest incomes	675,591.55	63,953.07
Add: exchange losses	257,722.14	-137,532.79
Add: other expenditures	622,025.85	540,212.15
Total	9,724,015.22	10,945,290.27

(2) Breakdown of interest expenses

Item	Amount in the current period	Amount in the previous period
Bank loans and overdraft interests	6,714,989.89	7,942,908.90
Other interests	2,103,877.25	1,981,850.15
– Other loan interests that shall be due and repaid within five years	2,103,877.25	1,981,850.15
– 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	700,991.64	681,804.93
Subtotal	9,519,858.78	10,606,563.98
Less: capitalized interests	0.00	0.00
Total	9,519,858.78	10,606,563.98

(3) Breakdown of interest incomes

Item	Amount in the current period	Amount in the previous period
Income from bank deposit interests	116,635.80	63,953.07
Income from third-party loan interests	558,955.75	0.00
Total	675,591.55	63,953.07

42. Other incomes

Sources of other incomes	Amount in the current period	Amount in the previous period
Transferring-in of deferred revenue	517,835.88	506,001.66

43. 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	-6,049,911.14	161,801.18

SECTION 10 FINANCIAL REPORT

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

44. Credit impairment losses

Item	Amount in the current period	Amount in the previous period
Bad debt losses of accounts receivable	-4,673,431.99	-5,841,592.94
Bad debt losses of other receivables	-8,070.45	26,207.01
Asset impairment losses of contract	-225,598.91	0.00
Total	-4,907,101.35	-5,815,385.93

45. Assets impairment losses

Item	Amount in the current period	Amount in the previous period
Losses on decline in value of inventories	-10,848,486.68	-10,183,520.45

46. 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	1,011,221.00	632,066.00	1,011,221.00
Unpayable funds	0.00	27,905.00	0.00
Income from breach indemnity	172,894.44	26,810.31	172,894.44
Others	78,426.25	296,758.01	78,426.25
Total	1,262,541.69	983,539.32	1,262,541.69

RMB1,262,541.69 is included in the current non-recurring profit and loss (previous period: RMB983,539.32).

(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	845,393.00	12,675.00	Grants from Beijing Municipal Commission of Commerce	Revenue-related
Special fund for independent innovation in Zhongguancun Beijing	7,500.00	127,391.00	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	1,500.00	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	490,500.00	Overview for low nitrogen transformation project of gas (oil) boiler	Revenue-related
Refund of unemployment insurance expense	18,328.00	0.00	Refund of unemployment insurance expense	Revenue-related
Special funds for air pollution prevention and control	140,000.00	0.00	Notice of Tianjin Finance Bureau on issuing the tenth special fund budget for air pollution prevention and control in 2019	Revenue-related
Total	1,011,221.00	632,066.00	-	-

SECTION 10 FINANCIAL REPORT

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

47. 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	247,284.92	109,556.58	247,284.92
Including: Loss from write-off and retirement of fixed assets	247,284.92	109,556.58	247,284.92
Others	341,905.53	309,222.38	341,905.53
Total	589,190.45	418,778.96	589,190.45

RMB589,190.45 is included in the current non-recurring profit and loss (previous period: RMB418,778.96).

48. 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	849,998.08	1,658,063.72
1. Mainland China corporate income tax	1,074,139.80	587,510.28
2. Hong Kong income tax	0.00	0.00
3. Other regions (USA)	-20,650.32	1,070,553.44
4. Over-measurement in the previous years (under-measurement)	-203,491.40	0.00
Deferred income tax expenses	140,697.27	-71,198.10
Total	990,695.35	1,586,865.62

(2) Adjustment process of accounting profits and tax expenses

Item	本期發生額
Gross profits consolidated in the current period	-36,455,316.94
Income taxes expense calculated at legal or applicable tax rate	-9,113,829.24
Effect from application of different tax rate to subsidiaries	-61,703.23
Effect from adjustment of income tax in the previous period	-203,491.40
Effect from costs, expenses and losses that cannot be deducted	280,102.31
Effect of non-taxable income	1,512,477.79
Effect from using the deductible losses of unrecognized deferred income tax assets	0.00
Deductible temporary difference or effect of deductible loss of unrecognized deferred tax assets in the current period	8,577,139.12
Total	990,695.35

49. Other comprehensive income

See relevant contents in "VI. 33 Other comprehensive income" in the Notes for details.

