



# 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)

# 2022

## INTERIM REPORT



# IMPORTANT NOTICES

1. The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of the Company confirm that the information contained in this interim report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
2. All directors of the Company have attended the meetings of the Board.
3. The 2022 Interim Report has not been audited.
4. Mr. Wang Jun, the person in charge of the Company, Ms. Feng Yongmei, the person in charge of accounting and Mr. Wang Yandong, the person in charge of the accounting firm (accountant in charge), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this Interim Report.
5. Resolutions of profit distribution or capitalisation from capital reserves of the Company for the Reporting Period examined and reviewed by the Board

Nil

6. Declaration on risk in forward-looking statements

Applicable  Not Applicable

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

7. Whether or not the controlling shareholders of the Company or its associates have misappropriated the Company's funds  
No
8. Whether or not any external guarantees are provided in violation of any specified decision-making procedures  
No
9. Whether more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the interim report disclosed by the Company  
No

# IMPORTANT NOTICES

## 10. IMPORTANT RISK WARNINGS

### 1. Risks in relation to the implementation of the merger and acquisition

In order to enhance the Company's ongoing operation and profitability, the Company has completed the implementation of the acquisition of 80% equity interests in BYTQ. On 15 December 2021, the Company issued the "Announcement on Obtaining Conditional Approval for the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds from the Listed Company Merger and Reorganization Vetting Committee of the CSRC and Resumption of Trading in A Shares", the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 33rd working meeting of the MRVC for the year of 2021, at which the asset acquisition by way of share issuance and cash payment and raising of supporting funds was vetted and conditionally approved. On 24 March 2022, the Company received from the CSRC the "Approval for the asset acquisition by way of share issuance and raising of supporting funds by Beijing Jingcheng Machinery and Electric Company Limited to Li Hong and Others", approving the matter of the asset acquisition by way of share issuance and cash payment and raising of supporting funds by the Company. On 17 June 2022, the Company issued the "Announcement in relation to the Transfer of Assets of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds", all the target assets of the transaction have been changed and registered in the name of the Company and the Company directly holds 80% equity interest in BYTQ and the transfer of the target assets involved in the transaction has been completed. On 27 June 2022, the Company issued the "Announcement in relation to the Issuance Results of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds and Change In Share Capital", according to the "Certificate of Securities Change Registration of Shanghai Branch of China Securities Depository and Clearing Corporation Limited" issued by Shanghai Branch of the CSDC on 24 June 2022, the Company has completed the registration of the additional shares for this asset acquisition by way of share issuance. 46,481,314 A shares were issued non-publicly by the Company as part of the consideration for the transaction for assets acquisition, with an aggregate nominal value of RMB46,481,314, all of which are circulating shares subject to trading moratorium. Upon completion of the issuance, the total number of shares of the Company is 531,481,314 shares (including A shares and H shares). The issuance price of each new A share is RMB3.42. The benchmark date for pricing these shares is 17 August 2020, being the date of announcement of the resolution passed at the fifth extraordinary meeting of the tenth session of the Board of the Company to approve the relevant proposed acquisition, and the closing price of the A Shares on the following day (trading in the A Shares was suspended from 4 August 2020 to 17 August 2020) was RMB4.39. The targets of the issuance are set out in the announcement of the Company dated 27 June 2022 and Section 7 of this report. As considered and approved at the ninth meeting of the tenth session of the Board of the Company, the Company established a designated account for the raised funds and entered into a "Tripartite Custody Agreement for the Designated Account for Raised Funds" with independent financial adviser CSC Financial Co., Ltd. and Beijing Guanghua subbranch of Hua Xia Bank Co., Limited. Such designated account has received the raised funds net of issuance expenses. The asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is subject to subsequent work relating to the raising of supporting funds, the timing of which is uncertain. The Company will strictly maintain confidentiality of information in accordance with the relevant progress and perform its information disclosure obligations in strict accordance with the relevant laws and regulations and make timely announcements on the progress of the matter.

### 11. Others

Applicable    Not Applicable



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- Documents available for inspection
1. Original copy of the 2022 interim report, which has been signed by the chairman.
  2. Original copy of the auditor's financial report signed and chopped by the Company's legal representative, the person in charge of accounting and the person in charge of the accounting firm.
  3. The original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.
  4. The Articles of Association of the Company.
  5. The above documents are available for inspection at the office of the Board of Directors of the Company, situated at No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the People's Republic of China.

## SECTION 1 DEFINITION

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

### Definition of frequently used terms

|  |       |  |
|--|-------|--|
| Company or JINGCHENG MAC   | means | Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange |
| Beiren Holdings  | means | Beiren Printing Machinery Holdings Limited (the former name of the Company)  |
| Group  | means | the Company and its subsidiaries   |
| Jingcheng 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 46.24% 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 Machinery Electric (the former controlling shareholder of the Company)  |
| Tianhai Industrial or BTIC   | means | Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a subsidiary of the Company   |
| Jingcheng HK   | means | Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company  |
| Board  | means | the board of directors of the Company  |
| Supervisory Committee  | means | the supervisory committee of the Company   |
| Annual General Meeting   | means | the 2021 Annual General Meeting convened on 9 June 2022  |
| The First Extraordinary General Meeting  | means | the first extraordinary general meeting of 2022 convened on 24 February 2022   |
| The First A Share Class Meeting  | means | the first A share class meeting of 2022 convened on 24 February 2022   |
| The First H Share Class Meeting  | means | the first H share class meeting of 2022 convened on 24 February 2022   |
| 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 2022 to 30 June 2022   |
| SSE  | means | the Shanghai Stock Exchange  |
| Stock Exchange   | means | The Stock Exchange of Hong Kong Limited  |
| CSRC   | means | China Securities Regulatory Commission   |
| Controlling Shareholder(s)   | means | has the same meaning ascribed to it under the Listing Rules  |
| Listing Rules  | means | the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange   |



## SECTION 1 DEFINITION

|   |       |   |
|---|-------|---|
| 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  |
| 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 fullwinding compound gas cylinder (塑料內膽纖維全纏繞複合氣瓶)    |
| Reorganisation  | means | The issuance of shares and payment of cash in consideration of acquiring certain equity interests in BYTQ and fund raising                      |
| BYTQ  | means | Qingdao BYTQ United Digital Intelligence Co., Ltd., formerly known as Qingdao BYTQ United Digital Intelligence Holding Co., Ltd.                |
| Jingcheng Haitong   | means | Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.* (北京京城海通科技文化發展有限公司)  |
| CSDC  | means | China Securities Depository and Clearing Corporation Limited  |
| Minghui Tianhai   | means | Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.* (北京明暉天海氣體儲運裝備銷售有限公司)   |
| Tianhai Cryogenic   | means | Beijing Tianhai Cryogenic Equipment Co., Ltd.* (北京天海低溫設備有限公司)   |
| Tianjin Tianhai   | means | Tianjin Tianhai High Pressure Container Co., Ltd.* (天津天海高壓容器有限責任公司)   |
| Shanghai Tianhai  | means | Shanghai Tianhai Composite Cylinders Co., Ltd.* (上海天海復合氣瓶有限公司)  |
| Kuancheng Tianhai   | means | Kuancheng Tianhai Pressure Containers Co., Ltd.* (寬城天海壓力容器有限公司)   |
| Tianhai Hydrogen  | means | Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.* (北京天海氫能裝備有限公司)   |
| Jiangsu Tianhai   | means | Jiangsu Tianhai Special Equipment Co., Ltd.* (江蘇天海特種裝備有限公司)   |
| Beijing Nengtong  | means | Beijing Nengtong Lease Company* (北京能通租賃公司)  |
| Qingdao Eternal   | means | Qingdao Eternal Economic Information Consulting Co., Ltd.* (青島艾特諾經濟信息諮詢有限公司)  |
| Beiren Equipment  | means | Beijing Beiren Printing Equipment Co., Ltd.* (北京北人印刷設備有限公司)   |
| Asset Company   | means | Beijing Jingcheng Machinery Electric Asset Management Co., Ltd.* (北京京城機械電資產管理有限責任公司), a wholly-owned subsidiary of Jingcheng Machinery Electric |

Unless otherwise specified, all amounts stated in this report are denominated in Renminbi.

\* For identification purposes only.

# 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       | 010-87707288   | 010-87707289   |
| Facsimile       | 010-87707291   | 010-87707291   |
| 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  |
| Historical changes to the registered address of the Company | Registered office from 13 July 1993 to 6 January 2004 as:<br>No. 44, Guangqu Road South, Chaoyang District, Beijing, China<br>Registered office from 7 January 2004 to 31 October 2013:<br>No. 6 Rongchang East Street, Beijing Economic and Technological Development Area, Beijing, China<br>Changed to the Company's current registered address on 1 November 2013 |
| 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 website   | www.jingchenggf.com.cn  |
| E-mail  | jcgf@btic.com.cn  |
| Index to changes during the Reporting Period                | Nil   |

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

|  |                                    |
|--|------------------------------------|
| Name of newspapers designated for information disclosure     | Shanghai Securities News           |
| Website designated by CSRC for publishing the Interim Report | www.sse.com.cn                     |
| Place for inspection of the Company's Interim Report         | Office of the Board of the Company |
| Index to changes during the Reporting Period                 | Nil                                |

## V. INFORMATION OF THE COMPANY'S SHARES

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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER RELATED INFORMATION

√ Applicable    □ Not Applicable

|  |  |   |
|--|--|---|
| Name of the accounting firm engaged by the Company (domestic)                                      | Name                                     | ShineWing Certified Public Accountants LLP (Special General Partnership)  |
|  | Office address                           | 9/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing  |
|  | Names of signing accountants             | Ma Chuanjun, Yan Huan   |
| Name of the accounting firm engaged by the Company (domestic internal control reporting and audit) | Name                                     | Da Hua Certified Public Accountants (Special General Partnership)   |
|  | Office address                           | 8/F, Xihai International Center, Building 1, No.99 Courtyard, Beisanhuan West Road, Haidian District, Beijing City  |
|  | Names of signing accountants             | Zhang Xinfa, Bai Lihan  |
| The domestic legal adviser engaged by the Company  | Name                                     | Beijing Kang Da Law Firm  |
| The overseas legal adviser engaged by the Company  | Office address                           | No.19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC   |
|  | Name                                     | Woo Kwan Lee & Lo   |
| Sponsor performing continuous supervision duties during the Reporting Period                       | Office address                           | 26/F, Jardine House, Central, Hong Kong   |
|  | Name                                     | Zhong De Securities Company Limited   |
| Financial adviser performing continuous supervision duties during the Reporting Period             | Office address                           | 22/F-23/F, Deutsche Bank Building, China Central Place, 81 Jianguo Avenue, Chaoyang District, Beijing   |
|  | Names of signing sponsor representatives | Hao Guodong, Miu Xingwang   |
|  | Period of continuous supervision         | Delayed due to uncompleted fund raising projects  |
| Other basic information of the Company   | Name                                     | CSC Financial Co., Ltd. (中信建投證券股份有限公司)  |
|  | Office address                           | Block B, E, Kaiheng Center Building, Dongcheng District, Beijing  |
|  | Names of signing Sponsor representatives | He Chengda, Hou Shun  |
|  | Period of continuous supervision         | From the date of completion of the reorganisation of major assets to 2023   |
|  | 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

| Principal Accounting Data   | For the Reporting Period (January – June 2022) | For the same period last year | Increase/Decrease comparing the Reporting Period with the same period last year (%)       |
|---|--|-------------------------------|---|
|   | Operating income                               | <b>637,677,016.77</b>         | 526,554,520.75  |
| Net profit attributable to shareholders of the listed company                           | <b>10,576,997.42</b>                           | -1,313,304.91                 | -   |
| Net profit attributable to shareholders of the listed company after extraordinary items | <b>7,256,597.49</b>                            | -9,270,610.57                 | -   |
| Net cash flow from operating activities   | <b>-18,915,591.19</b>                          | -42,048,198.13                | -   |
|   | 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 the listed company                           | <b>913,061,413.66</b>                          | 677,655,614.84                | 34.74   |
| Total assets  | <b>2,082,939,831.71</b>                        | 1,568,448,757.50              | 32.80   |

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (2) Key financial indicators

Currency: RMB

| Key financial indicators  | For the Reporting<br>Period (January –<br>June 2022) | For the same<br>period last year | Increase/Decrease<br>comparing the<br>Reporting Period<br>with the Reporting<br>Period last year (%) |
|---|--|----------------------------------|--|
| Basic earnings per share (RMB/share)  | 0.02   | -0.01                            | –  |
| Diluted earnings per share (RMB/share)  | 0.02   | -0.01                            | –  |
| Basic earnings per share after extraordinary items (RMB/share)                  | 0.02   | -0.02                            | –  |
| Return on net assets on weighted average basis (%)                              | 1.54   | -0.19                            | Increased by 1.73<br>percentage points   |
| Return on net assets on weighted average basis after<br>extraordinary items (%) | 1.06   | -1.33                            | Increased by 2.39<br>percentage points   |

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

Applicable  Not Applicable

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

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  |                     |                         |
| 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  | 1,834,312.92        |                         |
| 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  | 783,874.87          |                         |
| 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 | 501,366.53          |                         |
| Reversal of the impairment provision for receivables and contract assets which are tested individually for impairment   | 1,397,189.50        |                         |
| Gain or loss on entrusted loans   |                     |                         |
| Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement   |                     |                         |
| Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss  |                     |                         |
| Entrusted fee income from entrusted operations  |                     |                         |
| Other non-operating income and expenses apart from the aforesaid items  | -343,830.91         |                         |
| Other gain or loss items falling within the definition of extraordinary items   |                     |                         |
| Less: Effect of income tax  | 0                   |                         |
| Effect of minority interest(after-tax)  | 852,512.98          |                         |
| <b>Total</b>  | <b>3,320,399.93</b> |                         |

Description of non-recurring profit or loss items listed in the "Explanatory Announcement No. 1 on Information Disclosure by Public Issuers – Nonrecurring Profit or Loss Items" (《公開發行證券的公司信息披露解釋性公告第1號—非經常性損益》) being defined as recurring profit or loss items

Applicable  Not applicable

### X. OTHERS

Applicable  Not Applicable

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

### 1. Scope of business

Licensed items of operation: general logistics; professional contracting.

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

Main products and applications:

Gas Storage and Transportation Segment:

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.

Intelligent Manufacturing Segment:

In recent years, the Company has gradually formed a product line consisting of software systems for the information technology industry, ground conveyance and assembly systems, air conveyance systems, integrated robotic applications and stamping lines, providing customers with total solutions for production line automation, information technology construction, upgrading and transformation and intelligent factories.

### 2. Business model

Gas Storage and Transportation Segment:

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: The Company's 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.

Intelligent Manufacturing Segment:

The Company focuses on the field of industrial automation and informatisation, and carries out the planning of production lines, the research and development of automatic designated equipment and the development of software systems for the informatization industry according to the production process of customers, as well as the secondary development of operating software and the integration of independent production of non-standard equipment on the basis of purchased robots and special machinery to meet the individual needs of customers. The main products of the Company are intelligent manufacturing equipment for informatisation and automation.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Conditions of the industry in which the Company operated during the Reporting Period

#### (1) Gas Storage and Transportation Segment

##### *Industrial Fire Safety Industry*

Industrial gas market, as a basic industry, maintains a steady increasing trend. With the rapid development of industrial and new energy industries, national policies and emerging gas demand represented by electronic special gases continues to increase tremendously, industrial gas demand continues to expand to drive the development of industrial gas cylinder industry, it is expected that the industrial gas cylinders market will continue to grow steadily in the next few years, with steady demand for bulk gases from traditional industries such as steel and petrochemicals, as well as strong demand for special gases in areas such as semiconductors, photovoltaics and new energy.

##### *Natural Gas Industry*

Domestically, due to the resurgence of the pandemic, the downward pressure on the economy further increased, the supply chain of the automotive industry experienced the most severe test in its history, with some enterprises shutting down their production, logistics and transportation being greatly hindered and the production and supply capacity falling sharply, the resource-based transportation markets such as coal, steel and iron continuing to be sluggish, the consumption capacity and willingness to decline significantly, the high price of natural gas and other factors combined, the demand for natural gas heavy trucks continued the downward trend of last year, and the peak season was not robust. From January to May 2022, the sales volume of natural gas heavy trucks fell by 60% year-on-year, with a 49% year-on-year decline in a single month in May, resulting in a decline in demand for LNG for vehicles. However, driven by a series of policies such as "The Energy Production and Consumption Revolution Strategy (2016-2030)", "13th Five-Year Plan for Energy Development", "Opinions on Promoting the Stable Development of Natural Gas", as well as "Action Plan for the Prevention and Control of Air Pollution" and the "Three-Year Action Plan for Winning the Blue Sky Defense War", the medium to long term demand pattern for natural gas is positive.

##### *Hydrogen and Fuel Cell Industry*

At present, China's hydrogen energy industry has initially formed five major development regions, namely "East, West, South, North and Central". There are more than 300 industrial enterprises which meet the scale of covering the whole industrial chain, which are concentrated in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Beijing, Tianjin and Hebei. In addition, hydrogen fuel cell vehicles have become another "big move" for governments around the world in the planning of their automotive industry. Domestic hydrogen fuel cell vehicles have formed a regional industrial agglomeration effect, with the six provinces and cities of Beijing, Shanghai, Guangdong, Jiangsu, Shandong and Hebei together accounting for 51% of the total number of enterprises above the scale in the industry chain.

As an important infrastructure for the hydrogen energy industry, hydrogen refuelling stations have been the subject of a global construction boom. According to incomplete statistics, by the end of 2021, there were 659 hydrogen refuelling stations in operation in 33 countries or regions, of which 420 in East Asia (China, Japan and South Korea), 173 in Europe and 54 in North America. 252 new hydrogen refuelling stations are expected to be added worldwide in 2022. The market for hydrogen energy applications is very promising.

#### (2) Intelligent Manufacturing Segment

##### *Industrial Automation Industry*

The industrial automation industry is a strategic industry that provides technical equipment for all sectors of the national economy, and is highly valued by the government and strongly supported by national regulations and policies, with a huge and diversified market demand. After years of development, China has basically achieved industrial mechanisation, but there is still a big gap for industrial automation. Promoting the development of industrial automation will not only help promote the reform of traditional industries, but also enhance the degree of industrial informatization in China. With the rise of robots and artificial intelligence, the trend of industrial automation is intensifying and the future development prospects are becoming clearer.

##### *Industrial Robotics Industry*

After years of development, China's industrial robots have taken shape, with a number of domestic industrial robots serving on the production lines of many domestic enterprises, a number of robotics researchers have also emerged, and certain key technologies have reached or are close to world standards. China's industrial robotics production has continued to grow. Even though the macro economy has been affected by the pandemic and the development of the domestic automotive and electronics robotics downstream industry has been restricted to a certain extent, the demand for industrial robots has not been significantly affected. The demand for intelligent transformation and upgrading of China's manufacturing industry has become increasingly prominent, and the market demand for industrial robots remains strong, with the market scale rising year by year. In the process of the gradual development of intelligent cities and intelligent factories in the future city of intelligence a large number of industrial robots will be needed for intelligent operation, and industrial robots will play a very important role.

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## *Intelligent Manufacturing Industry*

China has implemented the strategy of strengthening the manufacturing country, accelerated the development of the integration of new generation information technology and manufacturing technology, made intelligent manufacturing the main direction of the deep integration of the two; focused on developing intelligent equipment and intelligent products, promoting the intelligence of production processes, fostering new production methods, and comprehensively improving the intelligence level of enterprise research and development, production, management and services. In 2021, China's "14th Five-Year Plan and 2035 Vision Outline", "14th Five-Year Plan for the Development of Intelligent Manufacturing (Draft for Comments)", and relevant development plans and documents of various provinces and municipalities on intelligent manufacturing have all proposed to continue to encourage and promote the development of intelligent industries, promote the innovative development of robotics and other industries, and the "machine for human" project.

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

√ Applicable   □ Not Applicable

### (I) Gas Storage and Transportation Segment

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

#### 1. Scale and Brand Advantages

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

#### 2. Technology Advantages

With continuous technology research and development, Tianhai Industrial has obtained 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 now produce over 800 types of seamless steel gas cylinders, winding gas cylinders, accumulator shells, asbestos-free acetylene cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders (including those for vehicles), cryogenic tanks and filling stations; Tianhai Industrial's products are widely applied in automotive, chemical, fire-fighting, medical, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

Meanwhile, with an accurate grasp of the clean energy market, Tianhai Industrial 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. Tianhai Industrial is also capable of designing and manufacturing cryogenic tanks and IMO tank container products of different volume and pressure level in accordance with China pressure vessel standards, EU ADM and 97/23/EC PED and Australia/New Zealand AS1210 standards.

#### 3. Sales Network Advantages

Tianhai Industrial has established a complete sales network equipped with over 30 distribution offices scattering across the country, achieving a full geographical coverage nationwide, and is capable of offering components to largest-scaled automobile manufacturers of the national automobile industry in the supply chain of components for domestic mainstream automobile manufacturers. Tianhai Industrial has also set up eight overseas sales offices which are mainly located in the United States, Singapore, Korea, India, Australia and other countries. Relevant products have been accepted by seven out of the world's top eight influential gas companies. To build a bridge between the basic unit and the market, and to increase the vitality of the strategy execution unit and results of operation, Tianhai Industrial 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, Tianhai Industrial is keeping its pace of becoming a global leading manufacturing and service enterprise of energy gas storage devices.

#### 4. Human Resources Advantages

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Intelligent Manufacturing Segment

After years of development, BYTQ, a subsidiary of the Company, has the following competitive advantages in terms of technology, human resources, customer resources and services etc.:

#### 1. Technology Advantages

As an enterprise in the technology-intensive and talent-intensive industrial automation industry, BYTQ has become an outstanding enterprise in the field of industrial automation with its strong independent research and development capability. BYTQ cooperates with higher education institutions such as Tianjin University, Huazhong University of Science and Technology etc., and has always focused on improving its own research and development capabilities and building of its research and development team. In order to ensure the sustainability of innovation capability on research and development, BYTQ has set up a research and development team with rich professional theoretical knowledge and technical research and development experience.

#### 2. Human Resources Advantages

As an integrated solution provider for automated production lines, BYTQ needs the ability to integrate and apply multi-disciplinary knowledge across a wide range of fields, including mechanics, electronics, controls, industrial software, sensors and artificial intelligence. BYTQ has a total of more than 60 technical staffs, many of whom have more than 10 years of experience. BYTQ has 9 core technical personnel who have been working in the mechanical automation industry for many years, all of whom have about 15 years of experience in the automation industry and have deep understanding of the industry. BYTQ is mainly engaged in team building and project research and development in robotics application, suspension chain transfer and interconnected factory. It will directly apply its R&D results to industrialisation while upgrading self-owned technology and equipment development to meet the multi-dimensional needs of the customers.