SECTION 10 FINANCIAL REPORT

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

50. 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	5,965,567.85	2,118,076.23
Interest income	616,082.45	58,679.43
Government grants	5,912,883.76	2,002,066.00
Intercourse funds	5,874,539.28	9,838,079.23
Penalty	66,116.65	11,350.00
Others	2,938,962.63	1,038,542.33
Total	21,374,152.62	15,066,793.22

2) Other cash paid relating to operating activities

Item	Amount in the current period	Amount in the previous period
General expenses	25,749,925.64	21,979,467.62
Guarantee deposit, security deposit	28,859,279.61	2,275,563.25
Intercourse funds	0.00	6,123,596.85
Handling charge	688,261.34	61,804.12
Penalty	40,000.00	0.00
Others	333,676.24	131,514.00
Total	55,671,142.83	30,571,945.84

3) Other cash received relating to financing activities

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

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	11,266,908.56	0.00

SECTION 10 FINANCIAL REPORT

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

50. Items of cash flow statement (Continued)

(2) Supplementary information to consolidated cash flow statement

Item	Amount in the current period	Amount in the previous period
1. Reconciliation from net profit to cash flows from operating activities:	-	-
Net profit	-37,446,012.29	-48,526,476.74
Add: provision for assets impairment	10,848,486.68	10,183,520.45
Credit impairment losses	4,907,101.35	5,815,385.93
Depreciation of fixed assets	25,302,535.46	27,607,735.98
Depreciation of investment properties	403,023.82	341,155.88
Amortization of intangible assets	1,642,525.29	2,497,950.46
Amortization of long-term deferred expenses	2,221,991.16	2,343,789.80
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	0.00	0.00
Losses on retirement of fixed assets (gains to be listed with "-")	247,284.92	109,556.58
Loss from changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	9,199,065.05	10,542,610.91
Losses on investment (gains to be listed with "-")	6,049,911.14	-161,801.18
Decrease on deferred income tax asset (increases to be listed with "-")	140,697.27	-71,198.10
Increases in deferred income tax liabilities (decreases to be listed with "-")	0.00	0.00
Decreases on inventory (increases to be listed with "-")	7,707,364.68	13,511,714.92
Decreases on operating receivables (increases to be listed with "-")	-32,452,862.68	-30,518,208.67
Increase on operating payables (decreases to be listed with "-")	27,867,135.00	21,622,286.57
Others	0.00	0.00
Net cash flows from operating activities	26,638,246.85	15,298,022.79
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	261,518,221.63	77,270,773.84
Less: beginning balance of cash	78,887,242.25	46,662,121.34
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	182,630,979.38	30,608,652.50

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	261,518,221.63	78,887,242.25
Including: cash on hand	85,156.82	124,645.45
Cash at bank available for payment at any time	261,433,064.81	78,762,596.80
Other cashes at bank and on hand available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Including: bond investment due within three months	0.00	0.00
Ending balance of cash and cash equivalents	261,518,221.63	78,887,242.25
Including: cash and cash equivalents that the parent company or subsidiaries of the Group are limited to use	0.00	0.00

SECTION 10 FINANCIAL REPORT

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

51. Assets with restricted ownership or use right

Item	Ending book value	Reasons
Cash at bank and on hand	33,195,707.46	Bank acceptance bill deposit, letter of credit loan deposit and litigation freeze
Fixed assets	174,935,485.10	Bank borrowing mortgage
Intangible assets	8,756,365.30	Bank borrowing mortgage
Total	216,887,557.86	–

52. 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	–	–	41,162,149.98
Including: USD	5,792,195.15	7.0795	41,005,845.58
EUR	19,225.98	7.9610	153,058.03
HKD	3,554.16	0.9134	3,246.37
Accounts receivable	–	–	52,135,387.30
Including: USD	4,498,104.68	7.0795	31,844,332.06
EUR	2,548,807.34	7.9610	20,291,055.24
Accounts payable	–	–	29,914,990.04
Including: USD	1,676,827.90	7.0795	11,871,103.15
EUR	2,266,535.22	7.9610	18,043,886.89
Other payables	–	–	11,374,885.11
Including: USD	1,606,735.66	7.0795	11,374,885.11
Short-term borrowings	–	–	1,297,643.00
Including: EUR	163,000.00	7.9610	1,297,643.00
Long-term borrowings	–	–	1,253,071.50
Including: USD	177,000.00	7.0795	1,253,071.50

(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.

53. Government grants

(1) Basic information about government grants

Category	Amount	Item presented	Amount included in the current profits or losses
Revenue-related	1,011,221.00	Non-operating incomes	1,011,221.00
Revenue-related	5,376,106.17	Deferred incomes	15,929.22
Assets-related	1,158,077.10	Deferred incomes	501,906.66

(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

(Con't)

Name of subsidiary	Registered capital	Shareholding proportion (%)		Acquisition method
		Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	USD61,401,800.00	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.	RMB545,225,228.00		38.51	Establishment
BTIC AMERICA CORPORATION	1,200 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	Minority stockholder's reduction of contribution in the current period	Capital reserve adjusted in the current period	Ending balance of minority interest in the current period
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	61.49	-5,675,657.87	0.00	0.00	0.00	215,419,336.12
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	-2,663,644.04	0.00	0.00	0.00	-7,921,376.34
BTC AMERICA CORPORATION	10.00	212,806.33	24,287.33	-22,231,908.38	-926,292.72	3,224,340.82
Shanghai Tianhai Composite Cylinders Co., Ltd.	12.16	325,836.72	0.00	0.00	0.00	6,526,233.42
Tianjin Tianhai High Pressure Container Co., Ltd.	45.00	-1,267,038.72	0.00	0.00	0.00	20,475,382.03
Kuancheng Tianhai Pressure Container Co., Ltd.	38.90	-4,288,522.94	0.00	0.00	0.00	89,125,105.86
Total	-	-13,356,220.52	24,287.33	-22,231,908.38	-926,292.72	326,849,021.91

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 Jinguofa Venture Investment Fund (LLP) and RMB164,812,525.00 (30.23%) contributed by Beijing Bashi Media Co., Ltd.

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

SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. 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.	156,931,960.82	433,241,653.40	590,173,614.22	235,029,783.84	7,847,373.02	242,877,156.86
Beijing Tianhai Cryogenic Equipment Co., Ltd.	165,154,871.00	26,550,167.74	191,705,038.74	220,037,022.57	2,000,000.00	222,037,022.57
BTIC AMERICA CORPORATION	67,901,978.68	50,854.60	67,952,833.28	34,456,353.47	1,253,071.50	35,709,424.97
Shanghai Tianhai Composite Cylinders Co., Ltd.	37,411,861.75	16,486,639.45	53,898,501.20	4,203,574.15	0.00	4,203,574.15
Tianjin Tianhai High Pressure Container Co., Ltd.	179,626,215.48	178,528,930.40	358,155,145.88	162,398,828.45	0.00	162,398,828.45
Kuancheng Tianhai Pressure Container Co., Ltd.	53,398,716.15	108,231,144.28	161,629,860.43	108,062,485.66	1,158,077.10	109,220,562.76

(Con't)

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.	151,903,074.72	444,046,501.14	595,949,575.86	236,464,216.92	3,906,332.75	240,370,549.67
Beijing Tianhai Cryogenic Equipment Co., Ltd.	170,287,034.48	26,050,744.68	196,337,779.16	217,203,438.49	0.00	217,203,438.49
BTIC AMERICA CORPORATION	67,133,771.07	194,352.47	67,328,123.54	13,970,065.84	0.00	13,970,065.84
Shanghai Tianhai Composite Cylinders Co., Ltd.	34,022,790.46	16,342,193.96	50,364,984.42	2,877,137.51	0.00	2,877,137.51
Tianjin Tianhai High Pressure Container Co., Ltd.	134,238,375.24	183,489,112.88	317,727,488.12	111,406,195.19	0.00	111,406,195.19
Kuancheng Tianhai Pressure Container Co., Ltd.	51,693,950.52	110,606,903.62	162,300,854.14	104,955,839.71	1,659,983.76	106,615,823.47

(Con't)

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.	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

(Con't)