#### 3. Customer Resource Advantages

Over the years, BYTQ has been closely following the needs of customers, adopting the business model of "order-based production", tailoring non-standard automation equipment and information technology projects according to customers' needs, and formulating personalised industrial automation solutions for customers, and its products and technologies have been widely recognised within and outside the industry. With excellent product quality and sound after-sales service system, BYTQ has successfully established cooperation with numerous subsidiaries of group companies such as Haier, Aucma, Hisense, as well as quality downstream customers including several supporting companies in the home appliance industry for which to achieve sales of the products, and the quality customer resources have provided guarantee for the continuous and stable growth of BYTQ's results.

Due to the characteristics of the industry, downstream customers have strict standards and procedures for the selection of suppliers. Enterprises need to have deep understanding of the technological transformation needs of their customers and study their processing processes. Once they established the partnership with their customers, it would not be changed easily. Through more stable relationship with customers, BYTQ is able to understand the R&D, design and production process requirements of the customers' products in advance and provide total solutions that meet their practical production needs, which puts it in a better position in competition, adds value to the services and increases the profitability of the products.

BYTQ has been cooperating with Haier, Hisense and Aucma Group for more than five years, covering all types of home appliances such as refrigerators, washing machines, dishwashers and electric water heaters, and securing hundreds of orders from the abovementioned customers. With excellent product quality and a sound after-sales service system, BYTQ has formed good cooperative relationships with its major customers and has obtained relatively stable orders.

#### 4. Customer Service Advantages

The successful application of automated and information-based production lines depends on deep understanding of the industry and requires in-depth knowledge of the customer's industry characteristics, business model, product attributes, technical features and processes to ensure that the production line meets the customer's needs and plays its required role. As the production line has a direct impact on the quality and efficiency of the products produced, even on the normal operation of the production activities, customers are very careful when selecting suppliers, requiring high visibility, industry experience and successful cases, and usually are very demanding on the professionalism, implementation experience and after-sales service experience of the project implementation team.

BYTQ has established good reputation in the market over the years and is able to integrate various elements such as technology application, production process, product characteristics, industry experience and corporate image, and has accumulated very rich experience in successful applications in the home appliance industry. The project team of BYTQ has deep understanding of the business characteristics of customers in specific industries and is able to grasp and explore the genuine needs of customers, which facilitates the efficient replication and widespread promotion of successful cases. At the same time, the first-mover advantage of industry applications can help the Company to quickly capture the market of niche customers in the industry, and successful industry applications can further build up the corporate image, which together will lay a solid foundation for the Company's future development.

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## III. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the year, the Company overcame the negative impact brought about by the rebound of the pandemic in China, Russia-Ukraine conflict and the continuous increase in raw material prices. The Company was determined to implement its decisions and deployments, focus on the budget for the whole year, anchor on its targets and tackle the challenges ahead, achieving the budget targets for major economic indicators and making progress on numerous key tasks. With continuous improvement on business conditions, a solid foundation was laid for the completion of the annual targets and achievement of quality development for implementation of the 14th Five-Year Plan.

### 1. Completion of the acquisition and reorganisation project of BYTQ, enhancing the profitability of the Company

The acquisition and reorganisation of BYTQ by the Company was successfully completed. BYTQ focuses on the field of industrial automation and informatisation, and is a leading enterprise in the field of intelligent manufacturing equipment in the home appliance industry, with the ability to provide customers with comprehensive intelligent manufacturing solutions of automation and informatisation and overall application solutions of industrial internet smart factory. The acquisition enables the Company to fully utilise the accumulated technology and advantageous resources of BYTQ in automation system integration, intelligent manufacturing and intelligent factory construction, to strengthen its position in the intelligent manufacturing industry, promote the development of intelligent manufacturing and information technology construction business, accelerate the process of promoting the Company's business towards "precision and high-tech", optimise the business structure and expand the business scope and market precision and high-tech of the Company, helping the Company to form a diversified equipment manufacturing industry and achieve complementary advantages in its business, which will help the Company to accelerate the transformation and upgrade of its business.

### 2. Positive progress on market development

#### Gas Storage and Transportation Segment:

Demand in the North American market began to grow significantly following the bottom-out last year. The European market was affected by the Russia-Ukraine war and shortage of natural gas supply, while the significant depreciation of the Euro had a greater impact on the export of more price-sensitive products such as industrial bottles and firefighting bottles. The Company has increased customer stickiness through product diversification, value-added services, as well as actively promoting the use of new products, which has resulted in a growth against the general trend in the European market. The Asian market also achieved a good growth. The domestic industrial sector achieved significant results in the marketing of the lightweight high pressure series products, with new orders for industrial tanks increasing year-on-year, and bulk orders for type IV bottles were obtained. In the hydrogen energy application area, the successful completion of the torch burning for the Winter Olympics and the protection on the operation of hydrogen-fuelled vehicles resulted in faster revenue growth for hydrogen systems.

#### Intelligent Manufacturing Segment:

The Company is deeply involved in the home appliance industry and continues to expand its product range in each home appliance industry. Relying on its research and development and comprehensive integration capabilities, the Company provides customers with total solutions for production line automation, information technology construction, upgrading and transformation and intelligent factories, and the major products of the Company continue to expand in depth and breadth in the home appliance industry. In terms of floor conveyor assembly systems, the Company has leveraged its experience in the construction of drawer dishwashers to expand into the construction of floor conveyor assembly lines for wall-mounted dishwashers and service top Xiaohaibei dishwashers. In terms of stamping lines, the Company has further expanded its stamping lines to include stamping lines for other household appliances such as air conditioners, electric water heaters and gas water heaters following breakthroughs made in the development of robotics applications and high-speed supporting non-standard and special machines. In terms of suspension chains, the Company has continued to expand into new applications, and on the basis of the mature applications of door shells and bodies, it has started to expand into the field of intelligent distribution of inner liners and door linings.

### 3. Insisting on innovation-driven, comprehensively shaping a new development trend

In the first half of the year, the Company continued to increase its investment in technological research and development by undertaking science commission projects, open competition projects and state-owned capital projects. 13 key research and development projects were undertaken in 2022. The Company attaches great importance to the cultivation of "Specialised and New" enterprises, and four enterprises, namely Tianhai Industrial, Tianhai Cryogenic, Minghui Tianhai and Kuancheng Tianhai, have been awarded the title of "Specialized and New" or "Specialized and New" small giant enterprise at the provincial and municipal levels. The key technology research and development projects have been carried out with solid progress, and the research and development of Type IV Cylinders, hydrogen refuelling stations and liquid hydrogen storage tanks have made advances.

Establishing R&D institutions and building technology platforms: As the registration has been completed for a technology research and development centre in Beijing, BYTQ Beijing branch, this will bring in core technical talents to the industry and establish an intelligent core technologies R&D platform, facilitating technical exchanges and business matching with various enterprises in the controlling shareholder, Jingcheng Machinery Electric, broadening the Company's business scale and enhancing its profitability, which will be conducive to enhancing the enterprise intelligent manufacturing capabilities in the system and promoting synergy and efficiency in the businesses of various enterprises. Technical breakthroughs in R&D to provide technical support in securing orders: The Company uses production to lead research, research to promote production. By understanding enterprise project order demand and equipment in the industry which has replication demand, some in-house research projects made breakthroughs. In the first half of the year, the Company made a breakthrough in the expenses for R&D of highspeed reciprocating robots, two- and three-dimensional high-speed robots, providing a technical guarantee and advantage for the Company to obtain orders for high-speed stamping lines in the air-conditioning and water heater industries. The core unit of the stamping line, the die change trolley, is under independent R&D, which, when successful, will significantly reduce the overall cost of stamping line products and enhance the competitiveness of the product in the market.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Increasing digitalisation and introduction of a technical team

Tianhai Industrial, a subsidiary of the Company, has been actively engaged in the enterprise digital transformation and upgrade. The automation upgrade project of the small volume composite cylinder production line in Shanghai Tianhai and the automation upgrade project of the medium to large size hydraulic test process of the small size cylinder production line in Tianjin Tianhai have completed pre-inspection for acceptance and will continue to optimise the pace and carry out joint adjustment and testing of various products. The assembling, commissioning and testing of the Tianhai hydrogen breathing apparatus cylinder mouth processing and type III cylinder punching automation projects have been completed at the factory.

BYTQ plans to introduce a technical team for the development of new products for automation equipment in the second half of the year to obtain orders for related equipment development projects in new areas and expand the business scope of the Company.

### 5. Improving subsidiary's related systems to enhance risk prevention and control

To improve the system construction of the Company, comprehensively sort out business processes, establish and improve various systems and processes in line with the actual situation of the enterprise, carry out internal control system construction, improve the existing management system of the Company, strengthen the system construction and improvement in the areas of decision-making, operation, budgeting and investment and financing of the Company, and enhance its compliance management capability and internal control management standards. The Company will also incorporate external regulatory, legal compliance and risk management requirements into its rules and regulations, work standards and business processes, thereby improving the Company's internal management system, enhancing the effectiveness of the system and processes and preventing operational risks.

In the second half of the year, the Company will closely follow the dynamics of the gas storage industry and grasp the trend of market demand. Based on its own technical characteristics, the Company will continue to develop and launch high-quality products, extend the expansion of applications, and enhance its core competitiveness in the market. The Company will improve the incentive mechanism, stimulate the innovation vitality of the scientific research team, strengthen the research and development of core technologies in professional fields, promote the transformation of scientific research results, and provide strong support for improving the quality of the Company. In the field of industrial automation, the subsidiary engaged in industrial automation will accelerate the delivery of project construction to ensure the completion of the smooth acceptance of the access project, and pay attention to the construction project of the industrial internet factory to secure future results.

#### 1. On the basis of full budget management, grabbing "new opportunities" in market development

The Company needs to strengthen internal communications and coordination, follow market demand to guide production scheduling, improve planning, and speed up the flow of orders and capital to secure a stable operation base. The Company will continue to optimise its products and market structure, actively promote the diversification of product lines, pay close attention to downstream technological changes, increase the proportion of high value-added products, and make every effort to speed up the development and implementation of the products in line with customer requirements. Meanwhile, the Company will also pay close attention to policy, legal and financial market changes and take timely and effective measures to address business risks such as exchange rates, customs duties and logistics.

#### 2. Driven by continuous innovation, fully creating "new advantages" in development

The Company will give full play to the advantages of science and technology and talents, further optimize the two-tier R&D system, continuously improve the market-oriented, technology R&D-supported, product innovation-centred R&D system, and further improve the incentive mechanism for key technology teams to make breakthrough in key R&D projects. The Company will give full play to the role of the gas storage industry, strengthen coordination and empowerment, improve efficiency and coordinate the planning and make precise arrangement, and push forward the completion of the Beijing Science Commission key projects as planned. Meanwhile, the industrial automation segment will be market-oriented and carry out technical research and development breakthroughs on new demands for industry automation projects, integration of informatisation software systems and research and development of suspension conveyor systems to maintain good foresight, rapid response capability and continuous development capability for downstream demands.

#### 3. Led by strengthened strategic objectives, to carry out reform and adjustment to provide "new impetus"

We will continue to deepen the adjustment of the industry layout, optimise resource allocation and enhance profitability. We will also deepen reforms and improve information technology, strengthen the use of new-generation information technologies such as digitisation, networking and intelligence, and promote the transformation and intelligent upgrade of enterprise products, production and manufacturing, and management services to digitisation. On the basis of strategy and control, we will further strengthen empowerment and synergy. Each function centre will strengthen its own professionalism and vocationalisation, explore the implementation of a topic-based system and project-based system, deeply explore management difficulties and pain points in the course of operation, and organise all parties to solve such difficulties.

#### 4. With the principle of promoting legal compliance, lifting our risk management system to take a "new plateau"

At the point of completion of the merger and acquisition, the Company will further strengthen compliance management and improve the operation mechanism of compliance management; embed risk control and legal compliance requirements into the system and process to form a long-term mechanism; enhance guidance and supervision and training on contract management of subsidiaries, and strengthen management, guidance and training on legal, internal control, compliance and risk prevention capacity in subsidiaries, and improve the professional management level of subsidiaries. The organisation of intellectual property management and relevant system will be improved, and we will further promote technological innovation and the formation of independent intellectual property rights, strengthen the maintenance and authorisation management of trademarks and patents, and enhance the ability to protect intellectual property rights.

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

Applicable  Not Applicable

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## IV. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

### (i) Analysis of principal businesses

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

Unit: Yuan Currency: RMB

| Item                                      | Current period | Corresponding period of last year | Changes (%) |
|---|----------------|-----------------------------------|-------------|
| Operating income                          | 637,677,016.77 | 526,554,520.75                    | 21.10       |
| Operating cost                            | 553,123,507.27 | 453,219,285.37                    | 22.04       |
| Sales expense                             | 15,841,866.48  | 15,050,487.21                     | 5.26        |
| Management expense                        | 38,334,532.86  | 39,916,462.24                     | -3.96       |
| Financial expense                         | 2,940,495.83   | 6,189,937.17                      | -52.50      |
| R&D expenditure                           | 21,615,500.91  | 10,015,871.43                     | 115.81      |
| Net cash flows from operating activities  | -18,915,591.19 | -42,048,198.13                    | -           |
| Net cash flows from investment activities | -8,990,156.01  | -33,123,899.27                    | -           |
| Net cash flows from financing activities  | 62,543,584.45  | -74,779,453.38                    | -           |

Reasons for the change in operating income: increase of 21.10% as compared with the corresponding period of last year, mainly due to the Company continuously adjusting the product structure, proactively expanding new application field and impact from the inclusion of BYTQ in the scope of the Company's consolidated financial statement;

Reasons for the change in operating cost: increase of 22.04% as compared with the corresponding period of last year, mainly due to the increase in operating income;

Reasons for the change in sales expense: increase of 5.26% as compared with the corresponding period of last year, mainly due to the impact from the inclusion of BYTQ in the scope of the Company's consolidated financial statement;

Reasons for the change in management expense: decrease of 3.96% as compared with the corresponding period of last year, mainly due to the strengthened budget management and strict control of management expense;

Reasons for the change in financial expense: decrease of 52.50% as compared with the corresponding period of last year, mainly due to the decrease in loans which resulted in decrease in interest and the prevention of exchange losses due to the forward settlement of foreign exchange;

Reasons for the change in R&D expenditure: increase of 115.81% 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 RMB23,132,600 as compared with the corresponding period of last year, mainly due to the increase in cash received from operating activities and decrease in cash paid for operating activities during the current period;

Reasons for the change in net cash flows from investment activities: increase of approximately RMB24,133,700 as compared with the corresponding period of last year, mainly due to the receipt of net cash from subsidiaries in the current period;

Reasons for the change in net cash flows from financing activities: increase of approximately RMB137,323,000 as compared with the corresponding period of last year, mainly due to the net repayments of loans obtained and special payables and borrowings received in the current period were less than those in the corresponding period of the previous year.

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

Applicable  Not Applicable

The Company completed the delivery of the project of acquiring 80% equity interest in BYTQ in June 2022. The scale of the Company's principal business revenue and profit has been enhanced and the Company's ability to continue operating has improved significantly.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Applicable  Not Applicable

### (III) Analysis of assets and liabilities

Applicable  Not Applicable

#### 1. Assets and liabilities

Unit: Yuan Currency: RMB

| Name of item              | Balance at the end of the current period | Balance at the end of the current period over total assets (%) | Balance at the end of the corresponding period last year | Balance at the end of last year over total assets (%) | Change in amount at the end of current period over last year (%) | Description   |
|---------------------------|--|--|--|---|--|---|
| Monetary funds            | 180,522,429.75                           | 8.67   | 105,776,763.72   | 6.74  | 70.66  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Notes receivable          | 10,822,070.00                            | 0.52   |  | 0.00  | 100.00   | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Accounts receivable       | 309,677,712.63                           | 14.87  | 175,225,191.63   | 11.17   | 76.73  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Receivables financing     | 19,461,177.94                            | 0.93   | 10,465,061.76  | 0.67  | 85.96  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Prepayments               | 79,748,876.25                            | 3.83   | 53,915,051.53  | 3.44  | 47.92  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Other current assets      | 18,930,608.81                            | 0.91   | 27,386,862.15  | 1.75  | -30.88   | Mainly as a result of the impact of tax refunds retained by subsidiaries  |
| Right-of-use assets       | 4,779,117.38                             | 0.23   |  | 0.00  | 100.00   | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Intangible assets         | 169,264,466.24                           | 8.13   | 120,037,115.68   | 7.65  | 41.01  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Goodwill                  | 168,996,039.10                           | 8.11   |  | 0.00  | 100.00   | Mainly as a result of the cost of acquiring the equity interest in BYTQ being greater than the share of the fair value of the identifiable net assets based on the percentage of shareholding |
| Other non-current assets  | 230,866.00                               | 0.01   |  | 0.00  | 100.00   | Mainly due to prepayments for the purchase of equity interests by subsidiaries  |
| Notes payable             | 80,099,959.43                            | 3.85   | 50,693,681.14  | 3.23  | 58.01  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements  |
| Employee benefits payable | 15,727,901.14                            | 0.76   | 27,257,688.27  | 1.74  | -42.30   | Mainly as a result of the payment of prior year's employee benefit payable in the current period  |

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

| Name of item               | Balance at the end of the current period | Balance at the end of the current period over total assets (%) | Balance at the end of the corresponding period last year | Balance at the end of last year over total assets (%) | Change in amount at the end of current period over last year (%) | Description  |
|----------------------------|--|--|--|---|--|--|
| Taxes payable              | 24,219,026.55                            | 1.16   | 6,186,732.62   | 0.39  | 291.47   | Mainly due to the impact of the tax moratorium policy enjoyed by the subsidiaries and the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements |
| Other payables             | 156,941,772.26                           | 7.53   | 25,960,072.78  | 1.66  | 504.55   | Mainly attributable to the amount payable to the former shareholder of BYTQ for the transfer of equity interest and the borrowing of funds by the subsidiary from Jingcheng Machinery Electric during the current period   |
| Lease liabilities          | 1,831,770.18                             | 0.09   |  | 0.00  | 100.00   | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements   |
| Long-term payables         | 53,207,700.00                            | 2.55   | 30,000,000.00  | 1.91  | 77.36  | Mainly due to the acquisition of specific payables by subsidiaries during the current period   |
| Expected liabilities       | 8,945,975.89                             | 0.43   | 5,794,470.12   | 0.37  | 54.39  | Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements   |
| Other comprehensive income | 753,049.57                               | 0.04   | -1,030,194.20  | -0.07   | -173.10  | Mainly due to the impact of exchange differences arising from translation of foreign currency statements   |
| Other description          |  |  |  |   |  |  |
| Nil                        |  |  |  |   |  |  |

### 2. Overseas assets

Applicable  Not Applicable

#### (1) Size of assets

Including: overseas assets of 220,863,036.42 (Unit: Yuan Currency: RMB), accounting for 10.60% of the total assets.

#### (2) Details of overseas assets

Applicable  Not Applicable

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

Applicable  Not Applicable

Unit: Yuan Currency: RMB

| Item                | Ending carrying amount  | Reasons for restriction  |
|---------------------|---|--|
| Monetary funds      | <b>24,791,946.73</b><br><b>39,548,486.95</b><br><b>395,389.70</b> | L/C guarantee deposit<br>Deposits of bank acceptance bill<br>Foreign exchange trading margin |
| Right-of-use assets | <b>4,779,117.38</b>   | Ownership does not belong to the Company   |
| Notes receivable    | <b>10,822,070.00</b>  | Obtaining a pledge of a bank credit line   |
| <b>Total</b>        | <b>80,337,010.76</b>  | -  |

### 4. Other descriptions

Applicable  Not Applicable

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## (IV) Analysis of investments

### 1. General analysis of external equity investments

Applicable  Not Applicable

#### (1) Material equity investments

Applicable  Not Applicable

##### (1) Project of asset acquisition by way of share issuance and cash payment

In order to enhance the Company's ongoing operation and profitability, the Company has completed the implementation of the acquisition of 80% equity interests in BYTQ. On 15 December 2021, the Company issued the "Announcement on Obtaining Conditional Approval for the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds from the Listed Company Merger and Reorganization Vetting Committee of the CSRC and Resumption of Trading in A Shares", the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 33rd working meeting of the MRVC for the year of 2021, at which the asset acquisition by way of share issuance and cash payment and raising of supporting funds was vetted and conditionally approved. On 24 March 2022, the Company received from the CSRC the "Approval for the asset acquisition by way of share issuance and raising of supporting funds by Beijing Jingcheng Machinery and Electric Company Limited to Li Hong and Others", approving the matter of the asset acquisition by way of share issuance and cash payment and raising of supporting funds by the Company. On 17 June 2022, the Company issued the "Announcement in relation to the Transfer of Assets of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds", all the target assets of the transaction have been registered in the name of the Company and the Company directly holds 80% equity interest in BYTQ and the transfer of the target assets involved in the transaction has been completed. On 27 June 2022, the Company issued the "Announcement in relation to the Issuance Results of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds and Change In Share Capital", according to the "Certificate of Securities Change Registration of Shanghai Branch of China Securities Depository and Clearing Corporation Limited" issued by Shanghai Branch of the CSDC on 24 June 2022, the Company has completed the registration of the additional shares for this asset acquisition by way of share issuance. 46,481,314 A shares were issued non-publicly by the Company as part of the consideration for the transaction for assets acquisition, with an aggregate nominal value of RMB46,481,314, all of which are circulating shares subject to trading moratorium. Upon completion of the issuance, the total number of shares of the Company is 531,481,314 shares (including A shares and H shares). The issuance price of each new A share is RMB3.42. The benchmark date for pricing these shares is 17 August 2020, being the date of announcement of the resolution passed at the fifth extraordinary meeting of the tenth session of the Board of the Company to approve the relevant proposed acquisition, and the closing price of the A Shares on the following day (trading in the A Shares was suspended from 4 August 2020 to 17 August 2020) was RMB4.39. The targets of the issuance are set out in the announcement of the Company dated 27 June 2022 and Section 7 of this report. As considered and approved at the ninth meeting of the tenth session of the Board of the Company, the Company established a designated account for the raised funds and entered into a "Tripartite Custody Agreement for the Designated Account for Raised Funds" with independent financial adviser CSC Financial Co., Ltd. and Beijing Guanghua subbranch of Hua Xia Bank Co., Limited. Such designated account has received the raised funds net of issuance expenses. The asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is subject to subsequent work relating to the raising of supporting funds, the timing of which is uncertain. The Company will strictly maintain confidentiality of information in accordance with the relevant progress and perform its information disclosure obligations in strict accordance with the relevant laws and regulations and make timely announcements on the progress of the matter.