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.	130,540,793.90	-14,345,518.46	-14,345,518.46		962,522.14
Beijing Tianhai Cryogenic Equipment Co., Ltd.	78,774,771.47	-10,700,807.31	-10,700,807.31		-1,700,712.70
BTIC AMERICA CORPORATION	100,152,717.10	3,879,826.10	3,563,590.35		25,708,807.50
Shanghai Tianhai Composite Cylinders Co., Ltd.	19,845,471.66	1,692,154.12	1,692,154.12		-132,300.76
Tianjin Tianhai High Pressure Container Co., Ltd.	194,636,842.45	-8,060,236.34	-8,060,236.34		2,498,215.14
Kuancheng Tianhai Pressure Container Co., Ltd.	58,632,537.93	-4,969,392.28	-4,969,392.28		-14,998,197.22

SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

None.

5. 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

- 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), totaling 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.

- 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.

- 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.

SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(2) Main financial information of important associates

1) Jiangsu Tianhai (associated enterprise)

Item	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Current assets	64,472,097.60	49,493,652.28
Including: cash and cash equivalents	6,622,635.74	15,165,298.60
Non-current assets	72,763,745.65	75,054,860.57
Total assets	137,235,843.25	124,548,512.85
Current liabilities	33,969,549.77	23,517,199.33
Non-current liabilities	0.00	400,000.00
Total liabilities	33,969,549.77	23,917,199.33
Minority interest	0.00	0.00
Equity attributable to shareholders of the parent company	103,266,293.48	100,631,313.52
Net assets share calculated at shareholding proportion	36,143,202.72	35,220,959.73
Adjustments	-7,057,295.78	-6,915,526.25
- Goodwill	0.00	0.00
- Unrealized profit of internal transaction	-7,057,295.78	-6,915,526.25
- Others	0.00	0.00
Book value of equity investment to associated enterprises	29,085,906.94	28,305,433.48
Fair value of equity investment in associated enterprises with public offer	0.00	0.00
Operating revenue	54,485,834.31	54,661,838.44
Financial expenses	62,595.56	151,749.41
Income tax expenses	393,516.03	0.00
Net profit	2,229,924.17	3,323,199.93
Net profits from termination of operation	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive incomes	2,229,924.17	3,323,199.93
Dividends received from associated enterprises	0.00	0.00

2) Jingcheng Haitong (associated enterprise)

Item	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Current assets	17,432,577.07	17,675,337.52
Including: cash and cash equivalents	1,389,638.56	5,604,284.98
Non-current assets	412,268,192.44	425,105,933.67
Total assets	429,700,769.51	442,781,271.19
Current liabilities	25,021,316.13	44,350,664.15
Non-current liabilities	397,568,649.32	409,951,483.98
Total liabilities	422,589,965.45	454,302,148.13
Minority interest	0.00	0.00
Equity attributable to shareholders of the parent company	7,110,804.06	-11,520,876.94
Net assets share calculated at shareholding proportion	3,484,293.99	-5,645,229.70
Adjustments	3,147,436.72	19,208,000.00
- Goodwill	0.00	0.00
- Unrealized profit of internal transaction	0.00	0.00
- Others	3,147,436.72	19,208,000.00
Book value of equity investment to associated enterprises	6,631,730.71	13,562,770.30
Fair value of equity investment in associated enterprises with public offer	0.00	0.00
Operating revenue	14,237.61	12,556.58
Financial expenses	65,334.67	10,715.19
Income tax expenses	0.00	0.00
Net profit	-14,144,978.75	-5,453,122.47
Net profits from termination of operation	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive incomes	-14,144,978.75	-5,453,122.47
Dividends received from associated enterprises	0.00	0.00



SECTION 10 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(3) Summary of financial information of unimportant associates

<u>Item</u>	Ending balance/ amount incurred in current period	Beginning balance/ amount incurred in previous period
Associated enterprise:	-	-
Total book value of investment	18,215,080.29	19,315,983.44
Others	1,201,558.14	0.00
Total amount of following items according to shareholding proportion	-	-
- Net profit	100,654.99	259,306.20
- Other comprehensive incomes	0.00	0.00
- Total comprehensive incomes	100,654.99	259,306.20

- (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 associated enterprises.

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 supervises these risk exposures to ensure that the above risks are controlled in the limited scope.

1. Risk management objectives and policies

The objective of the risk management activities of the Group is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the business performance of the Group and to maximize interest of shareholders and other equity investors. Based on the objective of risk management, the basic strategy of risk management of the Group is to determine and analyze all risks the Group faces and to set up suitable bottom line of risk standing and to manage risks, as well as to timely and reliably supervise all risks and control the risk into the limited scope.

(1) Market risk

1) Exchange rate risk

Foreign exchange risk refers to risk of loss caused by change of exchange rate. Foreign exchange risks assumed by the Group are mainly related to USD. Apart from BTIC AMERICA CORPORATION and Jingcheng Holding (Hong Kong) Co., Ltd., the subsidiaries of the Company that use USD to purchase and sell, other main business activities of the Group are priced and settled in RMB. On June 30, 2020, 2020, 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, 2020		December 31, 2019	
	Original currency	Equivalent to RMB	Original currency	Equivalent to RMB
Cash at bank and on hand	-	41,162,149.98	-	49,266,883.75
USD	5,792,195.15	41,005,845.58	7,057,668.16	49,235,704.62
EUR	19,225.98	153,058.03	1,977.96	15,458.75
HKD	3,554.16	3,246.37	17,548.98	15,720.38
Accounts receivable	-	52,135,387.30	-	39,894,478.17
USD	4,498,104.68	31,844,332.06	3,125,029.35	21,800,829.75
EUR	2,548,807.34	20,291,055.24	2,315,098.00	18,093,648.42
Advances to suppliers	-	12,595,598.59	-	7,444,743.36
USD	1,516,747.72	10,737,815.49	1,067,163.12	7,444,743.36
EUR	233,360.52	1,857,783.10	0.00	0.00
Short-term borrowings	-	1,297,643.00	-	7,643,559.00
EUR	163,000.00	1,297,643.00	978,000.00	7,643,559.00
Accounts payable	-	29,914,990.04	-	17,667,102.71
USD	1,676,827.90	11,871,103.15	2,528,982.41	17,642,687.09
EUR	2,266,535.22	18,043,886.89	3,124.00	24,415.62
Advances from customers	-	30,170,635.57	-	19,726,109.76
USD	3,893,363.28	27,563,065.35	2,701,486.26	18,846,108.45
EUR	327,543.05	2,607,570.22	112,596.93	880,001.31
Other payables	-	11,374,885.11	-	379,635.25
USD	1,606,735.66	11,374,885.11	54,418.63	379,635.25

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, 2020, 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, 7.66% (7.41% for the previous period) and 30.60% (30.85% for the previous period) balances of accounts receivable of the Group are respectively from the top one customer and the top five customers of the Group at the end of the period. At the end of this period, Top Speed Energy Oversea Corp, the biggest client for the account receivable balance, has been a high quality company. Thus, the Group has no significant credit risk.

The top five receivables total to RMB96,130,488.91.

(3) Liquidity risk

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

The Group takes bank loans as the main sources of funds. As at June 30, 2020, the limit for unused bank borrowing and bank acceptance bill of the Group was RMB98,675,300 (RMB29,035,800 as at December 31, 2019).

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, 2020:

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	294,713,929.09	0.00	0.00	0.00	294,713,929.09
Accounts receivable	249,171,999.78	0.00	0.00	0.00	249,171,999.78
Receivables financing	4,097,590.46	0.00	0.00	0.00	4,097,590.46
Other receivables	8,747,961.06	0.00	0.00	0.00	8,747,961.06
Contractual assets	22,452,248.39	0.00	0.00	0.00	22,452,248.39
Financial liabilities					
Short-term borrowings	199,224,748.81	0.00	0.00	0.00	199,224,748.81
Notes payable	62,100,000.00	0.00	0.00	0.00	62,100,000.00
Accounts payable	327,021,176.31	0.00	0.00	0.00	327,021,176.31
Other accounts payable	147,669,064.96	0.00	0.00	0.00	147,669,064.96
Employee benefits payable	19,884,177.92	0.00	0.00	0.00	19,884,177.92
Current portion of non-current liabilities	16,500,000.00	0.00	0.00	0.00	16,500,000.00
Long-term payables	115,900,000.00	27,418,643.76	0.00	0.00	143,318,643.76