##### (2) Tianhai Industrial's acquisition of 2% equity interest in Jingcheng Haitong

On 28 April 2022, Tianhai Industrial entered into the "Equity Transfer Contract" with Beijing Neng tong, in which the acquisition by Tianhai Industrial of 2% equity interest in Jingcheng Haitong held by Beijing Neng tong, was considered and approved by the general meeting of the Company on 9 June 2022. The transfer price was RMB461,732. Upon the completion of transaction, the registered capital of Jingcheng Haitong remains RMB80,000,000, the amount of capital contribution and shareholding proportion of both parties were changed as follows: Tianhai Industrial contributed RMB40.80 million, holding 51% of the shares, and Beijing Neng tong contributed RMB39.20 million, holding 49% of the shares, Tianhai Industrial thus succeeded in acquiring a 51% controlling interest in Jingcheng Haitong.

As disclosed in the announcement of the Company dated 6 July 2022, Jingcheng Haitong has completed the registration procedures for industrial and commercial changes such as changing of the amount of shareholders' capital contribution and shareholding proportion and filing of the "Articles of Association", and obtained a new business licence.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Applicable  Not Applicable

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

Applicable  Not Applicable

| Company name                                       | Business nature        | Principal products or services   | Registered capital | Total assets        | Net assets        | Net profit      |
|--|------------------------|--|--------------------|---------------------|-------------------|-----------------|
| Beijing Tianhai Industry Co. Ltd.                  | Production             | Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc. | US\$83,386,262.97  | RMB1,598,022,650.28 | RMB586,425,117.78 | -RMB170,760.52  |
| Jingcheng Holding (Hong Kong) Company Limited      | Trading and investment | Import and export trade, investment holding and consultancy services, etc.                               | HK\$1,000          | RMB163,085,844.90   | RMB157,763,699.80 | RMB271,525.06   |
| Qingdao BYTQ United Digital Intelligence Co., Ltd. | Production             | Robots and automation equipment products etc.  | RMB19,862,800      | RMB296,632,461.14   | RMB180,283,325.45 | RMB7,528,374.32 |

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

Applicable  Not Applicable



# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## V. OTHER DISCLOSURES

### (I) Potential risks

Applicable  Not Applicable

#### 1. Industry policy risks

The Company's hydrogen energy storage and transportation segment is categorized as a new business, which may easily be affected by national policy, economic environment, upstream and downstream industrial chain development, and other factors. The impact of various unfavourable factors, such as the impact of the pandemic, pre-market over expansion, low transportation prices and continued high natural gas prices, had affected the natural gas storage and transportation segment, which is the Company's main business.

The development of the industrial machinery industry is subject to a certain degree of uncertainty due to the macroeconomic environment and factors such as trade conflicts between China and the US. If industry policies, the international trade environment and market supply and demand change in the future, it may lead to cyclical fluctuations in the machinery manufacturing industry, which in turn may affect the market demand for automated production solutions.

The Company will take measures to proactively respond by strengthening supply chain management, research and development innovation and actively increasing its market share. Therefore, in response to the abovementioned risks, the Company will grasp the national macro policy in a timely manner, identify industrial development trends, broaden areas of product application, and at the same time strengthen core technology development, expand new markets, minimize the risk factors associated with industry policy to reduce the impact on the Company.

#### 2. Risk of intensified market competition

The gas storage and transportation market and the industrial automation segment in general has seen a stable and rising trend, but competition in the industry is intensifying. The product market may change in the future, which will bring some uncertain factors and impact on the Company's business development.

The good market prospect in the industrial automation field has gradually attracted the entry of competitors and intensified market competition. If the Company fails to continue to maintain its technological, product and brand advantages and fails to continuously enhance its overall competitiveness, increased competition leading to price fluctuations will have an adverse impact on the Company's operating results.

The Company will continue to focus on technological independence, continue to improve its independent innovation capability, make scientific arrangements, and make every effort to drive scientific and technological innovation. The Company will also enhance its market and competition awareness, emphasise on the direction of professional development, and consolidate, expand and enlarge its market share.

#### 3. Technology research and development risks

With the gradual improvement of the top-level design of the hydrogen energy industry, the technological progress will be further accelerated under the relevant government policies as well as the strong support of orders. The Company faces certain risks in the R&D technology path and in matching key R&D projects with the market demand.

The industrial automation industry is developing at a fast pace with frequent advancements in technology, which requires the Company's technical team to have good foresight, be able to respond promptly and make continuous development to cater for downstream demand. As there are certain uncertainties in the R&D and promotion of new products, the Company may face the risk of failure in development of new products or the market promotion does not meet expectations.

The Company attaches importance to continuous investment in R&D and will continue to strengthen the development on hydrogen energy business and accelerate the development of new products, while actively promotes industrial automation product line diversification, pays high attention to downstream technological changes, and relies on a highly qualified R&D team, to achieve technological updates of products.

#### 4. Staff turnover risks

The Company values technological innovation. It has established a stable team of technical personnel, developed a sound salary management system and an attractive salary system, but with the rapid development of the domestic machinery manufacturing industry and intensification of competition, the demand for technical personnel, especially for core technical personnel, from peer companies will increase, and the Company will still face the risk of losing its core technical personnel. The Company will continue to recruit outstanding technical talents in relevant fields and strengthen technical cooperation to maintain the Company's talent advantage.

#### 5. Risk of impact from COVID-19 impact

At present, prevention and control of the COVID-19 pandemic is still at a critical stage. Although China has achieved good results in the prevention and control of the pandemic, economic activities have fully resumed and production and operation in the society are in order, but the pandemic is not yet over. In view of the current trend of the global spread of the pandemic, if situation such as another outbreak of large-scale epidemic in the future or the pandemic prevention measures are tightened again, it will lead to factors affecting the normal operation of the principal business of the Company which are beyond our control. The Company will watch closely the domestic and overseas trend of the pandemic, strictly implement the pandemic prevention policies and proactively take effective measures to minimise the possible adverse impact of the pandemic on the Company's production and operation.

# SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

## (II) Other disclosures

√ Applicable  Not Applicable

### 1. Financial position analysis

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

| Liquidity and capital structure | At the end of the period | At the beginning of the period |
|---------------------------------|--------------------------|--------------------------------|
| (1) Gearing ratio               | 40.97%                   | 38.70%                         |
| (2) Quick ratio                 | 84.61%                   | 71.25%                         |
| (3) Liquidity ratio             | 132.72%                  | 131.75%                        |

### 2. Bank loans

The Company seriously implemented its annual capital income and expenditure budget plan in accordance with the change in 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 financial risks in a timely manner by fully utilizing financial instruments, and to improve the profit of the Company and shareholders. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB85,369,700, representing an increase of 1.84% as compared with the beginning of the year. Non-current liabilities due within one year amounted to RMB8,748,700, representing an increase of RMB1,748,700 for the current period; representing an increase of 3.62% as compared with the beginning of the year calculated in accordance with non-reclassification method.

### 3. Foreign exchange risk management

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

### 4. Principal sources of fund and its use

#### 1. Cash flows from operating activities

The Company's cash inflow from operating activities was 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 RMB612,369,500, while cash outflow amounted to RMB631,285,000. Net cash flow during the Reporting Period from operating activities amounted to -RMB18,915,600.

#### 2. Cash flows from investment activities

The Company's cash inflow from investment activities during the Reporting Period amounted to RMB36,539,200, which was mainly due to net cash received from subsidiaries. Cash outflow to investment activities amounted to RMB45,529,300, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investment activities for the Reporting Period amounted to -RMB8,990,200.

#### 3. Cash flows from financing activities

Cash inflow from financing activities during the Reporting Period amounted to RMB98,887,300, which was mainly from bank borrowings. Cash outflow to financing activities during the Reporting Period amounted to RMB36,343,700, which was mainly repayment of loans and interest. Net cash flow from financing activities for the Reporting Period amounted to RMB62,543,600.

Net cash flow from operating activities during the current period increased by approximately RMB23,132,600 compared with the corresponding period last year, which was mainly due to the decrease in cash outflow from operating activities, which reduced the net cash flows from operating activities during the period; Net cash flow from the investment activities increased by approximately RMB24,133,700 compared with the corresponding period last year, which was mainly attributable to the cash received from subsidiaries; Net cash flow from financing activities increased by approximately RMB137,323,000 compared with the corresponding period last year, which was mainly due to the net repayments of loans obtained and special payables and borrowings received during the period were less than those in the corresponding period of last year.

Net cash flow from operating activities for the current period was -RMB18,915,600. Net profit for the current period was RMB8,688,000. The Company mainly raised capital for operations from cash flow generated internally and loans.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Capital structure

The Company's capital structure consisted of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,229,663,000, of which, minority shareholders' interests amounted to RMB316,601,600, and total liabilities amounted to RMB853,276,800. Total assets amounted to RMB2,082,939,800. As at the end of the Reporting Period, the Company's gearing ratio was 40.97%.

#### Capital structure by liquidity

|  |                  |                                 |
|--|------------------|---------------------------------|
| Total current liabilities                          | RMB746,065,200   | Accounting for 35.82% of assets |
| Total equity interest attributable to shareholders | RMB1,229,663,000 | Accounting for 59.03% of assets |
| Of which: minority shareholders' interests         | RMB316,601,600   | Accounting for 15.20% of assets |

### 6. Contingent liabilities

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

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

Unit: Yuan Currency: RMB

| Item                | Ending carrying amount                       | Reasons for restriction  |
|---------------------|--|--|
| Monetary funds      | 24,791,946.73<br>39,548,486.95<br>395,389.70 | L/C guarantee deposit<br>Deposits of bank acceptance bill<br>Foreign exchange trading margin |
| Right-of-use assets | 4,779,117.38                                 | Ownership does not belong to the Company   |
| Notes receivable    | 10,822,070.00                                | Obtaining a pledge of a bank credit line   |
| <b>Total</b>        | <b>80,337,010.76</b>                         | <b>-</b>   |

### 8. Number of employees, employees' rewards, remuneration policy and training program during the Reporting Period

#### (1) Number of employees:

Number of employees during the Reporting Period was 1,381.

#### (2) Remunerations:

Remunerations for employees during the Reporting Period were RMB77,612,900 (the remunerations for employees of BYTQ during January to June have been paid by BYTQ. This figure does not include that part of remunerations).

#### (3) Remuneration policies

The Company implemented a diversified salaries system based on the performance on job positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of each position is determined by job evaluation with reference to labour market for confirming the relative value of the position, so as to ensure the internal and external equality of salary levels. On this basis, the remuneration policy is to be implemented in accordance with different personnel and nature of work to undertake a diversified salaries system such as the implementation of technology and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework or hourly wage system for production workers, evaluation of performance and ability for management and annual salary system for senior management. In May 2021, the Company officially implemented the "Remuneration Management Measures for Employees" to further improve the remuneration management system of the Company, which is more conducive to follow the principle of distribution according to work. In the meantime, the Company introduced the "Management Measures for Core Talents" and set up various career paths for employees in different positions and from different departments including aspects of technology, skills, business, and management. The measures have motivated employees to work hard on their positions and constantly raised the initiative of employees to improve their capabilities to perform.

#### (4) Training plan

In the first half of 2022, according to the "2022 Annual Training Plan", a total of 18,326.5 training hours were completed with training of 4,072 employees, and number of training hours per employee reached 14.3 hours. According to the annual training plan, the Company organized and completed training courses such as "Training on the Promotion and Implementation of Rules and Regulations", "Training on Pandemic Prevention and Control", "Training on Finite Element Analysis Software", "Training on Product Basics", "Training on Fire Safety", "Time Management", "Employee Execution", "Training on Intelligent Industry Trend", and "Training on Front Line Team Leader Management".

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 9. Corporate governance

During the Reporting Period, the Company effectively ensured that the general meeting, the Board, the Supervisory Committee and managers of the Company have well-defined power and responsibilities, allowing them to maintain checks and balances, coordinate with each other and to operate in compliance with requirements. The Board and its strategic committee, audit committee, remuneration and monitoring committee and 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 2022 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 code provisions set out in Part 2 of Appendix 14 "Corporate Governance Code" of the Listing Rules of the Stock Exchange during the Reporting Period.
- (4) During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules of the Stock Exchange. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of the Directors and Supervisors has complied with the required standards on securities transactions by Directors and Supervisors as set out in the Model Code for the six months ended 30 June 2022.
- (5) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
- (6) There was no change in scope of the consolidated statements as compared to the financial report for the previous year.



# SECTION 4 CORPORATE GOVERNANCE

## I. INTRODUCTION TO THE GENERAL MEETINGS

| Meeting   | Date of holding  | Index for details on website designated for publishing resolutions   | Date of disclosure of the resolution | Resolution   |
|---|------------------|--|--------------------------------------|--|
| The First Extraordinary General Meeting of 2022 | 24 February 2022 | Website of SSE <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;<br>HKEXnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 24 February 2022                     | The following resolutions were considered and approved: the "Resolution in relation to the Extension of the Validity Period of the Resolutions of the General Meeting in respect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company"; the "Resolution in relation to the Request to the General Meeting and Class Meetings to Extend the Validity Period of the Mandate Granted to the Board of Directors to Deal with Matters Relating to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds"; the "Resolution in relation to the remuneration of a director of the tenth session of the board of directors of the Company and entering into of a written contract"; the "Resolution in relation to the election of Mr. Man Huiyong (滿會勇) as a non-executive director of the tenth session of the board of directors of the Company".   |
| The First A Shares Class Meeting of 2022        | 24 February 2022 | Website of SSE <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;<br>HKEXnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 24 February 2022                     | The following resolutions were considered and approved: the "Resolution in relation to the Extension of the Validity Period of the Resolutions of the General Meeting in respect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company"; the "Resolution in relation to the Request to the General Meeting and Class Meetings to Extend the Validity Period of the Mandate Granted to the Board of Directors to Deal with Matters Relating to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds".  |
| The First H Shares Class Meeting of 2022        | 24 February 2022 | Website of SSE <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;<br>HKEXnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 24 February 2022                     | The following resolutions were considered and approved: the "Resolution in relation to the Extension of the Validity Period of the Resolutions of the General Meeting in respect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company"; the "Resolution in relation to the Request to the General Meeting and Class Meetings to Extend the Validity Period of the Mandate Granted to the Board of Directors to Deal with Matters Relating to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds".  |
| 2021 Annual General Meeting                     | 9 June 2022      | Website of SSE <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;<br>HKEXnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 9 June 2022                          | The following resolutions were considered and approved: the full text and the summary of annual report for A shares and annual report for H shares of the Company for 2021; the 2021 work report of the Board of the Company; the 2021 work report of the supervisory committee of the Company; the 2021 audited financial reports of the Company; the internal control audit report in the financial report of the Company for the year 2021; the 2021 work report of the independent non-executive directors of the Company; the re-appointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor for the Company's 2022 financial reports and to propose at the general meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration; the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor for the Company's 2022 internal control audit report of the financial report and to propose at the general meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration; the resolution of the Company not to distribute any profit for the year 2021; to propose for the amendment of the "Fund Raising Management Measures"; the resolution of Beijing Tianhai Industry Co., Ltd. to acquire 2% equity interest of Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. held by Beijing Nengtong Lease Company; and the resolution in relation to grant of general mandate to the Board to issue H shares by the Company. |

## SECTION 4 CORPORATE GOVERNANCE

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

Applicable  Not Applicable

**Description of the general meeting of shareholders**

Applicable  Not Applicable

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

Applicable  Not Applicable

| Name        | Position               | Change      |
|-------------|------------------------|-------------|
| Man Huiyong | non-executive Director | Appointment |
| Yang Yi     | general counsel        | Resignation |
| Li Xianzhe  | general counsel        | Appointment |

**Description of change of directors, supervisors and senior management of the Company**

Applicable  Not Applicable

- On 28 October 2021, the Company convened the sixth meeting of the tenth session of the Board, at which the "Resolution in relation to the Nomination of Mr. Man Huiyong as a Non-executive Director Candidate of the tenth session of the Board of the Company" was considered and approved. It was agreed to nominate Mr. Man Huiyong to fill in vacancy as a non-executive director candidate of the tenth session of the Board of the Company; The Company held the First Extraordinary General Meeting of 2022 on 24 February 2022 and considered and approved the "Resolution in relation to the Election of Mr. Man Huiyong as a Non-Executive Director of the Tenth Session of the Board of the Company" for a term commencing from 24 February 2022 to the annual general meeting of 2022; The Company held the sixteenth extraordinary meeting of the tenth session of the Board on 25 February 2022 and considered and approved the "Resolution in relation to the Change in Member of the Audit Committee of the Tenth Session of the Board of the Company". The attending Directors unanimously agreed to elect Mr. Man Huiyong as a member of the audit committee of the tenth session of the Board for a term commencing from 25 February 2022 to the annual general meeting of 2022.
- The Board of the Company received the written resignation application submitted by Ms. Yang Yi, the general counsel of the Company, on 19 January 2022. Due to job changes, Ms. Yang applied to resign from the position of general counsel of the Company. The Board of the Company fully respected Ms. Yang's decision and accepted Ms. Yang's resignation application, which took effect on 19 January 2022. At the fourteenth extraordinary meeting of the tenth session of the Board held on 19 January 2022, the Company considered and approved the "Resolution in relation to the Appointment of General Counsel of the Company". The Directors attending the meeting unanimously agreed to appoint Mr. Li Xianzhe as the general counsel of the Company for a tenure from 19 January 2022 to the 2022 annual general meeting.

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

**Profit distribution plan or plan to convert capital reserve into share capital proposed for this interim period**

|  |     |
|--|-----|
| Whether to distribute profit or convert capital reserve  | No  |
| Number of shares to be distributed for every ten shares (share)  |     |
| Amount to be distributed for every ten shares (yuan) (tax inclusive)                                   |     |
| Number of shares to be converted into share capital for every ten shares (share)                       |     |
| Relevant explanation on profit distribution plan or plan to convert capital reserve into share capital | Nil |

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

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

Applicable  Not Applicable

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

**Share incentive**

Applicable  Not Applicable

**Other descriptions**

Applicable  Not Applicable

**Employee share scheme**

Applicable  Not Applicable

**Other incentive measures**

Applicable  Not Applicable

# SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

## I. ENVIRONMENTAL INFORMATION

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

Applicable  Not Applicable

#### 1. Information on emission of pollutants

Applicable  Not Applicable

Tianjin Tianhai, a subsidiary of the Company was included in the list of key pollutant-discharging units in Tianjin Province by Tianjin Environmental Protection Bureau in 2022.

#### 1. Information of wastewater emission

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

In the first half of 2022, the wastewater has undergone sampling and monitoring through Tianjin Guona Product Testing Technology Service Co., Ltd., and the results were in compliance with the "Overall Sewage Emission Standard" DB12/356-2018 (Level 3) of Tianjin Province, and all reached the emission standard.

#### Statistical table of emission concentration of water pollutants

Table 1-1

Unit: mg/L

| Pollutants         | Standard limit            | Emission concentration monitoring data (average) The first half of 2022 | Emission pattern | Emission flow                  |  |
|--------------------|---------------------------|---|------------------|--------------------------------|--|
| Regular pollutants | PH value                  | 6-9   | 7.6              | Stable and continuous disposal | Sewage treatment plant in the extended area of the bonded area |
|                    | chemical oxygen demand    | 500   | 80.5             |                                |  |
|                    | ammonia nitrogen          | 45  | 3.27             |                                |  |
|                    | suspended solids          | 400   | 16.5             |                                |  |
|                    | total phosphorus          | 8   | 0.045            |                                |  |
|                    | petroleum                 | 15  | 0.057            |                                |  |
|                    | animal and vegetable oils | 100   | 0.08             |                                |  |
|                    | anionic surfactants       | 20  | 0.05             |                                |  |

#### Statistics of total emission volume of water pollutants

Table 1-2

Unit: tons

| Pollutants                          | Data source               | The first half of 2022 Production volume | Disposal volume |       |
|-------------------------------------|---------------------------|--|-----------------|-------|
| Total disposal volume of wastewater | Statistical method        | 55,950                                   | 55,950          |       |
| Regular pollutants                  | PH value                  | Third-party testing                      | 0.425           | 0.425 |
|                                     | chemical oxygen demand    | Third-party testing                      | 4.504           | 4.504 |
|                                     | ammonia nitrogen          | Third-party testing                      | 0.183           | 0.183 |
|                                     | suspended solids          | Third-party testing                      | 0.923           | 0.923 |
|                                     | total phosphorus          | Third-party testing                      | 0.003           | 0.003 |
|                                     | petroleum                 | Third-party testing                      | 0.032           | 0.032 |
|                                     | animal and vegetable oils | Third-party testing                      | 0.005           | 0.005 |
|                                     | anionic surfactants       | Third-party testing                      | 0.003           | 0.003 |

# SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

## 2. Information of exhaust gas emission

Tianjin Tianhai has a total of 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 particulates, sulfur dioxide, nitrogen oxides, VOCs and benzene. 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 2022, 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" (DB12/524-2020), and all reached the emission standard.