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	4,097,590.46	4,097,590.46

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	Shareholding proportion (%) to the Company	Proportion (%) of voting right to the Company
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Chaoyang District, Beijing	State-owned assets	RMB2,355,637,100	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.	204,468.71	31,095.00	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	18,273.5052	50.67	43.30

Note: On June 30, 2020, Jingcheng Holding subscribed for 63,000,000 shares of the Company through the non-public issuance of A shares, accounting for 12.99% of the total capital stock of the Company. After this increase, Jingcheng Holding held 182,735,052 unrestricted A-shares and 63,000,000 restricted A-shares of the Company, accounting for 50.67% of the total capital stock of the Company.

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 associated enterprises

For details of important joint ventures or associated enterprises of the Company, please refer to contents of “VIII. 4. (1) Important joint ventures or associated enterprises” 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.	Associated enterprise

4. Other related parties

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 Steel Pipe & Steel Trading Co., Ltd.	Related party of minority shareholders of subsidiary
Tianjin Seamless 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

(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	42,861,450.13
Jiangsu Tianhai Special Equipment Co., Ltd.	Purchasing goods	21,133,455.91	28,947,168.26
Total	—	73,434,919.00	71,808,618.39

(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.	Selling goods	27,203,779.35	21,512,335.25

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transaction (Continued)

2. Related party lease

(1) Lease

Name of the leaser	Name of lessee	Type of leased assets Category	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	12,382,834.66	2,937,269.64

(2) Leasing conditions

Name of the leaser	Name of lessee	Type of leased assets Category	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	90,000.00	160,000.00
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	The Company	Houses	258,976.19	271,925.00
Total	-	-	348,976.19	431,925.00

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.	1,281,913.50	2019-7-1	2020-11-30	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2019-7-30	2020-7-30	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2019-8-16	2020-8-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2019-9-17	2020-9-17	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	8,000,000.00	2019-10-16	2020-10-16	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	10,000,000.00	2020-4-21	2021-4-20	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2020-4-29	2021-4-28	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2020-6-19	2021-6-19	No

4. Capital lending between related parties

Name of related party	Amount of lending/borrowing	Start date	Due date	Remarks
Borrowing				
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	25,000,000.00	2018-10-26	2020-10-25	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2018-9-3	2020-9-2	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	9,950,000.00	2020-4-1	2020-6-30	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2020-4-1	2020-6-30	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	8,000,000.00	2020-4-24	2020-7-23	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	2,050,000.00	2020-5-28	2020-8-26	-
Lending				
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	3,000,000.00	2019-3-29	2024-3-28	-

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transaction (Continued)

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)	1,265,930.76	1,134,972.22
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd. (interest revenue)	71,054.80	0.00

6. Remuneration of key management personnel

Project name	Amount in the current period	Amount in the previous period
Total compensation	1,565,288.05	1,577,871.92

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 2020 Interim 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.	1,752,807.00	28,216.44	35,432.00	570.46
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	77,495.56	649.20	458,926.97	3,854.98
	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	3,492,204.61	82,908.08	4,878,750.00	40,981.49
Contractual assets	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	22,861,344.86	409,096.47	21,844,947.03	183,497.56

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.	5,509,616.55	13,622,085.95
	Tianjin Steel Pipe & Steel Trading Co., Ltd.	6,322,619.14	7,295,646.36
	Tianjin Seamless Investment Co., Ltd.	2,590,165.89	2,590,165.89
Contractual liabilities	Jiangsu Tianhai Special Equipment Co., Ltd.	521,295.67	189,968.80
	Beijing Mechanical and Electrical Research Institute Co., Ltd.	0.00	7,000.00
	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	428.00	428.00
Other payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	96,625,597.40	55,359,666.64
	Beijing First Machine Tool Plant	757,359.09	667,359.09
	Tianjin Seamless Investment Co., Ltd.	1,704,203.53	1,704,203.53
	Zheng Guoxiang	5,674,856.41	0.00
	Guo Zhihong	5,674,856.40	0.00
Current portion of non-current liabilities	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	11,000,000.00	11,000,000.00
Special payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	115,900,000.00	115,900,000.00
Long-term payables	Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.	27,418,643.76	39,200,000.00