**Table 2-1 Statistical table of emission concentration monitoring of air pollutants**

| Pollutants                              | Maximum allowable emission concentration (mg/m <sup>3</sup> ) | Annual average of emission concentration monitoring data (mg/m <sup>3</sup> )<br>The first half of 2022 | Maximum allowable emission rate (kg/h) | Annual average of emission rate monitoring data (kg/h)<br>The first half of 2022 |
|---|---|---|--|--|
| Natural gas combustion exhaust gas port |   |   |  |  |
| Regular pollutants                      |   |   |  |  |
| sulfur dioxide                          | 50  | 3   | Nil                                    | 0.029  |
| nitrogen oxides                         | 150   | 22.5  | Nil                                    | 0.38   |
| particules                              | 20  | 1.375   | Nil                                    | 0.019  |

**Table 2-2 Statistical table of emission concentration monitoring of air pollutants**

| Pollutants                   | Maximum allowable emission concentration (mg/m <sup>3</sup> ) | Annual average of emission concentration monitoring data (mg/m <sup>3</sup> )<br>The first half of 2022 | Maximum allowable emission rate (kg/h) | Highest annual average of emission rate monitoring data (kg/h)<br>The first half of 2022 |
|------------------------------|---|---|--|--|
| Spray paint exhaust gas port |   |   |  |  |
| Characteristic pollutants    |   |   |  |  |
| benzene                      | 1   | 0.004   | 0.2                                    | —  |
| VOCs                         | 40  | 0.998   | 1.5                                    | 0.38   |

**Table 2 – 3 Statistical table of total emission volume of air pollutants**

| Pollutants         | Emission volume of natural gas combustion | Emission volume of spray paint exhaust gas | Source              | The first half of 2022 Emission volume (tons) |
|--------------------|---|--|---------------------|---|
| Regular pollutants |   |  |                     |   |
| sulfur dioxide     | 107,027,603 m <sup>3</sup>                | 133,869,905.8 m <sup>3</sup>               | Third-party testing | 0.321   |
| nitrogen oxides    |   |  | Third-party testing | 2.408   |
| particules         |   |  | Third-party testing | 0.147   |
| benzene            |   |  | Third-party testing | 0.0004  |
| VOCs               |   |  | Third-party testing | 0.772   |



# SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

### 3. Emission control on hazardous waste

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

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

Unit: tons

| Name  | Waste categories | Major harmful substance | Form (solid, liquid, gas) | Source of generation | Generation volume per year (disposal volume) The first half of 2022 | Disposal method      |
|-------|------------------|-------------------------|---------------------------|----------------------|---|----------------------|
| 2     | HW12             | Paint                   | Solid                     | Production process   | 9.18  | Third-party disposal |
| 3     | HW13             | Resin                   | Solid                     | Production process   | 4.6   |                      |
| 4     | HW49             | Paint                   | Solid                     | Production process   | 8.69  |                      |
| Total |                  |                         |                           |                      | 23.1  |                      |

### 4. Emission control on general industrial solid waste

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

**Table 4 Emission and disposal of general industrial solid waste**

Unit: tons

| Year                   | Name of solid waste   | Generation volume | Comprehensive utilization | Disposal volume | Storage volume | Emission volume | Emission flow            |
|------------------------|-----------------------|-------------------|---------------------------|-----------------|----------------|-----------------|--------------------------|
| The first half of 2022 | Tube head, scrap iron | 1,018.505         | 1,018.505                 | 0               | 0              | 0               | Recycled for utilization |

### 5. Emission control on noise pollution

**Table 5 Emission and disposal of noise pollution**

| Year                   | Measurement location  | Corresponding noise source | Type of noise source | Daytime noise emissions (6:00 – 22:00)/dB(A) |        | Nighttime noise emissions (22:00 – 6:00)/dB(A) |        |
|------------------------|-----------------------|----------------------------|----------------------|--|--------|--|--------|
|                        |                       |                            |                      | Emission limit                               | Result | Emission limit                                 | Result |
| The first half of 2022 | Around the plant area | Production equipment       | Mechanical noise     | 65   | 58.9   | —  | —      |

### 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 facility; 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

### 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 accidents occurred in Tianjin Tianhai in a timely, highly efficient and proper manner. In accordance with the relevant requirements of the Environmental Protection Bureau of Tianjin Province and bonded area, the emergency plan for unexpected environmental pollution accidents of Tianjin Tianhai was prepared and filed (file no.: 120117-2019-116-L). Potential environmental risks and possible environmental pollution incidents of Tianjin Tianhai are analyzed, emergency drills are organized at least once a year, and drills are summarized and evaluated and the plan is revised and refined in a timely manner.

# SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

## 5. Environmental self-monitoring scheme

Applicable  Not Applicable

In the first half of 2022, Tianjin Guona Product Testing Technology Service Co., Ltd. was entrusted to test the discharge ports in accordance with the requirements of the monitoring plan. The test results all met the requirement of the standard (see table 1-1, table 2-2, table 5).

### 1. Implementation standard and limit of emission of water pollutants

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

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

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

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

## 6. Administrative penalty for environmental problems during the Reporting Period

Applicable  Not Applicable

## 7. Other disclosable environmental information

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

- Some of the raw materials of food purchased by the canteen of the Company are from the target poverty alleviation areas. The total purchase of poverty alleviation products by the canteen in the first half of the year amounted to approximately RMB609,192.03, in which poverty alleviation products amounted to RMB232,991.13, while non-poverty alleviation products amounted to RMB376,200.9. The proportion of poverty alleviation products is 38.24%.
- The labour union of the Company distributes festive gifts, which are purchased from target poverty alleviation areas, to employees for major festivals. The total purchase of poverty alleviation products by the labour union in the first half of the year amounted to RMB349,200, in which all of them were poverty alleviation products, representing 100% of the gifts.

# SECTION 6 IMPORTANT MATTERS

## I. 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 Machinery Electric 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 Machinery Electric undertakes: In relation to the businesses or business opportunities similar to those of the Listed Company including that we and other companies under our control anticipate or substantially in place to conduct, and assets and businesses of such businesses or business opportunities that may constitute potential competition. The company will not conduct and make efforts to cause the other companies under the control of the company not to conduct businesses which are the same as or similar to those of the Listed Company in order to avoid direct or indirect competition with the operation of business of the Listed Company. In addition, if unfair impact may be made to the Listed Company in the areas of market share, business opportunities and resource allocation by the company and the other companies under the control of the company, the company will voluntarily give up and make efforts to cause the other companies under the control of the company to give up business competition with the Listed Company. The company undertakes that starting from the date of issue of this Letter of Undertaking, it will compensate the Listed Company for any losses suffered or expenses incurred by the Listed Company as a result of the violation of any provisions of this undertaking by the company. This Letter of Undertaking continues to be effective during the period in which the Listed Company legally and validly subsists and the company is the controlling shareholder (or beneficial controller) of the Listed Company. | Long term                        | Yes   | Yes   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking | Undertaking party   | Content of undertaking   | Date and duration of undertaking | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons   | If not performed in a timely manner, describe plans in next steps |
|------------|---------------------|---|--|----------------------------------|---|---|--|---|
|            | Others              | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | Jingcheng Machinery Electric 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 Machinery Electric 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 Machinery Electric is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Machinery Electric is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Machinery Electric will compensate the Listed Company.  | Long term                        | Yes   | Yes   |  |   |
|            | Others              | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | Jingcheng Machinery Electric 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 Machinery Electric has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Machinery Electric will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Machinery Electric has not performed any act in violation of the undertaking. |   |
|            | Others              | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | Jingcheng Machinery Electric undertakes: If, in the future, the production workshops of Tianhai Industrial 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 Industrial caused by the relocating process.   | Long term                        | Yes   | Yes   |  |   |



## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking | Undertaking party   | Content of undertaking  | Date and duration of undertaking | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons   | If not performed in a timely manner, describe plans in next steps |
|------------|---------------------|---|---|----------------------------------|---|---|--|---|
|            | Others              | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | Jingcheng Machinery Electric 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 | Jingcheng Machinery Electric undertakes: The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets, and will not unilaterally refuse to sign or request cessation, termination or change of the "Framework Agreement in relation to the Material Asset Reorganisation of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd.", the "Material Asset Reorganisation Agreement of Beiren Printing Machinery Holdings Limited with Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" and relevant agreements due to the defects of the Outgoing Assets. If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; Beiren Group Corporation shall make full compensation to Beiren Holdings if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse. The Company undertakes: the Company will be jointly liable for the compensation obligations of Beiren Group Corporation. | Long term                        | Yes   | Yes   | As of the date of disclosure, Jingcheng Machinery Electric has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Machinery Electric will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Machinery Electric has not performed any act in violation of the undertaking. |   |
|            | Others              | Recipient of the Outgoing Assets (Beiren Group)                                   | Beiren Group undertakes: The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets. If the consent for liabilities transfer of the creditors in respect of the relevant liabilities involved in the Outgoing Assets (including the liabilities newly arose from the benchmark date to the delivery date) was not obtained, Beiren Group Corporation shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; the Company shall make full compensation to Beiren Holdings if Beiren Holdings bear any liabilities or incurred any losses due to such liabilities recourse.   | Long term                        | Yes   | Yes   | As of the date of disclosure, Jingcheng Machinery Electric has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Machinery Electric will be responsible for the repayment and provide guarantee. The Company has not suffered from any loss arising from claims. Jingcheng Machinery Electric has not performed any act in violation of the undertaking. |   |

## SECTION 6 IMPORTANT MATTERS

| Background        | Type of undertaking                      | Undertaking party   | Content of undertaking  | Date and duration of undertaking  | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|-------------------|--|---|---|---|---|---|--|---|
|                   | Others                                   | Recipient of the Outgoing Assets (Beiren Group)                                 | Beiren Group undertakes: The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets.  | Long term   | Yes   | Yes   |  |   |
| Other undertaking | Undertaking in relation to share lock-up | Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan) | <p>The Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan) undertake:</p> <p>1. I shall not transfer shares of the Listed Company acquired under the Transactions within 12 months from the Issuance Completion Date for the Reorganisation. After the expiration of the aforementioned lock-up period, for the shares of the Listed Company acquired under the Asset Acquisition by way of Share Issuance and Cash Payment, it shall be unlocked in phases according to the following arrangement:</p> <p>1st phase: After 12 months from the Issuance Completion Date of the Reorganisation and upon performance of my corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement and its supplemental agreement (collectively the "Performance Compensation Agreements"), the remaining portion of 40% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;</p> <p>2nd phase: If I have fully performed the compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreements, the remaining portion of 20% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;</p> <p>3rd phase: If I have fully performed the compensation obligations (if any) for the year of 2023 under the Performance Compensation Agreements, the remaining portion of 20% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;</p> <p>4th phase: If I have fully performed the compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreements (i.e. the five financial years of 2020, 2021, 2022, 2023 and 2024), the remaining shares in the newly acquired shares received that have not been unlocked shall be unlocked.</p> <p>I warrant that I will not create any pledge or other encumbrance of rights in respect of the Consideration Shares acquired by me through this Transaction after the expiry of the 12-month lock-up period and until such shares are unlocked in accordance with the aforementioned lock-up period agreement.</p> | From the date of acquisition of shares in the Listed Company until the expiry of the lock-up period | Yes   | Yes   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking | Undertaking party | Content of undertaking  | Date and duration of undertaking | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|------------|---------------------|-------------------|---|----------------------------------|---|---|--|---|
|            |                     |                   | <p>2. During the above-mentioned share lock-up periods, the additional shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up periods. In case the lock-up periods as required by regulatory opinions or relevant provisions of the securities regulatory authority are longer than the above-mentioned lock-up periods or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions.</p>   |                                  |   |   |  |   |
|            |                     |                   | <p>3. I undertake that the shares of the Listed Company acquired in the Transactions shall strictly conform to the restriction of the lock-up periods and be issued in priority to satisfy the performance compensation obligations. I undertake not to avoid the compensation obligations by any means including share pledges.</p>  |                                  |   |   |  |   |
|            |                     |                   | <p>4. Before completion of performance compensation obligations, if I need to pledge the shares acquired in the Transactions (including additional shares held after completion of the issue due to conversion of capital reserve of the Listed Company into share capital, distribution of dividend, etc.), I undertake to inform the pledgee in writing that the shares to be pledged are subject to potential performance undertaking compensation obligations under the Performance Compensation Agreements and express agreement will be provided in the pledge agreement with the pledgee for the use of relevant shares for performance compensation, etc. and shall inform the Listed Company in writing regarding the relevant pledge later than the date of signing of the pledge agreement.</p>  |                                  |   |   |  |   |
|            |                     |                   | <p>5. In the event that the Transactions are filed for investigation by the judicial authorities or the Chinese Securities Regulatory Commission due to the false information, misleading statement or material omission contained in the information provided or disclosed, I shall not transfer the shares of the Listed Company acquired in the Transactions before the investigation results are determined, and shall, within two trading days of receiving the notice of filing, submit the written application for suspension of the transfer and the stock account to the Board of Directors, the Board of Directors shall apply to the stock exchanges and the depository and clearing companies for lock-up on my behalf. If the lock-up application is not submitted within two trading days, the Board of Directors is authorized to submit my identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the Board of Directors fails to submit my identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock-up the relevant shares. If the investigation concludes that there are violations of laws and regulations, I undertake to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.</p> |                                  |   |   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking | Undertaking party                                | Content of undertaking   | Date and duration of undertaking                             | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|------------|---------------------|--|--|--|---|---|--|---|
|            |                     |  | 6. If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Listed Company with my own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company.  |  |   |   |  |   |
|            |                     | Counterparty of Reorganisation (Qingdao Eternal) | The Counterparty of Reorganisation (Qingdao Eternal) undertakes:   | From the date of acquisition of shares in the Listed Company | Yes   | Yes   |  |   |
|            |                     |  | 1. The company shall not transfer shares of the Listed Company acquired under the Transactions within 12 months from the Issuance Completion Date for the Reorganisation. After the expiration of the aforementioned lock-up period, for the shares of the Listed Company acquired under the Asset Acquisition by way of Share Issuance and Cash Payment, it shall be unlocked in phases according to the following arrangement:<br><br>1st phase: After 12 months from the Issuance Completion Date of the Reorganisation and upon performance of the company corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement and its supplemental agreement (collectively the "Performance Compensation Agreements"), the remaining portion of 40% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;<br><br>2nd phase: If the company has fully performed the compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreements, the remaining portion of 20% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;<br><br>3rd phase: If the company has fully performed the compensation obligations (if any) for the year of 2023 under the Performance Compensation Agreements, the remaining portion of 20% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;<br><br>4th phase: If the company has fully performed the compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreements (i.e. the five financial years of 2020, 2021, 2022, 2023 and 2024), the remaining shares in the newly acquired shares received that have not been unlocked shall be unlocked.<br><br>The company warrants that it will not create any pledge or other encumbrance of rights in respect of the Consideration Shares acquired by it through this Transaction after the expiry of the 12-month lock-up period and until such shares are unlocked in accordance with the aforementioned lock-up period agreement. |  |   |   |  |   |



## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking | Undertaking party | Content of undertaking   | Date and duration of undertaking | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|------------|---------------------|-------------------|--|----------------------------------|---|---|--|---|
|            |                     |                   | <p>2. During the above-mentioned share lock-up periods, the additional shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up periods. In case the lock-up periods as required by regulatory opinions or relevant provisions of the securities regulatory authority are longer than the above-mentioned lock-up periods or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions of the securities regulatory authority.</p>   |                                  |   |   |  |   |
|            |                     |                   | <p>3. The company undertakes that the shares of the Listed Company acquired in the Transactions shall strictly conform to the restriction of the lock-up periods and be used in priority to satisfy the performance compensation obligations. The company undertakes not to avoid the compensation obligations by any means including share pledges.</p>   |                                  |   |   |  |   |
|            |                     |                   | <p>4. Before completion of performance compensation obligations, if the company needs to pledge the shares acquired in the Transactions (including additional shares held after completion of the issue due to conversion of capital reserve of the Listed Company into share capital, distribution of dividend, etc.), the company undertakes to inform the pledgee in writing that the shares to be pledged are subject to potential performance compensation obligations under the Performance Compensation Agreements and express agreement will be provided in the pledge agreement with the pledgee for the use of relevant shares for performance compensation, etc. and shall inform the Listed Company in writing regarding the relevant pledge later than the date of signing of the pledge agreement.</p>   |                                  |   |   |  |   |
|            |                     |                   | <p>5. In the event that the Transactions are filed for investigation by the judicial authorities or the Chinese Securities Regulatory Commission due to the false information, misleading statement or material omission contained in the information provided or disclosed, the company shall not transfer the shares of the Listed Company acquired in the Transactions before the investigation results are determined, and shall, within two trading days of receiving the notice of filing, submit the written application for suspension of the transfer and the stock account to the Board of Directors of JINGCHENG MAC, the Board of Directors shall apply to the stock exchanges and the depository and clearing companies for lock-up on the company's behalf. If the lock-up application is not submitted within two trading days, the Board of Directors is authorized to submit the company's identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the Board of Directors fails to submit the company's identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock-up the relevant shares. If the investigation concludes that there are violations of laws and regulations, the company undertakes to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.</p> |                                  |   |   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background  | Type of undertaking | Undertaking party   | Content of undertaking   | Date and duration of undertaking  | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|---|---------------------|---|--|---|---|---|--|---|
|   |                     |   | 6. If the above undertakings are violated, the company shall bear all legal liabilities. The company shall fully compensate the Listed Company with the company's own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company. From the date of acquisition of shares in the Listed Company until the expiry of the lock-up period.  |   |   |   |  |   |
|   |                     | Counterparties of Reorganisation (Yang Ping, Xiao Zhonghai, Xia Tao, Wong Huadong, Xiu Jun, Fu Dun and Chen Zhengyan) | <p>The Counterparties of Reorganisation (Yang Ping, Xiao Zhonghai, Xia Tao, Wong Huadong, Xiu Jun, Fu Dun and Chen Zhengyan) undertake:</p> <ol style="list-style-type: none"> <li>The shares of the Listed Company acquired by me in the Transactions shall not be transferred within 12 months from the Issuance Completion date of the Reorganisation.</li> <li>During the above-mentioned share lock-up period, the additional Listed Company's shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up period. In case the lock-up period as required by regulatory opinions or relevant provisions of the securities regulatory authority is longer than the above-mentioned lock-up period or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions of the securities regulatory authority.</li> <li>If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Listed Company with my own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company.</li> </ol> | From the date of acquisition of shares in the Listed Company until the expiry of the lock-up period | Yes   | Yes   |  |   |
| Undertaking in relation to the Pledge of the Consideration Shares |                     | Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan)                                       | <p>The Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan) undertake:</p> <ol style="list-style-type: none"> <li>As at the date of this letter of undertaking, I do not have any plans and arrangements to pledge externally (including setting up other third party rights) the shares of the Listed Company acquired in the Transaction.</li> <li>The additional shares of the Listed Company acquired by me/the Company through the Transaction will be subject to a lock-up period and phased unlocking arrangements in accordance with the "Agreement on Issuance of Shares and Payment of Cash for Assets" and its supplemental agreement.</li> <li>For the Consideration Shares acquired by me/the Company through the Transaction, I will not create any pledge or other encumbrances on the Consideration Shares held by me that are still subject to the lock-up period or yet to be unlocked during the 12-month lock-up period and after the expiry of the aforesaid lock-up period until they are unlocked in accordance with the phased unlocking agreement.</li> </ol>  | From the date of acquisition of shares in the Listed Company until the expiry of the lock-up period | Yes   | Yes   |  |   |

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| 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 |
|--|---|--|--|---|---|---|--|---|
|  |   | Counterparty of Reorganisation (Qingdao Eternal)                                       | <p>The Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <ol style="list-style-type: none"> <li>As at the date of this letter of undertaking, the company does not have any plans and arrangements to pledge externally (including setting up other third party rights) the shares of the Listed Company acquired in the Transaction.</li> <li>The additional shares of the Listed Company acquired by the company through the Transaction will be subject to a lock-up period and phased unlocking arrangements in accordance with the "Agreement on Issuance of Shares and Payment of Cash for Assets" and its supplemental agreement.</li> <li>For the Consideration Shares acquired by the company through the Transaction, the company will not create any pledge or other encumbrances on the Consideration Shares held by the company that are still subject to the lock-up period or yet to be unlocked during the 12-month lock-up period and after the expiry of the aforesaid lock-up period until they are unlocked in accordance with the phased unlocking agreement.</li> </ol>   | From the date of acquisition of shares in the Listed Company until the expiry of the lock-up period | Yes   | Yes   |  |   |
| Undertaking for maintaining the independence of the Listed Company | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | Jingcheng Machinery Electric undertakes:   | <p>Before the Transactions, JINGCHENG MAC is independent of the company. After the completion of the Transactions, the company will continue to maintain the independence of JINGCHENG MAC, follow the five-division and five-independence (五分开、五独立) principles in business, assets, personnel, finance, and organization and comply with the relevant regulations of the Chinese Securities Regulatory Commission. The company will not cause JINGCHENG MAC to provide unlawful guarantees, will not use the capital of JINGCHENG MAC, and will not form peer competition with JINGCHENG MAC.</p> <p>Once the letter of undertaking is signed, it constitutes an irrevocable legal obligation of the company. If damage is caused to the rights and interests of JINGCHENG MAC and its small and medium shareholders as a result of the company's breach of such undertakings, the company will bear the compensation liabilities by law accordingly.</p>   | Long term   | No  | Yes   |  |   |
| Undertaking for not to seek control of Listed Company              | Counterparties of Reorganisation (17 natural persons including Li Hong)           | The Counterparties of Reorganisation (17 natural persons including Li Hong) undertake: | <ol style="list-style-type: none"> <li>Since I became a shareholder of BYTQ, I, as a shareholder of BYTQ, have exercised my voting rights independently and have not acted in concert with other shareholders of BYTQ in respect of their shareholdings in BYTQ, nor have I entered into any concerted action agreement or performed any other acts that may bind shareholders to exercise their rights as shareholders together and effectively control or jointly control BYTQ. 2. I undertake to recognise and respect the status of the controlling shareholder of the Listed Company. I will not seek to increase my shareholding in the Listed Company directly or indirectly, or seek control of the Listed Company individually or jointly with my shareholding in the Listed Company, nor will I influence or seek control of the Listed Company by proxy, solicitation of votes, agreement, cooperation, affiliation, concerted relationship or in any other manner, nor do I have any plan to recommend or nominate directors and senior management to the Listed Company, nor do I have any specific plan to adjust the composition of the board of directors and senior management of the listed company after the completion of the Reorganisation.</li> </ol> | Long term   | No  | Yes   |  |   |