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Commitment of related parties

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

(V) Director, supervisor and employee compensation

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

Item	Salary and allowance	Contribution to retirement fund plan	Bonus	Share-based payment	Total
Amount in the current 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
Amount in the previous period					
Executive director					
Li Junjie	110,000.00	33,851.40	54,998.00	0.00	198,849.40
Zhang Jiheng	110,000.00	33,851.40	54,998.00	0.00	198,849.40
Supervisor					
Li Zhe	99,000.00	33,851.40	49,500.00	0.00	182,351.40
Liu Guangling	55,000.00	33,851.40	39,063.00	0.00	127,914.40
Total	374,000.00	135,405.60	198,559.00	0.00	707,964.00

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 two (in the previous year: two) is as follows:

Item	Amount in the current period	Amount in the previous period
Salary and allowance	254,600.00	174,000.00
Contribution to retirement fund plan	139,256.80	67,702.80
Year-end bonus	59,400.00	126,597.00
Total	453,256.80	368,299.80

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
HKD 1,000,001.00 to HKD 1,500,000.00		
HKD 1,500,001.00 to HKD 2,000,000.00		
HKD 2,000,001.00 to HKD 2,500,000.00		



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:

<u>Item</u>	<u>Amount in the current period</u>	<u>Amount in the previous period</u>
Salary and allowance	731,318.00	823,000.00
Contribution to retirement fund plan	481,738.05	293,884.92
Bonus	352,232.00	460,987.00
Total	1,565,288.05	1,577,871.92

(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, 2020, the Group has no share-based payment.

XIII. CONTINGENCIES

As at June 30, 2020, the Group has no significant contingency that needs to be disclosed.

XIV. COMMITMENTS

As at June 30, 2020, the Group has no other significant commitments.

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Paid amount after the balance sheet date

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

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

SECTION 10 FINANCIAL REPORT

XVI. OTHER SIGNIFICANT MATTERS

1. Registration of new shares issued under the non-public issuance and industrial and commercial changes

The Company completed the non-public issuance of A shares on July 10, 2020. The subscriber of this private placement is Jingcheng Holding, with a total of one subscriber.

On 30 June 2020, the subscription funds of the subscriber has been transferred to the designated accounts for raised funds, and ShingWing Certified Public Accountants (Special General Partnership) has verified the funds placement of the Company's non-public issuance of shares and issued the "Capital Verification Report" No. XYZH/2020BJA40505. Pursuant to the report, as of 30 June 2020, 63,000,000 restricted 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 registered capital (share capital) of RMB63,000,000.00 was added and increasing the capital reserve by RMB144,725,197.96.

The new shares under the non-public issuance of A shares were registered at China Securities Depository and Clearing Corporation Limited (Shanghai Branch) on July 9, 2020 according to the equity registration procedures.

Before the non-public issuance of A shares, the total share capital of the Company was 422,000,000 shares, of which 182,735,052 were held by Jingcheng Holding, accounting for 43.30% of the total capital stock of the Company. After completion of the non-public issuance of A shares, the total capital stock of the Company is increased to 485,000,000 shares, and the number of shares held by Jingcheng Holding is increased to 245,735,000 shares, accounting for 50.67% of the total share capital of the Company.

2. Tianhai Cryogenic Equipment litigation matters

Beijing Tianhai Cryogenic Equipment Co., Ltd. (hereinafter referred to as "Tianhai Cryogenic Equipment"), a subsidiary of Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, received the Civil Complaint from Shanghai Junzheng Logistics Co., Ltd. (hereinafter referred to as "Junzheng Company"). 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. At present, the case is under litigation. Tianhai Cryogenic Equipment is actively preparing for responding to the lawsuit, with no follow-up progress.