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| 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 |
|------------|---|---|--|----------------------------------|---|---|--|---|
|            |   | Counterparty of Reorganisation (Qingdao Eternal)                                  | <p>The Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <p>1. Since the company became a shareholder of BYTQ, the company, as a shareholder of BYTQ, have exercised my voting rights independently and have not acted in concert with other shareholders of BYTQ in respect of their shareholdings in BYTQ, nor have the company entered into any concerted action agreement or performed any other acts that may bind shareholders to exercise their rights as shareholders together and effectively control or jointly control BYTQ. 2. The company undertakes to recognise and respect the status of the controlling shareholder of the Listed Company. The company will not seek to increase my shareholding in the Listed Company directly or indirectly, or seek control of the Listed Company individually or jointly with my shareholding in the Listed Company, nor will the company influence or seek control of the Listed Company by proxy, solicitation of votes, agreement, cooperation, affiliation, concerted relationship or in any other manner; nor does the company have any plan to recommend or nominate directors and senior management to the Listed Company, nor does the company have any specific plan to adjust the composition of the board of directors and senior management of the Listed Company after the completion of the Reorganisation.</p>  | September 2021;<br>Long term     | No  | Yes   |  |   |
|            | Undertaking for replenishing the diluted immediate return | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | <p>Jingcheng Machinery Electric undertakes:</p> <p>In any event, the company will not act ultra vires to intervene in the operation and management activities of JINGCHENG MAC, and will not infringe on the interests of JINGCHENG MAC. The company will effectively perform the obligations as the Controlling Shareholder, perform its duties faithfully and diligently, and safeguard the legal rights and interests of JINGCHENG MAC and its shareholders as whole. From the date of issue of the undertaking letter to the completion of the Transactions of JINGCHENG MAC, if the China Securities Regulatory Commission makes other new regulatory requirements on replenishment return measures and its undertakings, and the above-mentioned undertakings cannot meet the requirements of the CSRC, the company undertakes that it will then issue a supplementary undertaking in accordance with the latest regulations of the CSRC. If the company violates or fails to fulfill the above undertakings, the company will: 1. publicly apologize to the shareholders of JINGCHENG MAC and the public investors for not fulfilling the above-mentioned undertakings at the general meeting of JINGCHENG MAC and on the newspapers designated by the China Securities Regulatory Commission; 2. within 5 working days from the date of confirming the breach of the above-mentioned undertakings, terminate to receive dividends as a shareholder of JINGCHENG MAC, and JINGCHENG MAC shares held by the company shall not be transferred until the company fulfills effectively its undertaking or its breach of undertaking is eliminated; 3. if the Company fails to perform the above undertakings for reasons other than force majeure, and fails to provide appropriate and reasonable explanations, the gains obtained by the company therefrom will belong to JINGCHENG MAC, and JINGCHENG MAC has the right to require the Company to remit the proceeds generated from the breach of undertaking to the designated account of JINGCHENG MAC within 10 working days from the receiving date of such gains.</p> | Long term                        | No  | Yes   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background   | Type of undertaking   | Undertaking party   | Content of undertaking   | Date and duration of undertaking | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|--|---|---|--|----------------------------------|---|---|--|---|
|  |   | Directors and senior management of the Listed Company   | Directors and senior management of the Listed Company undertake:<br><br>1. Not to transfer benefits to other entities or individuals at nil consideration or under unfair terms, and not to damage the interests of JINGCHENG MAC in other ways; 2. To restrain the duty consumption behavior; 3. Undertake not to utilize the assets of JINGCHENG MAC to engage in investment and consumption activities which are unrelated to the performance of duties; 4. That the remuneration system formulated by the Board of Directors or the remuneration committee will be linked to the implementation of the replenishment return measures of JINGCHENG MAC; 5. That if JINGCHENG MAC implements equity incentives, the exercise conditions for equity incentives of JINGCHENG MAC to be announced will be linked to the implementation of the replenishment return measures of JINGCHENG MAC. If I violate or fail to fulfill the above undertakings, I will publicly apologize to the shareholders of JINGCHENG MAC and the public investors for not fulfilling the above-mentioned undertakings at the general meeting of JINGCHENG MAC and on the newspapers designated by the China Securities Regulatory Commission; 2. within 5 working days from the date of confirming the breach of the above-mentioned undertakings, terminate to receive remuneration, allowance (if any) and bonus (if any) as a shareholder of JINGCHENG MAC, and JINGCHENG MAC shares (if any) held by me shall not be transferred until I fulfill effectively my undertaking or my breach of undertaking is eliminated; 3. if I fail to perform the above undertakings for reasons other than force majeure, and fail to provide appropriate and reasonable explanations, the gains obtained by me therefrom will belong to JINGCHENG MAC, and JINGCHENG MAC has the right to require me to remit the proceeds generated from the breach of undertaking to the designated account of JINGCHENG MAC within 10 working days from the receiving date of such gains. | Long term                        | No  | Yes   |  |   |
| Undertaking regarding avoidance of funds appropriation | Counterparties of Reorganisation (17 natural persons including Li Hong) | Counterparties of Reorganisation (17 natural persons including Li Hong) undertake:<br><br>From the Valuation Date of 80% equity interests of BYTQ to the date of registration under the name of JINGCHENG MAC (that is, the date when competent industrial and commercial department of BYTQ changed the ownership of 80% equity interests of BYTQ to the name of JINGCHENG MAC), I will not appropriate BYTQ's funds and conduct other actions that affect the integrity and compliance of BYTQ. After the completion of the Transactions, I will strictly comply with the relevant rules of the CSRC and the SSE and the relevant requirements of the Articles of Association to equally exercise the shareholders' rights and fulfill the shareholders' obligations. I will not seek improper interests by using the position of shareholders and guarantee the Listed Company and BYTQ will continue to be completely separate from other enterprises under my control in terms of personnel, assets, finance, institutions and business to maintain the independence of the Listed Company in terms of personnel, assets, finance, institutions and business. After the completion of the Transactions, I will comply with the rules of the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Affiliates and the External Guarantees of Listed Companies and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guarantees Provided by Listed Companies, to regulate the external guarantees of the Listed Company and its subsidiaries. Other companies under my control (if any) will not appropriate the Listed Company's or BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with the Listed Company or BYTQ that is not related to normal business operations. If I breach the above-mentioned undertakings, causing any impact or loss to the Transactions, I will bear the compensation liabilities in accordance with laws accordingly. | Long term  | No                               | Yes   |   |  |   |

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| 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 |
|------------|---------------------|--|---|----------------------------------|---|---|--|---|
|            |                     | Huang Xiaofeng                                   | Huang Xiaofeng undertakes:<br><br>From the Valuation Date of 80% equity interests of BYTQ to the date of registration under the name of JINGCHENG MAC (that is, the date when competent industrial and commercial department of BYTQ changed the ownership of 80% equity interests of BYTQ to the name of JINGCHENG MAC), I will not appropriate BYTQ's funds and conduct other actions that affect the integrity and compliance of BYTQ. After the completion of the Transactions, other companies under my control (if any) will not appropriate BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with BYTQ that is not related to normal business operations. If I breach the above-mentioned undertakings, causing any impact or loss to the Transactions, I will bear the compensation liabilities in accordance with laws accordingly.  | Long term                        | No  | Yes   |  |   |
|            |                     | Counterparty of Reorganisation (Qingdao Eternal) | Counterparty of Reorganisation (Qingdao Eternal) undertakes:<br><br>From the Valuation Date of 80% equity interests of BYTQ to the date of registration under the name of JINGCHENG MAC (that is, the date when competent industrial and commercial department of BYTQ changed the ownership of 80% equity interests of BYTQ to the name of JINGCHENG MAC), the company will not appropriate BYTQ's funds and conduct other actions that affect the integrity and compliance of BYTQ. After the completion of the Transactions, the company will strictly comply with the relevant rules of the CSRC and the SSE and the relevant requirements of the Articles of Association to equally exercise the shareholders' rights and fulfill the shareholders' obligations. The company will not seek improper interests by using the position of shareholders and guarantee the Listed Company and BYTQ will continue to be completely separate from other enterprises under the company's control in terms of personnel, assets, finance, institutions and business to maintain the independence of the Listed Company in terms of personnel, assets, finance, institutions and business. After the completion of the Transactions, the company will comply with the rules of the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Affiliates and the External Guarantees of Listed Companies and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guarantees Provided by Listed Companies, to regulate the external guarantees of the Listed Company and its subsidiaries. Other companies under the company's control (if any) will not appropriate BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with the BYTQ not related to normal business operations, the Listed Company's or BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., so as to avoid any flow of funds with the Listed Company or BYTQ that is not related to normal business operations. If the company breaches the above-mentioned undertakings, causing any impact or loss to the Transactions, the company will bear the compensation liabilities in accordance with laws accordingly. | Long term                        | No  | Yes   |  |   |



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| 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 regarding avoidance of peer competition | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder                         | Jingcheng Machinery Electric undertakes:<br><br>1. Unless the company no longer directly or indirectly holds the shares of JINGCHENG MAC, the company and the enterprises effectively controlled or influenced significantly by the company shall not engage in, participate in, or assist others to engage in any business activities that are directly or indirectly in competition with the businesses of JINGCHENG MAC and its subsidiaries by any means (including but not limited to independently operating or jointly operating and cooperating with other parties within or outside China), nor directly or indirectly invest in economic entities which are in direct or indirect competition with the businesses that JINGCHENG MAC and its subsidiaries are engaged in. 2. If the company breaches the agreement in item 1 above, which causes losses to JINGCHENG MAC and its subsidiaries, the company will be liable for compensation based on the actual losses to be suffered by JINGCHENG MAC and its subsidiaries at that time.  | Long term                        | No  | Yes   |  |   |
|            |   | Counterparties of Reorganisation (Huang Xiaofeng, Li Hong, Qian Yuyan, Tao Feng, Wang Xiaohui, Zhao Qing) | Counterparties of Reorganisation (Huang Xiaofeng, Li Hong, Qian Yuyan, Tao Feng, Wang Xiaohui, Zhao Qing) undertake:<br><br>1. I and the other enterprises effectively controlled or influenced significantly by me currently do(es) not own and operate any business directly or indirectly competing with the businesses engaged by the Listed Company and BYTQ in terms of business.<br>2. During the period I directly or indirectly hold the shares of JINGCHENG MAC, the enterprises effectively controlled or influenced significantly by me and I shall not engage in, participate in, or assist others to engage in any business activities that are directly or indirectly in competition with the businesses of JINGCHENG MAC and its subsidiaries by any means (including but not limited to independently operating or jointly operating and cooperating with other parties within or outside China), nor directly or indirectly invest in economic entities which are in direct or indirect competition with the businesses that JINGCHENG MAC and its subsidiaries are engaged in. I and the enterprises effectively controlled or influenced significantly by me have the same or similar business opportunities as those in BYTQ, and those business opportunities may directly or indirectly cause business competition between the enterprises effectively controlled or influenced significantly by me and I and BYTQ. I shall notify BYTQ immediately after noticing those business opportunities and strive to procure the offering of those business opportunities to BYTQ in priority on terms no less favorable than those offered to me and the enterprises effectively controlled or influenced significantly by me. 3. If I breach the agreement in item 1 and item 2 above, I shall return the shares of JINGCHENG MAC received from the Transactions to JINGCHENG MAC at nil consideration. JINGCHENG MAC will cancel those shares returned by me in accordance with its internal decision-making procedures (for shares which have been transferred, the proceeds from the transfer shall be returned); if I breach the agreement in item 1 and item 2 above, which causes losses to JINGCHENG MAC and its subsidiaries, I will also be liable for compensation based on the actual losses to be suffered by JINGCHENG MAC and its subsidiaries at that time. Upon signing of this letter of undertaking, my irrevocable legal obligation is formed. This letter of undertaking is valid for a period from the date of signing this letter of undertaking to the date on which I am no longer a direct or indirect shareholder of JINGCHENG MAC. | Long term                        | No  | Yes   |  |   |

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| 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 |
|------------|---------------------|--|--|----------------------------------|---|---|--|---|
|            |                     | Counterparty of Reorganisation (Qingdao Eternal) | <p>Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <p>1. The company and the other enterprises effectively controlled or influenced significantly by the company currently does not own and operate any business directly or indirectly competing with the businesses engaged by the Listed Company and BYTQ in terms of business. 2. During the period the company directly or indirectly holds the shares of JINGCHENG MAC, the enterprises effectively controlled or influenced significantly by the company and the company shall not engage in, participate in, or assist others to engage in any business activities that are directly or indirectly in competition with the businesses of JINGCHENG MAC and its subsidiaries by any means (including but not limited to independently operating or jointly operating and cooperating with other parties within or outside China), nor directly or indirectly invest in economic entities which are in direct or indirect competition with the businesses that JINGCHENG MAC and its subsidiaries are engaged in. The company and the enterprises effectively controlled or influenced significantly by the company have the same or similar business opportunities as those in BYTQ, and those business opportunities may directly or indirectly cause business competition between the enterprises effectively controlled or influenced significantly by the company and the company and BYTQ, the company shall notify BYTQ immediately after noticing those business opportunities and strive to procure the offering of those business opportunities to BYTQ in priority on terms no less favorable than those offered to the company and the enterprises effectively controlled or influenced significantly by the company. 3. If the company breaches the agreement in item 1 and item 2 above, the company shall return the shares of JINGCHENG MAC received from the Transactions to JINGCHENG MAC at nil consideration. JINGCHENG MAC will cancel those shares returned by the company in accordance with its internal decision-making procedures (for shares which have been transferred, the proceeds from the transfer shall be returned); if the company breaches the agreement in item 1 and item 2 above, which causes losses to JINGCHENG MAC and its subsidiaries, the company will also be liable for compensation based on the actual losses to be suffered by JINGCHENG MAC and its subsidiaries at that time. Upon signing of this letter of undertaking, the company's irrevocable legal obligation is formed. This letter of undertaking is valid for a period from the date of signing this letter of undertaking to the date on which the company is no longer a direct or indirect shareholder of JINGCHENG MAC.</p> | Long term                        | No  | Yes   |  |   |



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| 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 regarding reduction and regulation of related party transactions | Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder | <p>Jingcheng Machinery Electric undertakes:</p> <p>1. After the completion of the Transactions, the company and other companies and other related parties effectively controlled or significantly influenced by the company, excluding JINGCHENG MAC and its controlled subsidiaries (including BYTQ which is to be turned into a subsidiary controlled by JINGCHENG MAC) will try to avoid to have related party transactions with JINGCHENG MAC and its controlled subsidiaries. For related party transactions that are necessary and unavoidable, they will be conducted in accordance with the principles of fairness, justice, and price equality. The consideration shall be determined at a price generally accepted as reasonable by the market, and shall perform transaction approval procedures and information disclosure obligations in accordance with relevant laws, regulations, rules, and regulatory documents to effectively protect the interests of JINGCHENG MAC and its small and medium shareholders. 2 The company guarantees that it will strictly follow the relevant laws and regulations, the rules and regulatory documents issued by the China Securities Regulatory Commission, the relevant rules issued by the Shanghai Stock Exchange, and the "Articles of Association of Beijing Jingcheng Machinery Electric Company Limited" to exercise its rights as a shareholder and fulfill its obligations as a shareholder. The company will not seek improper benefits through its position as Controlling Shareholder, and will not damage the legal rights and interests of JINGCHENG MAC and its small and medium shareholders. If the company breaches the above-mentioned undertakings to enter into transaction with JINGCHENG MAC and its controlled subsidiaries, and incurs losses to JINGCHENG MAC and its small and medium shareholders, the company will bear the compensation liabilities in accordance with laws accordingly.</p> | Long term                        | No  | Yes   |  |   |
|            |  | Directors, supervisors and senior management of the Listed Company                | <p>Directors, supervisors and senior management of the Listed Company undertake:</p> <p>During the period when I act as a director/supervisor/senior management staff of JINGCHENG MAC, I will not illegally appropriate funds and any other assets of JINGCHENG MAC by any reason and way, and will try my best to avoid having related party transactions between me and enterprises directly or indirectly controlled by me (if any) and JINGCHENG MAC. For unavoidable related party transactions, I will strictly abide by laws and regulations and the provisions on related party transactions in the "Articles of Association" of JINGCHENG MAC, and through the corporate governance and legal decision-making procedures such as the approval at the Board of Directors/general meeting. I will reasonably procure the enterprises directly or indirectly controlled by me (if any) to strictly abide by the "Company Law of the People's Republic of China", the "Articles of Association of Beijing Jingcheng Machinery Electric Company Limited" and other relevant requirements, and follow the general market transactional rules to conduct related party transactions with JINGCHENG MAC in accordance with laws.</p>  | Long term                        | No  | Yes   |  |   |

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| 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 |
|------------|---------------------|--|---|----------------------------------|---|---|--|---|
|            |                     | Counterparties of Reorganisation (Huang Xiaofeng, Li Hong) | <p>Counterparties of Reorganisation (Huang Xiaofeng, Li Hong) undertake:</p> <p>After the completion of the Transactions, other companies and other related parties effectively controlled or significantly influenced by me and I will try to avoid to have related party transactions with JINGCHENG MAC and its controlled subsidiaries (including BYTQ which is to be turned into a subsidiary controlled by JINGCHENG MAC). For related party transactions that are necessary and unavoidable, they will be conducted in accordance with the principles of fairness, justice, and price equality. The consideration shall be determined at a price generally accepted as reasonable by the market, and shall perform transaction approval procedures and information disclosure obligations in accordance with relevant laws, regulations, rules and regulatory documents to effectively protect the interests of JINGCHENG MAC and its small and medium shareholders. If I breach the above-mentioned undertakings to enter into transaction with JINGCHENG MAC and its controlled subsidiaries, and incurs losses to JINGCHENG MAC and its shareholders and the subsidiaries of JINGCHENG MAC, I will bear the compensation liabilities in accordance with laws accordingly.</p> | Long term                        | No  | Yes   |  |   |



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| 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 to Continuity of Service | Huang Xiaofeng, Li Hong, Xu Binglei, Yang Lunsheng, Ying Rukai | <p>Huang Xiaofeng, Li Hong, Xu Binglei, Yang Lunsheng, Ying Rukai undertake:</p> <p>Unless otherwise agreed in writing by the Listed Company, Huang Xiaofeng, Xu Binglei, Yang Lunsheng and Ying Rukai shall continue to work for the Target Company or the Listed Company and perform their due diligence obligations during the performance undertaking period (i.e. the five accounting years of 2022, 2021, 2022, 2023 and 2024, the same below) and for a period of two years from the expiry date of the performance undertaking period as stipulated in the "Share Issue and Cash Payment for Assets Purchase Agreement", "Performance Compensation Agreement" and the supplemental agreements thereto. If I leave my employment with the Target Company on my own initiative without the written consent of the Listed Company before the expiry of the term of office, or if I am dismissed by the Target Company or the Listed Company in accordance with the law due to misconduct or malpractice or other intentional acts prejudicial to the interests of the Target Company or the Listed Company, the Listed Company shall be entitled to hold Party B and Party C liable for the following: (i) Term of employment requirements of Huang Xiaofeng and related undertakings 1. If Huang Xiaofeng leaves his employment on his own initiative before the expiry of the performance undertaking period, or if his employment is terminated by the Target Company or the Listed Company in accordance with the law due to misconduct or malpractice or other acts prejudicial to the interests of the Target Company or the Listed Company, then Huang Xiaofeng and Li Hong shall compensate the Listed Company for 100% of the consideration received through the transaction. 2. If Huang Xiaofeng's employment is terminated by the Target Company or the Listed Company in accordance with the law due to dereliction of duty or malpractice or other acts detrimental to the interests of the Target Company or the Listed Company, resulting in his term of office being over 1 year but less than one year from the date of expiry of the performance pledge period, Huang Xiaofeng and Li Hong shall compensate the Listed Company at 40% of the consideration received through the transaction. 3. If Huang Xiaofeng or Li Hong has been dismissed by the Target Company or the Listed Company in accordance with the law due to dereliction of duty or malpractice or other acts detrimental to the interests of the Target Company or the Listed Company, resulting in his term of office being less than 2 years after the expiry date of the performance undertaking, Huang Xiaofeng and Li Hong shall compensate the Listed Company at 20% of the consideration received through the transaction. (ii) Term of employment requirements of Xu Binglei, Yang Lunsheng and Ying Rukai and related undertakings 1. If Xu Binglei, Yang Lunsheng or Ying Rukai leave the Company on their own initiative before the expiry of the Performance Pledge Period, or if they are dismissed by the Target Company or the Listed Company in accordance with the law due to misconduct or malpractice or other intentional acts detrimental to the interests of the Target Company or the Listed Company, they shall compensate the Listed Company for 100% of the consideration received through the Transaction. 2. If Xu Binglei, Yang Lunsheng or Ying Rukai resign on their own initiative or are dismissed by the Target Company or the Listed Company in accordance with the law due to misconduct or malpractice or other acts detrimental to the interests of the Target Company or the Listed Company, resulting in their term of office being less than one year from the date of expiry of the performance undertaking period, they shall personally compensate the Listed Company at 40% of the consideration received through the Transaction. 3. If Xu Binglei, Yang Lunsheng and Ying Rukai leave their positions on their own initiative, or are dismissed by the Target Company or the Listed Company in accordance with the law due to misconduct or malpractice or other acts that are detrimental to the interests of the Target Company or the Listed Company, and as a result, their term of office has expired for over one year but less than two years from the date of expiry of the Performance Pledge Period, they shall compensate the Listed Company for 20% of the consideration received through the Transaction. If Huang Xiaofeng, Xu Binglei, Yang Lunsheng and Ying Rukai have caused serious losses to the Target Company or the Listed Company as a result of malpractice or other acts intentionally prejudicial to the interests of the Target Company or the Listed Company, they shall, in addition to fulfilling the above compensation obligations, be liable for full compensation for the losses caused.</p> | 2 years from the date of issue of the Undertaking to the date of expiry of the Performance Pledge Period | Yes   | Yes   |  |   |

## SECTION 6 IMPORTANT MATTERS

| Background | Type of undertaking   | Undertaking party   | Content of undertaking  | Date and duration of undertaking   | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in next steps |
|------------|---|---|---|--|---|---|--|---|
|            | Undertaking in respect of the Second Cash Consideration offset for Listed Company | Counterparties of Reorganisation (17 natural persons including Li Hong), Huang Xiaofeng, Tao Feng | Counterparties of Reorganisation (17 natural persons including Li Hong), Huang Xiaofeng, Tao Feng undertake:<br><br>Firstly, I will perform the corresponding obligations and liabilities in strict accordance with the terms of the Transaction Agreement and if I am required to undertake cash compensation/compensation obligations to the Listed Company, I will perform such cash compensation/compensation obligations to the Listed Company in strict accordance with the terms of the Transaction Agreement and the deadline required by the Listed Company; Secondly, the Second Cash Consideration of RMB20 million of the Listed Company will be applied to offset the additional performance compensation in priority. In the event that the Guarantors of Performance (i.e. Li Hong, Zhao Qing, Qingdao Eternal Economic Information Consulting Co., Ltd., Wang Xiaohui and Qian Yuyan, the same below) are required to pay additional performance compensation to the Listed Company during the Performance Pledge Period, the second installment of the cash consideration of RMB20 million of the Listed Company will be applied in full to offset the additional performance compensation. Upon expiry of the Performance Pledge Period, if the Guarantors of Performance are not required to pay the Additional Performance Compensation to the Listed Company, the Listed Company shall be entitled to directly deduct the other outstanding compensation/compensation amounts (if any) due from the Counterparty when paying the Second Cash Consideration to the Guarantors of Performance, and the Counterparty and Huang Xiaofeng and Tao Feng shall continue to perform their compensation/compensation obligations as agreed. | From the date of the Undertaking until the expiry of the Performance Pledge Period and the fulfillment of the compensation obligations | Yes   | Yes   |  |   |
|            |   | Counterparty of Reorganisation (Qingdao Eternal)  | Counterparty of Reorganisation (Qingdao Eternal) undertakes:<br><br>Firstly, the company will perform the corresponding obligations and liabilities in strict accordance with the terms of the Transaction Agreement and if the company is required to undertake cash compensation/compensation obligations to the Listed Company, the company will perform such cash compensation/compensation obligations to the Listed Company in strict accordance with the terms of the Transaction Agreement and the deadline required by the Listed Company; Secondly, the Second Cash Consideration of RMB20 million of the Listed Company will be applied to offset the additional performance compensation in priority. In the event that the Guarantors of Performances (i.e. Li Hong, Zhao Qing, Qingdao Eternal Economic Information Consulting Co., Ltd., Wang Xiaohui and Qian Yuyan, the same below) are required to pay additional performance compensation to the Listed Company during the Performance Pledge Period, the second installment of the cash consideration of RMB20 million of the Listed Company will be applied in full to offset the additional performance compensation. Upon expiry of the Performance Pledge Period, if the Guarantors of Performance are not required to pay the Additional Performance Compensation to the Listed Company, the Listed Company shall be entitled to directly deduct the other outstanding compensation/compensation amounts (if any) due from the Counterparty when paying the Second Cash Consideration to the Guarantors of Performance, and the Counterparty and Huang Xiaofeng and Tao Feng shall continue to perform their compensation/compensation obligations as agreed.                  | From the date of the Undertaking until the expiry of the Performance Pledge Period and the fulfillment of the compensation obligations | Yes   | Yes   |  |   |



## SECTION 6 IMPORTANT MATTERS

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

Applicable  Not applicable

### III. ILLEGAL GUARANTEE

Applicable  Not applicable

### IV. AUDIT OF INTERIM REPORT

Applicable  Not applicable

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

Applicable  Not applicable

### VI. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Applicable  Not applicable

### VII. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Applicable  Not applicable

### IX. DESCRIPTION OF THE CREDIT STATUS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Applicable  Not applicable

During the Reporting Period, the Company and its controlling shareholders have good credit status.

# SECTION 6 IMPORTANT MATTERS

## X. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable  Not applicable

| Description  | Index for enquiry  |
|--|--|
| On 19 January 2022, the Company issued the "Announcement in relation to the Signing of Agreement related to Property Leasing, Renovation and Property Services of Yichuang Park and Connected Transactions" and on the same day the Company issued the corresponding H share announcement on the connected transactions. The Company intended to lease the property of Beiren Equipment, a related party of the Company, located in Yichuang Park, Beijing for office use in order to meet the office demand of the Company. The property has a gross floor area of 1,102 square metres, with a lease period of three years from 1 May 2022 to 30 April 2025, and property services will also be provided by Beiren Equipment. As necessary renovation work to the property was required to be carried out before moving in, to ensure the quality and timely completion of the renovation, the Company signed an agreement with Beiren Equipment, who would be responsible for the renovation work. | Website of Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;<br>HKEXnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> |

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable



## SECTION 6 IMPORTANT MATTERS

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

1. **Matters disclosed in provisional announcements without progress or change in the follow-up implementation**  
 Applicable  Not applicable
2. **Matters disclosed in provisional announcements with progress or change in the follow-up implementation**  
 Applicable  Not applicable
3. **Matters which were not disclosed in provisional announcements**  
 Applicable  Not applicable

### (IV) Related creditors' rights and debt transactions

1. **Matters disclosed in provisional announcements without progress or change in the follow-up implementation**  
 Applicable  Not applicable
2. **Matters disclosed in provisional announcements with progress or change in the follow-up implementation**  
 Applicable  Not applicable

## SECTION 6 IMPORTANT MATTERS

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

| Related party  | Relationship                                 | Provision of funding to related party |                 |                | Provision of funding by related party to listed company |                 |                |
|--|--|---------------------------------------|-----------------|----------------|---|-----------------|----------------|
|  |  | Beginning balance                     | Amount occurred | Ending balance | Beginning balance                                       | Amount occurred | Ending balance |
| Jiangsu Tianhai Special Equipment Co., Ltd.  | Associate                                    | 40,821.80                             | 296,754.47      | 337,576.27     | 3,985,233.87  | -1,560,867.32   | 2,424,366.55   |
| Beijing Jingcheng Industrial Logistics Co., Ltd.   | Subsidiary of Shareholder                    |                                       |                 |                | 902,227.27  |                 | 902,227.27     |
| Beijing Jingcheng Machinery Holding Co., Ltd.  | Controlling Shareholder                      |                                       |                 |                | 1,160.83  | 40,130,394.73   | 40,131,555.56  |
| Beijing Lantian Vehicle Clean Fuel Technology Co., Ltd.  | Others                                       | 7,706,543.98                          | -2,977,457.32   | 4,729,086.66   | 29,381,638.59   | -17,823,687.22  | 11,557,951.37  |
| Beijing No. 1 Machine Tool Plant   | Subsidiary of Shareholder                    |                                       |                 |                | 7,359.09  |                 | 7,359.09       |
| Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd.   | Joint Venture                                | 3,539,815.75                          | 24,126.65       | 3,563,942.40   |   |                 |                |
| Zheng Guoxiang   | Others                                       |                                       |                 |                | 174,926.90  | -174,926.90     |                |
| Guo Zhizhong   | Others                                       |                                       |                 |                | 174,926.89  | -174,926.89     |                |
| Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd.  | Others                                       | 1,567,883.90                          | -758,192.40     | 809,691.50     |   |                 |                |
| Tianjin Seamless Investment Co. Ltd.   | Others                                       |                                       |                 |                | 5,740,605.11  | -1,405,001.32   | 4,335,603.79   |
| Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.   | Associate                                    |                                       |                 |                | 7,000,000.00  |                 | 7,000,000.00   |
| Beijing Jingcheng Zitong Robot Technology Co., Ltd.  | Related party (same chairman as the Company) |                                       | 2,439,000.00    | 2,439,000.00   |   | 312,500.00      | 312,500.00     |
| Total  |  | 12,855,065.43                         | -975,768.60     | 11,879,296.83  | 47,368,078.55   | 19,303,485.08   | 66,671,563.63  |
| Reasons for occurrence of related creditor's right and debt transactions   | Normal operation                             |                                       |                 |                |   |                 |                |
| Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company | Nil  |                                       |                 |                |   |                 |                |

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

Applicable  Not applicable

#### (VI) Other major connected transactions

Applicable  Not applicable

#### (VII) Others

Applicable  Not applicable

#### Connected Transaction

On 28 April 2022, Tianhai Industrial entered into the "Equity Transfer Contract" with Beijing Nengtong, in which the acquisition by Tianhai Industrial of 2% equity interest in Jingcheng Haitong held by Beijing Nengtong, was considered and approved at the general meeting of the Company on 9 June 2022. The transfer price was RMB461,732. Upon the completion of transaction, the registered capital of Jingcheng Haitong remains RMB80,000,000, the amount of capital contribution and shareholding proportion of both parties were changed as follows: Tianhai Industrial contributed RMB40.8 million, holding 51% of the shares, and Beijing Nengtong contributed RMB39.2 million, holding 49% of the shares, Tianhai Industrial thus succeeded in acquiring a 51% controlling interest in Jingcheng Haitong. The above transaction constitutes a discloseable transaction under the Listing Rules of the Hong Kong Stock Exchange but is not a connected transaction. Please refer to the circular of the Company dated 10 May 2022 for further details.

As disclosed in the announcement of the Company dated 6 July 2022, Jingcheng Haitong has completed the registration procedures for industrial and commercial changes such as changing the amount of shareholders' capital contribution and shareholding proportion and filing the "Articles of Association", and obtained a new business licence.

Upon completion of the acquisition, the Company holds a 51% equity interest in Jingcheng Haitong through Tianhai Industrial, pursuant to which, Jingcheng Haitong became a controlled subsidiary of the Company. In accordance with the Listing Rules of the Hong Kong Stock Exchange, as Jingcheng Machinery Electric is the controlling shareholder of the Company, Asset Company (a wholly-owned subsidiary of Jingcheng Machinery Electric) is a connected person of the Company. Accordingly, the transaction contemplated under the lease agreement entered into between the Asset Company and Jingcheng Haitong became continuing connected transaction of the Company upon completion of the acquisition. For details, please refer to the announcement of the Company dated 6 July 2022.

## SECTION 6 IMPORTANT MATTERS

### XI. MATERIAL CONTRACTS AND THEIR EXECUTION

#### 1. Trust, contracting and lease matters

Applicable  Not applicable

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

Applicable  Not applicable

#### 3. Other material contracts

Applicable  Not applicable

### XII. EXPLANATION ON OTHER IMPORTANT MATTERS

Applicable  Not applicable

In order to enhance the Company's ongoing operation and profitability, the Company has completed the implementation of the acquisition of 80% equity interests in BYTQ. On 15 December 2021, the Company issued the "Announcement on Obtaining Conditional Approval for the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds from the Listed Company Merger and Reorganization Vetting Committee of the CSRC and Resumption of Trading in A Shares", the Listed Company Merger and Reorganization Vetting Committee of the CSRC convened the 33rd working meeting of the MRVC for the year of 2021, at which the asset acquisition by way of share issuance and cash payment and raising of supporting funds was vetted and conditionally approved. On 24 March 2022, the Company received from the CSRC the "Approval for the asset acquisition by way of share issuance and raising of supporting funds by Beijing Jingcheng Machinery and Electric Company Limited to Li Hong and Others", approving the matter of the asset acquisition by way of share issuance and cash payment and raising of supporting funds by the Company. On 17 June 2022, the Company issued the "Announcement in relation to the Transfer of Assets of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds", all the target assets of the transaction have been changed and registered in the name of the Company and the Company directly holds 80% equity interest in BYTQ and the transfer of the target assets involved in the transaction has been completed. On 27 June 2022, the Company issued the "Announcement in relation to the Issuance Results of the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds and Change In Share Capital", according to the "Certificate of Securities Change Registration of Shanghai Branch of China Securities Depository and Clearing Corporation Limited" issued by Shanghai Branch of the CSDC on 24 June 2022, the Company has completed the registration of the additional shares for this asset acquisition by way of share issuance. 46,481,314 A shares were issued non-publicly by the Company as part of the consideration for the transaction for assets acquisition, with an aggregate nominal value of RMB46,481,314, all of which are circulating shares subject to trading moratorium. Upon completion of the issuance, the total number of shares of the Company is 531,481,314 shares (including A shares and H shares). The issuance price of each new A share is RMB3.42. The benchmark date for pricing these shares is 17 August 2020, being the date of announcement of the resolution passed at the fifth extraordinary meeting of the tenth session of the Board of the Company to approve the relevant proposed acquisition, and the closing price of the A Shares on the following day (trading in the A Shares was suspended from 4 August 2020 to 17 August 2020) was RMB4.39. The targets of the issuance are set out in the announcement of the Company dated 27 June 2022 and Section 7 of this report. As considered and approved at the ninth meeting of the tenth session of the Board of the Company, the Company established a designated account for the raised funds and entered into a "Tripartite Custody Agreement for the Designated Account for Raised Funds" with independent financial adviser CSC Financial Co., Ltd. and Beijing Guanghua subbranch of Hua Xia Bank Co., Limited. Such designated account has received the raised funds net of issuance expenses. The asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is subject to subsequent work relating to the raising of supporting funds, the timing of which is uncertain. The Company will strictly maintain confidentiality of information in accordance with the relevant progress and perform its information disclosure obligations in strict accordance with the relevant laws and regulations and make timely announcements on the progress of the matter.

## SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

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

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

Unit: share

|   | Before change |                | Issuance of new shares | Increase and decrease (+,-) in change |                         |       | Subtotal   | After change |                |
|---|---------------|----------------|------------------------|---------------------------------------|-------------------------|-------|------------|--------------|----------------|
|   | Amount        | Proportion (%) |                        | Bonus issue                           | Conversion from reserve | Other |            | Amount       | Proportion (%) |
| (I) Shares subject to trading moratorium                  | 63,000,000    | 12.99          | 46,481,314             | -                                     | -                       | -     | 46,481,314 | 109,481,314  | 20.60          |
| 1. State-owned shares                                     |               |                |                        |                                       |                         |       |            |              |                |
| 2. State-owned legal person shares                        | 63,000,000    | 12.99          | -                      | -                                     | -                       | -     | -          | 63,000,000   | 11.85          |
| 3. Other domestic shares                                  | -             | -              | 46,481,314             | -                                     | -                       | -     | 46,481,314 | 46,481,314   | 8.75           |
| Including: Domestic non-state-owned legal person shares   | -             | -              | 4,686,960              | -                                     | -                       | -     | 4,686,960  | 4,686,960    | 0.88           |
| Domestic natural person shares                            |               |                | 41,794,354             |                                       |                         |       | 41,794,354 | 41,794,354   | 7.86           |
| 4. Foreign shares   |               |                |                        |                                       |                         |       |            |              |                |
| Including: Overseas legal person shares                   |               |                |                        |                                       |                         |       |            |              |                |
| Overseas natural person shares                            |               |                |                        |                                       |                         |       |            |              |                |
| (II) Circulating shares not subject to trading moratorium | 422,000,000   | 87.01          | -                      | -                                     | -                       | -     | -          | 422,000,000  | 79.40          |
| 1. Renminbi ordinary shares                               | 322,000,000   | 66.39          |                        |                                       |                         |       |            | 322,000,000  | 60.59          |
| 2. Foreign shares listed domestically                     |               |                |                        |                                       |                         |       |            |              |                |
| 3. Foreign shares listed overseas                         | 100,000,000   | 20.62          |                        |                                       |                         |       |            | 100,000,000  | 18.82          |
| 4. Others   |               |                |                        |                                       |                         |       |            |              |                |
| (III) Total shares  | 485,000,000   | 100            |                        |                                       |                         |       | 46,481,314 | 531,481,314  | 100            |

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

Applicable  Not Applicable

According to the "Certificate of Securities Change Registration of Shanghai Branch of China Securities Depository and Clearing Corporation Limited" issued by Shanghai Branch of the CSDC on 24 June 2022, the Company has completed the registration of the additional shares for this asset acquisition by way of share issuance. The number of new shares issued by the Company under the transaction to issue shares for asset acquisition was 46,481,314 shares, all of which were circulating shares with trading restrictions, and the number of shares of the Company upon completion of the issue was 531,481,314 shares.

##### 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

## SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

### (2) Changes in shares subject to selling restrictions

√ Applicable    □ Not Applicable

Unit: '0,000 shares

| Name of shareholder | Number of restricted shares at the beginning of the period | Number of restricted shares released during the Reporting Period | Number of restricted shares increase during the Reporting Period | Number of restricted shares at the end of the Reporting Period | Reason for restricted sale                   | Release date      |
|---------------------|--|--|--|--|--|-------------------|
| Li Hong             | 0  | 0  | 1,909.96   | 1,909.96   | Share Lock-up Undertaking for Reorganisation | Description below |
| Zhao Qing           | 0  | 0  | 654.08   | 654.08   | Share Lock-up Undertaking for Reorganisation | Description below |
| Yang Ping           | 0  | 0  | 540.59   | 540.59   | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Qingdao Eternal     | 0  | 0  | 468.70   | 468.70   | Share Lock-up Undertaking for Reorganisation | Description below |
| Wang Xiaohui        | 0  | 0  | 403.94   | 403.94   | Share Lock-up Undertaking for Reorganisation | Description below |
| Xia Tao             | 0  | 0  | 201.51   | 201.51   | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Wang Huadong        | 0  | 0  | 201.51   | 201.51   | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Qian Yuyan          | 0  | 0  | 80.60  | 80.60  | Share Lock-up Undertaking for Reorganisation | Description below |
| Xiao Zhonghai       | 0  | 0  | 58.94  | 58.94  | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Xiu Jun             | 0  | 0  | 52.63  | 52.63  | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Fun Dun             | 0  | 0  | 37.89  | 37.89  | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| Chen Zhengyan       | 0  | 0  | 37.78  | 37.78  | Share Lock-up Undertaking for Reorganisation | 24 June 2023      |
| <b>Total</b>        |  |  | <b>4,648</b>   | <b>/</b>   | <b>/</b>                                     | <b>/</b>          |

Description of the date of release from restriction of sale:

The additional shares in the Company acquired by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan through the acquisition shall not be transferred in any manner, nor shall they be pledged or otherwise encumbered with property rights for a period of 12 months from the date of completion of the Reorganisation; upon expiry of the above 12-month lock-up period, the additional shares in the Company acquired by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan through the acquisition shall be unlocked in four phases in accordance with the arrangements set out in the Agreement:

- (1) 1st phase: After 12 months from the issuance completion date of the Reorganisation and upon performance of their corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement and the supplemental agreement, the remaining portion of 40% of the additional shares received less the number of shares (if any) compensated for the year shall be unlocked;
- (2) 2nd phase: If they have fully performed the compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreement and the supplemental agreement, the remaining portion of 20% of the additional shares received less the number of shares (if any) compensated for the year shall be unlocked;
- (3) 3rd phase: If they have fully performed the compensation obligations (if any) for the year of 2023 under the Performance Compensation Agreement and the supplemental agreement, the remaining portion of 20% of the additional shares received less the number of shares (if any) compensated for the year shall be unlocked;
- (4) 4th phase: If they have fully performed the compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreement and the supplemental agreement (i.e. the five financial years of 2020, 2021, 2022, 2023 and 2024), the remaining shares in the additional shares received that have not been unlocked shall be unlocked.

# SECTION 7 CHANGE IN 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  | 61,633 |
| Total number of shareholders of preference shares with restored voting right as at the end of the Reporting Period | 0      |

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

Unit: share

| Name of shareholder (full name)                           | Increase/decrease during the Reporting Period | Shareholdings of top ten shareholders          |                |   | Pledged, tagged or frozen |        | Shareholder(s) nature                 |
|---|---|--|----------------|---|---------------------------|--------|---------------------------------------|
|   |   | Number of shares held at the end of the period | Percentage (%) | Number of shares held subject to selling restrictions | Share status              | Number |                                       |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd     | 0   | 245,735,052                                    | 46.24%         | 63,000,000  | Nil                       | 0      | State-owned legal person              |
| HKSCC NOMINEES LIMITED                                    | 0   | 99,419,027                                     | 18.71%         | 0   | Unknown                   | 0      | Unknown                               |
| Li Hong   | 19,099,566                                    | 19,099,566                                     | 3.59%          | 19,099,566  | Nil                       | 0      | Domestic natural person               |
| Zhao Qing   | 6,540,785                                     | 6,540,785                                      | 1.23%          | 6,540,785   | Nil                       | 0      | Domestic natural person               |
| Yang Ping   | 5,405,865                                     | 5,405,865                                      | 1.02%          | 5,405,865   | Nil                       | 0      | Domestic natural person               |
| Qingdao Eternal Economic Information Consulting Co., Ltd. | 4,686,960                                     | 4,686,960                                      | 0.88%          | 4,686,960   | Nil                       | 0      | Domestic non-state owned legal person |
| Wang Xiaohui  | 4,039,404                                     | 4,039,404                                      | 0.76%          | 4,039,404   | Nil                       | 0      | Domestic natural person               |
| Xia Tao   | 2,015,123                                     | 2,015,123                                      | 0.38%          | 2,015,123   | Nil                       | 0      | Domestic natural person               |
| Wang Huadong  | 2,015,123                                     | 2,015,123                                      | 0.38%          | 2,015,123   | Nil                       | 0      | Domestic natural person               |
| Hong Kong Securities Clearing Company Limited             | -1,214,832                                    | 1,956,429                                      | 0.37%          | 0   | Unknown                   | 0      | Unknown                               |

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

| Name of shareholder   | Number of circulating shares held not subject to selling restrictions | Class and number of shares   |             |
|---|---|--|-------------|
|   |   | Type   | Number      |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd   | 182,735,052   | Ordinary shares denominated in RMB   | 182,735,052 |
| HKSCC NOMINEES LIMITED  | 99,419,027  | Overseas listed foreign share  | 99,419,027  |
| Hong Kong Securities Clearing Company Limited   | 1,956,429   | Ordinary shares denominated in RMB   | 1,956,429   |
| Yu Zijuan   | 1,459,900   | Ordinary shares denominated in RMB   | 1,459,900   |
| Haitong Securities Co., Ltd.  | 1,370,500   | Ordinary shares denominated in RMB   | 1,370,500   |
| Beijing Zhongjin Xinyuan Asset Management Center (Limited Partnership)  | 557,159   | Ordinary shares denominated in RMB   | 557,159     |
| Wang Yue  | 550,000   | Ordinary shares denominated in RMB   | 550,000     |
| Lu Yong   | 528,400   | Ordinary shares denominated in RMB   | 528,400     |
| He Yong   | 523,300   | Ordinary shares denominated in RMB   | 523,300     |
| Huatai Securities Co., Ltd.   | 407,051   | Ordinary shares denominated in RMB   | 407,051     |
| Description of special account for repurchase among the top ten Shareholders  | N/A   |  |             |
| Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the aforesaid Shareholders | N/A   |  |             |
| Explanation on the related relationship of the Shareholders and action in concert among the aforesaid Shareholders          |   | The Company is not aware of any related relationship among the aforesaid Shareholders, nor is the Company aware of any parties acting in concert as defined in "Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders". |             |
| Explanation on preferred Shareholders whose voting rights has resumed and their shareholdings                               | N/A   |  |             |

## SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

### Notes:

- (1) Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the substantial shareholder of the Company, no share of which are being pledged or frozen.
- (2) On 27 June 2022, the Company issued the "Announcement in relation to the Issuance Results of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds and Change in Share Capital". According to the "Certificate of Securities Change Registration of Shanghai Branch of China Securities Depository and Clearing Corporation Limited" issued by Shanghai Branch of CSDC on 24 June 2022, the Company has completed the registration of the additional shares for this asset acquisition by way of share issuance. The nature of the additional shares to be issued are circulating shares with trading restrictions. Details in relation to the lockup period are set out in "Report on the Asset Acquisition by Way of Share Issuance and Cash Payment and Raising of Supporting Funds", such shares can be listed and traded on the Shanghai Stock Exchange on the following trading day upon the expiry of the lock-up period.
- (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 2022, 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 Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.
- (5) Save as disclosed above, as at 30 June 2022, 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 2022, the Company did not issue any convertible securities, share options, warrants or any other similar right.

## SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

### Shareholding of the top ten holders of Shares subject to selling restriction and conditions of selling restrictions

Applicable  Not applicable

Unit: share

| No. | Name of Shareholder subject to selling restrictions  | Number of Shares held subject to selling restrictions | Conditions of listing and trading of restricted Shares |   | Restricted conditions                   |
|-----|--|---|--|---|---|
|     |  |   | Date of being permitted for listing and trading        | Number of additional Shares available for listing and trading |   |
| 1   | Beijing Jingcheng Machinery Electric Holding Co., Ltd.   | 63,000,000  | 11 July 2023   | 0   | Restriction from non-public issuance    |
| 2   | Li Hong  | 19,099,566  | Please refer to the Description                        | 0   | Restriction from Merger and Acquisition |
| 3   | Zhao Qing  | 6,540,785   | Please refer to the Description                        | 0   | Restriction from Merger and Acquisition |
| 4   | Yang Ping  | 5,405,865   | 24 June 2023   | 0   | Restriction from Merger and Acquisition |
| 5   | Qingdao Eternal Economic Information Consulting Co., Ltd.  | 4,686,960   | Please refer to the Description                        | 0   | Restriction from Merger and Acquisition |
| 6   | Wang Xiaohui   | 4,039,404   | Please refer to the Description                        | 0   | Restriction from Merger and Acquisition |
| 7   | Xia Tao  | 2,015,123   | 24 June 2023   | 0   | Restriction from Merger and Acquisition |
| 8   | Wang Huadong   | 2,015,123   | 24 June 2023   | 0   | Restriction from Merger and Acquisition |
| 9   | Qian Yuyan   | 806,048   | Please refer to the Description                        | 0   | Restriction from Merger and Acquisition |
| 10  | Xiao Zhonghai<br>Explanation on related relationship or action acting in concert among the aforesaid Shareholder | 589,423   | 24 June 2023   | 0   | Restriction from Merger and Acquisition |

Please refer to I. (2) above for the description of the date of release from the restriction of sale following the table of changes in shares subject to selling restrictions.

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

Applicable  Not applicable

## III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Applicable  Not applicable

#### Other information

Applicable  Not applicable

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

Applicable  Not applicable

### (3) Other information

Applicable  Not applicable

## IV. CHANGES IN CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER

Applicable  Not applicable

# SECTION 8 INFORMATION ABOUT PREFERENCE SHARE

Applicable  Not applicable



## SECTION 9 CORPORATE BONDS

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

Applicable     Not applicable

### II. CONVERTIBLE BONDS

Applicable     Not applicable



## SECTION 10 FINANCIAL REPORT

### CONSOLIDATED BALANCE SHEET

30 June 2022

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

Unit: yuan

| Item  | Notes  | 30-Jun-22               | 31-Dec-21               |
|---|--------|-------------------------|-------------------------|
| <b>Current assets:</b>  |        |                         |                         |
| Cash at bank and on hand  | Vi. 1  | 180,522,429.75          | 105,776,763.72          |
| Settlement reserves   |        |                         |                         |
| Loans to banks and other financial institutions   |        |                         |                         |
| Financial assets held for trading   | Vi. 2  | 24,723.00               | 30,675.01               |
| Derivative financial assets   |        |                         |                         |
| Notes receivable  | Vi. 3  | 10,822,070.00           |                         |
| Accounts receivable   | Vi. 4  | 309,677,712.63          | 175,225,191.63          |
| Receivables financing   | Vi. 5  | 19,461,177.94           | 10,465,061.76           |
| Advances to suppliers   | Vi. 6  | 79,748,876.25           | 53,915,051.53           |
| Premiums receivable   |        |                         |                         |
| Reinsurance accounts receivable   |        |                         |                         |
| Reinsurance contract provision receivable   |        |                         |                         |
| Other receivables   | Vi. 7  | 12,048,141.50           | 9,636,026.09            |
| Including: interest receivable  |        |                         |                         |
| Dividends receivable  |        |                         |                         |
| Financial assets held under resale agreements   |        |                         |                         |
| Inventories   | Vi. 8  | 358,969,799.88          | 324,694,186.81          |
| Contract assets   |        |                         |                         |
| Held-for-sale assets  |        |                         |                         |
| Non-current assets due within one year  |        |                         |                         |
| Other current assets  | Vi. 9  | 18,930,608.81           | 27,386,862.15           |
| <b>Total current assets</b>   |        | <b>990,205,539.76</b>   | <b>707,129,818.70</b>   |
| <b>Non-current assets:</b>  |        |                         |                         |
| Loans and advances to customers   |        |                         |                         |
| Debt instruments at amortized cost  |        |                         |                         |
| Debt instruments at fair value through other comprehensive income<br>(Debt instruments at FVTOCI) |        |                         |                         |
| Long-term receivables   |        |                         |                         |
| Long-term equity investments  | Vi. 10 | 95,186,897.22           | 79,947,483.76           |
| Equity instruments at fair value through other comprehensive income                               |        |                         |                         |
| Other non-current financial assets  |        |                         |                         |
| Investment real estates   |        |                         |                         |
| Fixed assets  | Vi. 11 | 610,175,289.37          | 618,317,885.27          |
| Construction in progress  | Vi. 12 | 38,684,377.35           | 38,592,075.56           |
| Bearer biological assets  |        |                         |                         |
| Oil and gas assets  |        |                         |                         |
| Right-of-use assets   | Vi. 13 | 4,779,117.38            |                         |
| Intangible assets   | Vi. 14 | 169,264,466.24          | 120,037,115.68          |
| Development expenditures  |        |                         |                         |
| Goodwill  | Vi. 15 | 168,996,039.10          |                         |
| Long-term deferred expenses   | Vi. 16 | 3,787,650.06            | 4,372,745.88            |
| Deferred income tax assets  | Vi. 17 | 1,629,589.23            | 51,632.65               |
| Other non-current assets  | Vi. 18 | 230,866.00              |                         |
| <b>Total non-current assets</b>   |        | <b>1,092,734,291.95</b> | <b>861,318,938.80</b>   |
| <b>Total assets</b>   |        | <b>2,082,939,831.71</b> | <b>1,568,448,757.50</b> |

## SECTION 10 FINANCIAL REPORT

### CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2022

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

Unit: yuan

| Item   | Notes  | 30-Jun-22             | 31-Dec-21      |
|--|--------|-----------------------|----------------|
| <b>Current liabilities:</b>  |        |                       |                |
| Short-term borrowings  | VI. 19 | <b>85,369,702.08</b>  | 83,825,972.96  |
| Borrowings from the central bank   |        |                       |                |
| Placements from banks and other financial institutions                   |        |                       |                |
| Financial liabilities held for trading                                   |        |                       |                |
| Derivative financial liabilities   |        |                       |                |
| Notes payable  | VI. 20 | <b>80,099,959.43</b>  | 50,693,681.14  |
| Accounts payable   | VI. 21 | <b>294,427,406.80</b> | 263,096,766.13 |
| Advances from customers  |        |                       |                |
| Contract liabilities   | VI. 22 | <b>76,257,245.24</b>  | 68,094,818.68  |
| Financial assets sold under repurchase agreements                        |        |                       |                |
| Customer bank deposits and due to banks and other financial institutions |        |                       |                |
| Customer brokerage deposits  |        |                       |                |
| Securities underwriting brokerage deposits                               |        |                       |                |
| Employee compensation payable  | VI. 23 | <b>15,727,901.14</b>  | 27,257,688.27  |
| Taxes payable  | VI. 24 | <b>24,219,026.55</b>  | 6,186,732.62   |
| Other payables   | VI. 25 | <b>156,941,772.26</b> | 25,960,072.78  |
| Including: interests payable   |        |                       |                |
| Dividends payable  |        |                       | 349,853.79     |
| Fees and commissions payable   |        |                       |                |
| Reinsurance accounts payable   |        |                       |                |
| Held-for-sale liabilities  |        |                       |                |
| Non-current liabilities due within one year                              | VI. 26 | <b>8,748,706.63</b>   | 7,000,000.00   |
| Other current liabilities  | VI. 27 | <b>4,273,514.93</b>   | 4,613,930.02   |
| <b>Total current liabilities</b>   |        | <b>746,065,235.06</b> | 536,729,662.60 |
| <b>Non-current liabilities:</b>  |        |                       |                |
| Insurance contract reserves  |        |                       |                |
| Long-term borrowings   |        |                       |                |
| Bonds payable  |        |                       |                |
| Including: preference shares   |        |                       |                |
| Perpetual bond   |        |                       |                |
| Lease liabilities  | VI. 28 | <b>1,831,770.18</b>   |                |
| Long-term payables   | VI. 29 | <b>53,207,700.00</b>  | 30,000,000.00  |
| Long-term employee compensation payable                                  | VI. 30 | <b>29,951,825.69</b>  | 29,193,698.39  |
| Estimated liabilities  | VI. 31 | <b>8,945,975.89</b>   | 5,794,470.12   |
| Deferred incomes   | VI. 32 | <b>5,300,589.96</b>   | 5,318,879.05   |
| Deferred income tax liabilities  | VI. 17 | <b>7,973,740.70</b>   |                |
| Other non-current liabilities  |        |                       |                |
| <b>Total non-current liabilities</b>                                     |        | <b>107,211,602.42</b> | 70,307,047.56  |
| <b>Total liabilities</b>   |        | <b>853,276,837.48</b> | 607,036,710.16 |

## SECTION 10 FINANCIAL REPORT

### CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2022

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

Unit: yuan

| Item   | Notes  | 30-Jun-22               | 31-Dec-21        |
|--|--------|-------------------------|------------------|
| <b>Shareholders' equity:</b>   |        |                         |                  |
| Share capital  | VI. 33 | 531,481,314.00          | 485,000,000.00   |
| Other equity instruments<br>Including: preference shares<br>Perpetual bond |        |                         |                  |
| Capital surplus  | VI. 34 | 1,011,918,105.31        | 835,353,861.68   |
| Less: treasury shares  |        |                         |                  |
| Other comprehensive income   | VI. 35 | 753,049.57              | -1,030,194.20    |
| Special reserves   |        |                         |                  |
| Surplus reserves   | VI. 36 | 45,665,647.68           | 45,665,647.68    |
| Provision for general risk   |        |                         |                  |
| Retained earnings  | VI. 37 | -676,756,702.90         | -687,333,700.32  |
| <b>Total equity attributable to owners of the Company</b>                  |        | <b>913,061,413.66</b>   | 677,655,614.84   |
| <b>Non-controlling interests</b>   |        | <b>316,601,580.57</b>   | 283,756,432.50   |
| <b>Total shareholders' equity</b>  |        | <b>1,229,662,994.23</b> | 961,412,047.34   |
| <b>Total liabilities and shareholders' equity</b>                          |        | <b>2,082,939,831.71</b> | 1,568,448,757.50 |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S BALANCE SHEET

30 June 2022

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

Unit: yuan

| Item  | Notes  | 30-Jun-22               | 31-Dec-21               |
|---|--------|-------------------------|-------------------------|
| <b>Current assets:</b>  |        |                         |                         |
| Cash at bank and on hand  |        | 9,904,083.76            | 1,639,496.85            |
| Financial assets held for trading   |        |                         |                         |
| Derivative financial assets   |        |                         |                         |
| Notes receivable  |        |                         |                         |
| Accounts receivable   | XVII.1 | 19,460,754.88           | 9,988,552.80            |
| Receivables financing   |        |                         |                         |
| Advances to suppliers   |        | 1,668,434.64            |                         |
| Other receivables   | XVII.2 | 373,834,539.72          | 383,434,539.72          |
| Including: interest receivable  |        | 30,833,548.12           | 40,433,548.12           |
| Dividends receivable  |        |                         |                         |
| Inventories   |        |                         |                         |
| Contract assets   |        |                         |                         |
| Held-for-sale assets  |        |                         |                         |
| Non-current assets due within one year  |        |                         |                         |
| Other current assets  |        |                         |                         |
| <b>Total current assets</b>   |        | <b>404,867,813.00</b>   | <b>395,062,589.37</b>   |
| <b>Non-current assets:</b>  |        |                         |                         |
| Debt instruments at amortized cost  |        |                         |                         |
| Debt instruments at fair value through other comprehensive income<br>(Debt instruments at FVTOCI) |        |                         |                         |
| Long-term receivables   |        |                         |                         |
| Long-term equity investments  | XVII.3 | 1,209,348,125.05        | 902,148,125.05          |
| Equity instruments at fair value through other comprehensive income                               |        |                         |                         |
| Other non-current financial assets  |        |                         |                         |
| Investment real estates   |        |                         |                         |
| Fixed assets  |        | 20,721.16               | 25,874.44               |
| 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  |        |                         |                         |
| <b>Total non-current assets</b>   |        | <b>1,209,368,846.21</b> | <b>902,173,999.49</b>   |
| <b>Total assets</b>   |        | <b>1,614,236,659.21</b> | <b>1,297,236,588.86</b> |



# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S BALANCE SHEET (CONTINUED)

30 June 2022

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

Unit: yuan

| Item  | Notes | 30-Jun-22               | 31-Dec-21               |
|---|-------|-------------------------|-------------------------|
| <b>Current liabilities:</b>                       |       |                         |                         |
| Short-term borrowings                             |       |                         |                         |
| Financial liabilities held for trading            |       |                         |                         |
| Derivative financial liabilities                  |       |                         |                         |
| Notes payable                                     |       |                         |                         |
| Accounts payable                                  |       | 16,555,393.24           | 10,050,480.00           |
| Advances from customers                           |       |                         |                         |
| Contract liabilities                              |       | 10,902,106.66           |                         |
| Employee compensation payable                     |       | 159,834.72              | 2,404,190.20            |
| Taxes payable                                     |       | 543,473.44              | 668,487.27              |
| Other payables                                    |       | 90,328,315.25           | 4,008,172.41            |
| Including: interests payable                      |       |                         |                         |
| Dividends payable                                 |       |                         |                         |
| Held-for-sale liabilities                         |       |                         |                         |
| Non-current liabilities due within one year       |       |                         |                         |
| Other current liabilities                         |       | 1,621,033.30            | 203,759.43              |
| <b>Total current liabilities</b>                  |       | <b>120,110,156.61</b>   | <b>17,335,089.31</b>    |
| <b>Non-current liabilities:</b>                   |       |                         |                         |
| Long-term borrowings                              |       |                         |                         |
| Bonds payable                                     |       |                         |                         |
| Including: preference shares                      |       |                         |                         |
| Perpetual bond                                    |       |                         |                         |
| Lease liabilities                                 |       |                         |                         |
| Long-term payables                                |       |                         |                         |
| Long-term employee compensation payable           |       |                         |                         |
| Estimated liabilities                             |       |                         |                         |
| Deferred incomes                                  |       |                         |                         |
| Deferred income tax liabilities                   |       |                         |                         |
| Other non-current liabilities                     |       |                         |                         |
| <b>Total non-current liabilities</b>              |       |                         |                         |
| <b>Total liabilities</b>                          |       | <b>120,110,156.61</b>   | <b>17,335,089.31</b>    |
| <b>Shareholders' equity:</b>                      |       |                         |                         |
| Share capital                                     |       | 531,481,314.00          | 485,000,000.00          |
| Other equity instruments                          |       |                         |                         |
| Including: preference shares                      |       |                         |                         |
| Perpetual bond                                    |       |                         |                         |
| Capital surplus                                   |       | 984,649,987.40          | 811,365,185.81          |
| Less: treasury shares                             |       |                         |                         |
| Other comprehensive income                        |       |                         |                         |
| Special reserves                                  |       |                         |                         |
| Surplus reserves                                  |       | 38,071,282.24           | 38,071,282.24           |
| Retained earnings                                 |       | -60,076,081.04          | -54,534,968.50          |
| <b>Total shareholders' equity</b>                 |       | <b>1,494,126,502.60</b> | <b>1,279,901,499.55</b> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>1,614,236,659.21</b> | <b>1,297,236,588.86</b> |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January – June 2022

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

Unit: yuan

| Item  | Notes  | Amount in the current period | Amount in the previous period |
|---|--------|------------------------------|-------------------------------|
| <b>I. Total operating revenue</b>   |        | <b>637,677,016.77</b>        | 526,554,520.75                |
| Including: operating revenue  | VI. 38 | <b>637,677,016.77</b>        | 526,554,520.75                |
| Interest income   |        |                              |                               |
| Earned premiums   |        |                              |                               |
| Fees and commission income  |        |                              |                               |
| <b>II. Total operating cost</b>   |        | <b>635,491,143.05</b>        | 526,908,492.71                |
| Including: operating cost   | VI. 38 | <b>553,123,507.27</b>        | 453,219,285.37                |
| Interest expenses   |        |                              |                               |
| Fees and commissions expenses   |        |                              |                               |
| Cash surrender amount   |        |                              |                               |
| Net payments for insurance claims   |        |                              |                               |
| Net provision for insurance liability reserves  |        |                              |                               |
| Policy dividend expenses  |        |                              |                               |
| Reinsurance expenses  |        |                              |                               |
| Taxes and surcharges  | VI. 39 | <b>3,635,239.70</b>          | 2,516,449.29                  |
| Selling and distribution expenses   | VI. 40 | <b>15,841,866.48</b>         | 15,050,487.21                 |
| Administrative expenses   | VI. 41 | <b>38,334,532.86</b>         | 39,916,462.24                 |
| R&D expenses  | VI. 42 | <b>21,615,500.91</b>         | 10,015,871.43                 |
| Financial expenses  | VI. 43 | <b>2,940,495.83</b>          | 6,189,937.17                  |
| Including: interest expenses  |        | <b>2,882,848.89</b>          | 4,698,538.37                  |
| Interest income   |        | <b>222,568.30</b>            | 880,727.71                    |
| Add: other incomes  |        | <b>1,834,312.92</b>          | 7,754,445.94                  |
| Investment income (loss to be listed with "-")  | VI. 45 | <b>13,545,545.90</b>         | 3,532,099.11                  |
| Including: income from investment in associates and joint ventures                            |        | <b>12,254,352.49</b>         | 3,532,099.11                  |
| Investment income from derecognition of financial assets at amortized cost                    |        |                              |                               |
| Exchange earnings (loss to be listed with "-")  |        |                              |                               |
| Net exposure hedging income (loss to be listed with "-")                                      |        |                              |                               |
| Incomes from fair value changes (loss to be listed with "+,-")                                | VI. 46 | <b>-5,952.01</b>             | -3,016,842.78                 |
| Credit impairment loss (loss to be listed with "-")   | VI. 47 | <b>-861,311.24</b>           | -7,227,430.91                 |
| Asset impairment losses (loss to be listed with "-")  | VI. 48 | <b>-4,631,897.06</b>         | -                             |
| Incomes from assets disposal (loss to be listed with "-")                                     | VI. 49 | <b>-</b>                     | 122,252.07                    |
| <b>III. Operating profit (loss to be listed with "-")</b>                                     |        | <b>12,066,572.23</b>         | 810,551.47                    |
| Add: Non-operating revenue  | VI. 50 | <b>722,359.80</b>            | 583,967.12                    |
| Less: Non-operating expenses  | VI. 51 | <b>1,066,190.71</b>          | 164,442.22                    |
| <b>IV. Total profit (total loss to be listed with "-")</b>                                    |        | <b>11,722,741.32</b>         | 1,230,076.37                  |
| Less: Income tax expenses   | VI. 52 | <b>3,034,715.00</b>          | 1,848,837.74                  |
| <b>V. Net profit (net loss to be listed with "-")</b>   |        | <b>8,688,026.32</b>          | -618,761.37                   |
| (I) Classified by continuity of operation   |        | <b>8,688,026.32</b>          | -618,761.37                   |
| 1. Net profit from continuing operations (net losses to be listed with "-")                   |        | <b>8,688,026.32</b>          | -618,761.37                   |
| 2. Net profit from discontinued operations (net losses to be listed with "-")                 |        |                              |                               |
| (II) Classified by attribution to ownership   |        | <b>8,688,026.32</b>          | -618,761.37                   |
| 1. Net profit attributable to owners of the parent company (net losses to be listed with "-") |        | <b>10,576,997.42</b>         | -1,313,304.91                 |
| 2. Non-controlling interests (net losses to be listed with "-")                               |        | <b>-1,888,971.10</b>         | 694,543.54                    |

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January – June 2022

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

Unit: yuan

| Item  | Notes  | Amount in the current period | Amount in the previous period |
|---|--------|------------------------------|-------------------------------|
| <b>VI. Net of tax of other comprehensive income</b>   |        | <b>1,966,372.71</b>          | -315,521.28                   |
| Net of tax of other comprehensive income attributable to the owner of the parent company                  | VI. 53 | <b>1,783,243.77</b>          | -286,022.69                   |
| (I) Other comprehensive income that cannot be reclassified through profit or loss                         |        |                              |                               |
| 1. Changes arising from re-measurement of the defined benefit plan  |        |                              |                               |
| 2. Other comprehensive incomes that cannot be reclassified into profits or losses under the equity method |        |                              |                               |
| 3. Changes in fair value of equity instruments at FVTOCI  |        |                              |                               |
| 4. Changes in fair value of the Company's credit risk   |        |                              |                               |
| 5. Others   |        |                              |                               |
| (II) Other comprehensive income that will be reclassified into profit and loss                            |        | <b>1,783,243.77</b>          | -286,022.69                   |
| 1. Other comprehensive income that can be reclassified into profit or loss under the equity method        |        | <b>3,496.18</b>              | -1,117.81                     |
| 2. Changes in fair value of debt instruments at FVTOCI  |        |                              |                               |
| 3. Amount of financial assets reclassified into other comprehensive incomes                               |        |                              |                               |
| 4. Provision for impairment of debt instruments at FVTOCI   |        |                              |                               |
| 5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)        |        |                              |                               |
| 6. Translation difference arising from foreign currency financial statements                              |        | <b>1,779,747.59</b>          | -284,904.88                   |
| 7. Others   |        |                              |                               |
| Net of tax of other comprehensive income attributable to minority shareholders                            | VI. 53 | <b>183,128.94</b>            | -29,498.59                    |
| <b>VII. Total comprehensive income</b>  |        | <b>10,654,399.03</b>         | -934,282.65                   |
| Total comprehensive incomes attributable to shareholders of the parent company                            |        | <b>12,360,241.19</b>         | -1,599,327.60                 |
| Total comprehensive income attributable to minority shareholders  |        | <b>-1,705,842.16</b>         | 665,044.95                    |
| <b>VIII. Earnings per share:</b>  |        |                              |                               |
| (I) Basic earnings per share (yuan/share)   |        | <b>0.02</b>                  | -0.01                         |
| (II) Diluted earnings per share (yuan/share)  |        | <b>0.02</b>                  | -0.01                         |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY CONSOLIDATED PROFIT STATEMENT