3. 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	33,404,067.80	35,404,067.80
Dividends receivable	0.00	0.00
Other receivables	355,000,000.00	355,000,000.00
Total	388,404,067.80	390,404,067.80

1.1 Interest receivable

(1) Classification of interest receivable

Item	Ending balance	Beginning balance
Interest on borrowings between affiliates	33,404,067.80	35,404,067.80

(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	355,000,000.00	355,000,000.00
Less: bad debt provision	0.00	0.00
Net amount	355,000,000.00	355,000,000.00

(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	15,000,000.00	15,000,000.00
Total	355,000,000.00	355,000,000.00

(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	15,000,000.00
1-2 years	15,000,000.00	0.00
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	355,000,000.00	355,000,000.00

(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) Other receivables actually written off in this period

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

(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	More than five years	95.77	0.00
Beijing Tianhai Industry Co., Ltd.	Transaction payments of related parties	15,000,000.00	One to two years	4.23	0.00
Total	-	355,000,000.00	-	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	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41
Investment in joint ventures and associates	0.00	0.00	0.00	0.00	0.00	0.00
Total	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41

(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.	552,798,696.31	0.00	0.00	552,798,696.31	0.00	0.00
Jingcheng Holding (Hong Kong) Co., Ltd.	142,044,028.10	0.00	0.00	142,044,028.10	0.00	0.00
Total	694,842,724.41	0.00	0.00	694,842,724.41	0.00	0.00

XVIII. APPROVAL OF FINANCIAL REPORT

The financial report is released after being approved by Board of Directors of the Company on August 10, 2020.

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	-247,284.92	VI. 47
Government grants included in the current profits and losses (exclusive of those which are closely related with the enterprise business or granted according to national standard fixed rate or quantity)	1,529,056.88	VI. 30, 46
Investment income from disposal of long-term equity investment	2,756,424.57	VI. 2
Reversal of impairment reserve for receivables and contract assets subject to impairment test separately	-90,584.84	VI. 46, 47
Non-operating revenues and costs other than the above mentioned	3,947,611.69	
Other profit/loss items conforming to definition of the non-recurring profit and loss	6,558.20	
Subtotal	364,119.93	
Less: amount affected by income tax		
Affected amount of non-controlling interest (after tax)		
Total	3,576,933.56	-

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	-7.41	-0.06	-0.06
Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss	-8.51	-0.07	-0.07

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

3. Other information that needs to be disclosed

(1) Turnover

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

Item	Amount in current period	Amount in previous period
Seamless steel gas cylinder	207,812,689.70	233,574,260.28
Full-wrapped cylinder	43,656,034.81	74,864,185.85
Cryogenic cylinder	87,432,964.03	120,390,292.13
Cryogenic storage and transportation equipment	75,647,600.29	79,551,266.97
Others	70,725,331.12	67,323,083.90
Gross sales	485,274,619.95	575,703,089.13
Less: sales tax and other additional charges	4,103,924.97	4,302,406.86
Total	481,170,694.98	571,400,682.27

(2) Taxes

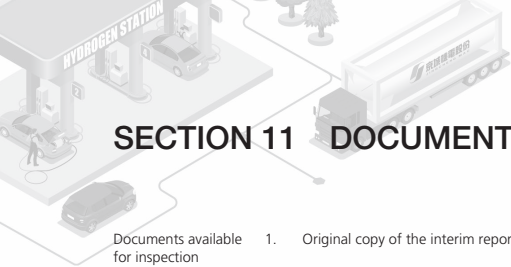
Item	Amount in current period	Amount in previous period
Corporate income tax in the current year	849,998.08	1,658,063.72
Deferred tax liabilities	140,697.27	-71,198.10
Total	990,695.35	1,586,865.62

(3) Stock dividend

No dividend paid or declared during the half-year of 2020. No dividend is declared during this Reporting Period (first half of the year 2019: none).

Beijing Jingcheng Machinery Electric Co., Ltd.

August 11, 2020



SECTION 11 DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection

1. Original copy of the interim report signed by the Chairman.
2. The financial statements signed and sealed by the legal representative, the Accounting Director and the Accounting Manager of the Company.
3. Original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, the website of Shanghai Stock Exchange and the website "HKExnews" of the Hong Kong Stock Exchange.
4. The Articles of Association of the Company.
5. The above documents are available for inspection at the office of the Board of Directors of the Company, whose address is No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC.

Chairman: Wang Jun

Date of approval by the Board: 11 August 2020

AMENDMENTS

Applicable Not Applicable

Report version number

Publish time of amendment and supplemental announcement

Content of amendment and supplement