January – June 2022

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

Unit: yuan

| Item  | Notes         | Amount in the current period | Amount in the previous period |
|---|---------------|------------------------------|-------------------------------|
| <b>I. Operating revenue</b>   | <i>XVII.4</i> | <b>212,991.15</b>            |                               |
| Less: Operating costs   | <i>XVII.4</i> |                              |                               |
| Taxes and surcharges  |               | <b>8,486.10</b>              | 14,400.76                     |
| Selling and distribution expenses   |               |                              |                               |
| Administrative expenses   |               | <b>5,606,374.66</b>          | 5,284,975.05                  |
| R&D expenses  |               |                              |                               |
| Financial expenses  |               | <b>-15,754.99</b>            | 1,343.08                      |
| Including: interest expenses  |               |                              |                               |
| Interest income   |               | <b>17,801.26</b>             | 3,208.35                      |
| Add: other incomes  |               |                              | 21,000.00                     |
| Investment income (loss to be listed with "-")  |               |                              |                               |
| Including: income from investment in associates and joint ventures  |               |                              |                               |
| Investment income from derecognition of financial assets at amortized cost                                |               |                              |                               |
| Net exposure hedging income (loss to be listed with "-")  |               |                              |                               |
| Incomes from fair value changes (loss to be listed with "-")  |               |                              |                               |
| Credit impairment loss (loss to be listed with "-")   |               | <b>-154,997.92</b>           |                               |
| Asset impairment losses (loss to be listed with "-")  |               |                              |                               |
| Incomes from assets disposal (loss to be listed with "-")   |               |                              |                               |
| <b>II. Operating profit (loss to be listed with "-")</b>  |               | <b>-5,541,112.54</b>         | -5,279,718.89                 |
| Add: Non-operating revenue  |               |                              |                               |
| Less: Non-operating expenses  |               |                              |                               |
| <b>III. Total profit (total loss to be listed with "-")</b>   |               | <b>-5,541,112.54</b>         | -5,279,718.89                 |
| Less: Income tax expenses   |               |                              |                               |
| <b>IV. Net profit (net loss to be listed with "-")</b>  |               | <b>-5,541,112.54</b>         | -5,279,718.89                 |
| (I) Net profit from continuing operations (net losses to be listed with "-")                              |               | <b>-5,541,112.54</b>         | -5,279,718.89                 |
| (II) Net profit from discontinued operations (net losses to be listed with "-")                           |               |                              |                               |
| <b>V. Net of tax of other comprehensive income</b>  |               |                              |                               |
| (I) Other comprehensive income that cannot be reclassified through profit or loss                         |               |                              |                               |
| 1. Changes arising from re-measurement of the defined benefit plan  |               |                              |                               |
| 2. Other comprehensive incomes that cannot be reclassified into profits or losses under the equity method |               |                              |                               |
| 3. Changes in fair value of equity instruments at FVTOCI  |               |                              |                               |
| 4. Changes in fair value of the Company's credit risk   |               |                              |                               |
| 5. Others   |               |                              |                               |
| (II) Other comprehensive income that will be reclassified into profit and loss                            |               |                              |                               |
| 1. Other comprehensive income that can be reclassified into profit or loss under the equity method        |               |                              |                               |
| 2. Changes in fair value of debt instruments at FVTOCI  |               |                              |                               |
| 3. Amount of financial assets reclassified into other comprehensive incomes                               |               |                              |                               |
| 4. Provision for impairment of debt instruments at FVTOCI   |               |                              |                               |
| 5. Cash flow hedging reserve (effective portion of profit and loss arising from cash flow hedging)        |               |                              |                               |
| 6. Translation difference arising from foreign currency financial statements                              |               |                              |                               |
| 7. Others   |               |                              |                               |
| <b>VI. Total comprehensive incomes</b>  |               | <b>-5,541,112.54</b>         | -5,279,718.89                 |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January – June 2022

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

Unit: yuan

| Item   | Notes  | Amount in the current period | Amount in the previous period |
|--|--------|------------------------------|-------------------------------|
| <b>I. Cash flows from operating activities:</b>  |        |                              |                               |
| Cash received from sales of goods or rendering of services   |        | <b>570,729,387.64</b>        | 414,020,281.79                |
| Net increase in deposits and placements from financial institutions                                |        |                              |                               |
| Net increase in borrowings from the central bank   |        |                              |                               |
| Net increase in placements from other financial institutions                                       |        |                              |                               |
| Cash received for receiving premium of original insurance contract                                 |        |                              |                               |
| Net cash received from reinsurance business  |        |                              |                               |
| Net increase in policyholders' deposits and investments  |        |                              |                               |
| Cash received from interest, handling charges and commission                                       |        |                              |                               |
| Net increase in placements from banks and other financial institutions                             |        |                              |                               |
| Net increase from repurchasing business funds  |        |                              |                               |
| Net cash received from securities brokering  |        |                              |                               |
| Tax refunds received   |        | <b>35,643,452.41</b>         | 22,629,418.50                 |
| Other cash received relating to operating activities   | VI. 54 | <b>5,996,611.01</b>          | 15,328,630.44                 |
| <b>Subtotal of cash inflows from operating activities</b>  |        | <b>612,369,451.06</b>        | 451,978,330.73                |
| Cash paid for the purchase of goods and receipt of services  |        | <b>480,168,219.02</b>        | 329,152,780.93                |
| Net increase in loans and advances to customers  |        |                              |                               |
| Net increase in deposits in the central bank and other financial institutions                      |        |                              |                               |
| Cash paid for claim settlements on original insurance contract                                     |        |                              |                               |
| Net increase in placements from banks and other financial institutions                             |        |                              |                               |
| Cash paid for interest, handling charges and commission  |        |                              |                               |
| Cash paid for policy dividends   |        |                              |                               |
| Cash paid to and for employees   |        | <b>103,795,626.52</b>        | 106,056,878.31                |
| Taxes and surcharges cash payments   |        | <b>19,100,844.38</b>         | 18,686,721.50                 |
| Other cash payments related to operating activities  | VI. 54 | <b>28,220,352.33</b>         | 40,130,148.12                 |
| <b>Subtotal of cash outflows from operating activities</b>   |        | <b>631,285,042.25</b>        | 494,026,528.86                |
| <b>Net cash flows from operating activities</b>  | VI. 54 | <b>-18,915,591.19</b>        | -42,048,198.13                |
| <b>II. Cash flows from investing activities:</b>   |        |                              |                               |
| Cash received from disposal of investments   |        |                              |                               |
| Cash received from investment income   |        | <b>297,877.25</b>            | 327,428.24                    |
| Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets |        | <b>7,937.52</b>              | 476,169.08                    |
| Net cash received from the disposal of subsidiaries and other business entities                    |        |                              |                               |
| Cash received relating to other investing activities   |        | <b>36,233,354.22</b>         |                               |
| <b>Subtotal of cash inflows from investment activities</b>   |        | <b>36,539,168.99</b>         | 803,597.32                    |
| Cash paid to purchase fixed assets, intangible assets, and other long-term assets                  |        | <b>45,298,459.00</b>         | 15,387,042.13                 |
| Cash paid for investment   |        | <b>230,866.00</b>            | 18,540,454.46                 |
| Net increase in pledge loans   |        |                              |                               |
| Net cash paid for acquisition of subsidiaries and other business entities                          |        |                              |                               |
| Other cash paid relating to investment activities  |        |                              |                               |
| <b>Subtotal of cash outflows from investment activities</b>  |        | <b>45,529,325.00</b>         | 33,927,496.59                 |
| <b>Net cash flows from investing activities</b>  |        | <b>-8,990,156.01</b>         | -33,123,899.27                |

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January – June 2022

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

Unit: yuan

| Item   | Notes  | Amount in the current period | Amount in the previous period |
|--|--------|------------------------------|-------------------------------|
| <b>III. Cash flows from financing activities:</b>  |        |                              |                               |
| Cash received from absorbing investment  |        |                              |                               |
| Including: cash received from capital contributions by minority shareholders of subsidiaries |        |                              |                               |
| Cash received from borrowings  |        | <b>75,679,600.00</b>         |                               |
| Other cash received relating to financing activities   | VI. 54 | <b>23,207,700.00</b>         |                               |
| <b>Subtotal of cash inflows from financing activities</b>                                    |        | <b>98,887,300.00</b>         | –                             |
| Cash paid for repayment of debts   |        | <b>34,382,160.00</b>         | 60,000,000.00                 |
| Cash paid for the distribution of dividends, profits or interests                            |        | <b>1,961,555.55</b>          | 3,914,516.67                  |
| Including: cash payments for dividends or profit to minority shareholders of subsidiaries    |        |                              |                               |
| Other cash paid relating to financing activities   | VI. 54 |                              | 10,864,936.71                 |
| <b>Subtotal of cash outflows from financing activities</b>                                   |        | <b>36,343,715.55</b>         | 74,779,453.38                 |
| <b>Net cash flows from financing activities</b>  |        | <b>62,543,584.45</b>         | -74,779,453.38                |
| <b>IV. Effects from change of exchange rate on cash and cash equivalents</b>                 |        | <b>1,256,935.38</b>          | -1,648,341.52                 |
| <b>V. Net increase in cash and cash equivalents</b>  | VI. 54 | <b>35,894,772.63</b>         | -151,599,892.30               |
| Add: Beginning balance of cash and cash equivalents  | VI. 54 | <b>79,891,833.74</b>         | 246,146,097.89                |
| <b>VI. Cash and cash equivalents at the end of the period</b>                                | VI. 54 | <b>115,786,606.37</b>        | 94,546,205.59                 |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong



# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S CASH FLOW STATEMENT

January – June 2022

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

Unit: yuan

| Item   | Notes | Amount in the current period | Amount in the previous period |
|--|-------|------------------------------|-------------------------------|
| <b>I. Cash flows from operating activities:</b>  |       |                              |                               |
| Cash received from sales of goods or rendering of services   |       | 29,332,800.00                | 6,000,000.00                  |
| Tax refunds received   |       |                              |                               |
| Other cash received relating to operating activities   |       | 9,632,123.36                 | 452,896.12                    |
| <b>Subtotal of cash inflows from operating activities</b>  |       | <b>38,964,923.36</b>         | 6,452,896.12                  |
| Cash paid for the purchase of goods and receipt of services  |       | 19,869,300.00                | 54,400.00                     |
| Cash paid to and for employees   |       | 5,724,274.48                 | 1,834,348.30                  |
| Taxes and surcharges cash payments   |       | 628,177.41                   | 1,451,370.27                  |
| Other cash payments related to operating activities  |       | 4,478,584.56                 | 3,277,228.86                  |
| <b>Subtotal of cash outflows from operating activities</b>   |       | <b>30,700,336.45</b>         | 6,617,347.43                  |
| <b>Net cash flows from operating activities</b>  |       | <b>8,264,586.91</b>          | -164,451.31                   |
| <b>II. Cash flows from investing activities:</b>   |       |                              |                               |
| Cash received from disposal of investments   |       |                              |                               |
| Cash received from investment income   |       |                              |                               |
| Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets |       |                              |                               |
| Net cash received from the disposal of subsidiaries and other business entities                    |       |                              |                               |
| Cash received relating to other investing activities   |       |                              |                               |
| <b>Subtotal of cash inflows from investment activities</b>   |       |                              |                               |
| Cash paid to purchase fixed assets, intangible assets, and other long-term assets                  |       |                              |                               |
| Cash paid for investment   |       |                              |                               |
| Net cash paid for acquisition of subsidiaries and other business entities                          |       |                              |                               |
| Other cash paid relating to investment activities  |       |                              |                               |
| <b>Subtotal of cash outflows from investment activities</b>  |       |                              |                               |
| <b>Net cash flows from investing activities</b>  |       |                              |                               |
| <b>III. Cash flows from financing activities:</b>  |       |                              |                               |
| Cash received from absorbing investment  |       |                              |                               |
| Cash received from borrowings  |       |                              |                               |
| Other cash received relating to financing activities   |       | 23,207,700.00                |                               |
| <b>Subtotal of cash inflows from financing activities</b>  |       | <b>23,207,700.00</b>         |                               |
| Cash paid for repayment of debts   |       |                              |                               |
| Cash paid for distributing dividends and profits or paying interests                               |       |                              |                               |
| Other cash paid relating to financing activities   |       | 23,207,700.00                |                               |
| <b>Subtotal of cash outflows from financing activities</b>   |       | <b>23,207,700.00</b>         |                               |
| <b>Net cash flows from financing activities</b>  |       |                              |                               |
| <b>IV. Effects from change of exchange rate on cash and cash equivalents</b>                       |       |                              |                               |
| <b>V. Net increase in cash and cash equivalents</b>  |       | <b>8,264,586.91</b>          | -164,451.31                   |
| Add: Beginning balance of cash and cash equivalents  |       | 1,639,496.85                 | 3,275,360.33                  |
| <b>VI. Cash and cash equivalents at the end of the period</b>                                      |       | <b>9,904,083.76</b>          | 3,110,909.02                  |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January – June 2022

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

Unit: yuan

| Item   | Shareholders' equity attributable to the parent company |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
|--|---|-------------------|----------------|--------|------------------|-----------------------|----------------------------|------------------|------------------|----------------------------|-------------------|--------|----------------|---------------------------|--------------------------|
|  | Other equity instruments                                |                   |                |        |                  | January – June 2022   |                            |                  |                  |                            |                   |        |                |                           |                          |
|  | Share capital   | Preference shares | Perpetual bond | Others | Capital surplus  | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Provision for general risk | Retained earnings | Others | Subtotal       | Non-controlling interests | Shareholder total equity |
| I. Ending balance of the previous year                                   | 483,000,000.00  |                   |                |        | 833,333,861.68   |                       | -1,030,194.20              |                  | 45,685,647.68    |                            | -487,333,702.32   |        | 677,655,614.84 | 283,736,621.50            | 961,412,473.24           |
| Add: Changes in accounting policies                                      |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| Correction of prior periods  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| Business combination under common control                                |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| Others   |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| II. Beginning balance of the current year                                | 483,000,000.00  |                   |                |        | 833,333,861.68   |                       | -1,030,194.20              |                  | 45,685,647.68    |                            | -487,333,702.32   |        | 677,655,614.84 | 283,736,621.50            | 961,412,473.24           |
| III. Movements in the Current Year (decrease to be listed with "-")      |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| (I) Total comprehensive income   | 46,481,314.00   |                   |                |        | 176,564,243.63   |                       | 1,782,283.77               |                  |                  |                            | 10,576,997.42     |        | 235,485,738.82 | 32,845,148.07             | 268,293,466.89           |
| (II) Capital increase (decrease) by shareholders                         | 46,481,314.00   |                   |                |        | 176,564,243.63   |                       | 1,782,283.77               |                  |                  |                            | 10,576,997.42     |        | 235,485,738.82 | -1,703,842.16             | 10,654,398.03            |
| 1. Ordinary shares issued by shareholders                                | 46,481,314.00   |                   |                |        | 176,564,243.63   |                       | 1,782,283.77               |                  |                  |                            | 10,576,997.42     |        | 235,485,738.82 | 34,930,890.23             | 251,365,547.86           |
| 2. Capital increase by holders of other equity instruments               |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 3. Amounts of share-based payment is recorded in owners' equity          |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 4. Others  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| (III) Profit distribution  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 1. Appropriation to surplus reserves                                     |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 2. Appropriation to provision for general risk                           |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 3. Distribution to shareholders  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 4. Others  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| (IV) Net cash pay-over to shareholder's equity                           |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 1. Cash surplus transferred to state capital                             |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 2. Surplus reserves transferred to state capital                         |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 3. Surplus reserve transferred to reserves                               |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 4. Reserve earnings carried forward from changes in defined benefit plan |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 5. Reserve earnings carried forward from other comprehensive income      |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 6. Others  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| (V) Special reserves   |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 1. Appropriation in current year   |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| 2. Used in current year  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| (VI) Others  |   |                   |                |        |                  |                       |                            |                  |                  |                            |                   |        |                |                           |                          |
| IV. Ending balance of the current year                                   | 531,481,314.00  |                   |                |        | 1,011,918,105.31 |                       | 753,049.57                 |                  | 46,685,647.68    |                            | -476,756,702.90   |        | 919,861,613.66 | 316,601,980.57            | 1,236,463,594.23         |

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January – June 2022

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

Unit: Yuan

| Item  | Shareholders' equity attributable to the parent company |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
|---|---|-------------------|----------------|--------------------------|----------------|--------------------|----------------|------------------|------------------|----------------------------|-------------------|--------|------------------|-------------------------|--------------|
|   | Other equity instruments                                |                   |                |                          |                | Equity instruments |                |                  |                  |                            |                   |        |                  |                         |              |
|   | Share capital   | Preference shares | Perpetual bond | Other equity instruments | Residual       | Capital surplus    | Reserve shares | Special reserves | Surplus reserves | Provision for general risk | Retained earnings | Others | Sidual           | Non-combining interests | Total equity |
| <b>I. Ending balance of the previous year</b>                               | 485,000,000.00  |                   |                | -325,242.59              | 833,182,835.84 | 45,565,647.88      |                |                  | 689,472,501.04   | -661,051,428.89            | 302,132,283.41    |        | 1,001,634,933.45 |                         |              |
| Add: Changes in accounting policies   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| Correction of prior periods   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| Business combination under common control                                   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| Others  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| <b>II. Beginning balance of the current year</b>                            | 485,000,000.00  |                   |                | -325,242.59              | 833,182,835.84 | 45,565,647.88      |                |                  | 689,472,501.04   | -661,051,428.89            | 302,132,283.41    |        | 1,001,634,933.45 |                         |              |
| <b>III. Movements in the Current Year (decrease to the listed with "-")</b> |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| (I) Total comprehensive income  |   |                   |                | -704,789.61              | 2,700,025.84   |                    |                |                  | -23,282,271.43   | -23,282,271.43             |                   |        | -18,375,201.91   | 40,193,886.11           |              |
| (II) Capital increase and decrease by shareholders                          |   |                   |                | -704,789.61              | 2,700,025.84   |                    |                |                  | -23,282,271.43   | -23,282,271.43             |                   |        | -18,002,938.13   | 40,008,979.17           |              |
| 1. Ordinary issues (not by shareholders)                                    |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 2. Capital increase by holders of other equity instruments                  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 3. Amounts of share-based payments recorded in owners' equity               |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 4. Others   |   |                   |                |                          | 2,700,025.84   |                    |                |                  | 2,700,025.84     |                            |                   |        | 2,700,025.84     |                         |              |
| (III) Profit distribution   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 1. Appropriation to surplus reserves  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 2. Appropriation to provision for general risk                              |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 3. Distribution to shareholders   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 4. Others   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| (IV) Merit pay-over to shareholder's equity                                 |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 1. Capital surplus transferred to share capital                             |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 2. Surplus reserves transferred to share capital                            |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 3. Surplus reserve to recover loss  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 4. Year-end earnings carried forward to changes in defined benefit plan     |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 5. Year-end earnings carried forward to other comprehensive income          |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 6. Others   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| (V) Special reserves  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 1. Appropriation in current year  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| 2. Use in current year  |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| (VI) Others   |   |                   |                |                          |                |                    |                |                  |                  |                            |                   |        |                  |                         |              |
| <b>IV. Ending balance of the current year</b>                               | 485,000,000.00  |                   |                | -1,029,194.00            | 835,532,861.68 | 45,565,647.88      |                |                  | 671,655,614.84   | -687,333,700.32            | 303,756,612.30    |        | 961,413,047.24   |                         |              |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

January – June 2022

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

Unit: yuan

| Item   | January – June 2022 |                          |                |        |                 |                       |                            |                  |                  |                   | Total shareholders' equity |                  |
|--|---------------------|--------------------------|----------------|--------|-----------------|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------------|------------------|
|  | Share capital       | Other equity instruments |                |        | Capital surplus | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Retained earnings |                            | Others           |
|  |                     | Preference shares        | Perpetual bond | Others |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>I. Ending balance of the previous year</b>                              | 485,000,000.00      |                          |                |        | 811,365,185.81  |                       |                            |                  | 38,071,282.24    | -54,534,968.50    |                            | 1,278,901,489.55 |
| Add: Changes in accounting policies  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| Correction of prior period errors  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| Others   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>II. Beginning balance of the current year</b>                           | 485,000,000.00      |                          |                |        | 811,365,185.81  |                       |                            |                  | 38,071,282.24    | -54,534,968.50    |                            | 1,278,901,489.55 |
| <b>III. Movements in the Current Year (decrease to be listed with "-")</b> |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (i) Total comprehensive income   | 46,481,314.00       |                          |                |        | 173,284,801.59  |                       |                            |                  |                  | -5,541,112.54     |                            | 214,225,003.05   |
| (i) Capital invested and decreased by shareholders                         | 46,481,314.00       |                          |                |        | 173,284,801.59  |                       |                            |                  |                  | -5,541,112.54     |                            | 214,225,003.05   |
| 1. Ordinary shares input by shareholders                                   | 46,481,314.00       |                          |                |        | 173,284,801.59  |                       |                            |                  |                  |                   |                            | 214,225,003.05   |
| 2. Capital invested by holders of other equity instruments                 |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Amounts of share-based payments recorded in owners' equity              |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 4. Others  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (ii) Profit distribution   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Appropriation to surplus reserves                                       |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Distribution to shareholders  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Miscellaneous   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (iii) Internal carry-over in shareholder's equity                          |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Capital surplus transferred to share capital                            |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Surplus reserves transferred to share capital                           |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Surplus reserve to recover loss   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 4. Retained earnings carried forward from changes in defined benefit plan  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 5. Retained earnings carried forward from other comprehensive incomes      |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 6. Others  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (iv) Special reserves  |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Appropriation in current year   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Use in current year   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (v) Others   |                     |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>IV. Ending balance of the current year</b>                              | 531,481,314.00      |                          |                |        | 984,649,987.40  |                       |                            |                  | 38,071,282.24    | -60,076,081.04    |                            | 1,494,125,522.60 |



# SECTION 10 FINANCIAL REPORT

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY (CONTINUED) January – June 2022

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

Unit: yuan

| Item   | Ft 2021        |                          |                |        |                 |                       |                            |                  |                  |                   | Total shareholders' equity |                  |
|--|----------------|--------------------------|----------------|--------|-----------------|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------------|------------------|
|  | Share capital  | Other equity instruments |                |        | Capital surplus | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Retained earnings |                            | Others           |
|  |                | Preference shares        | Perpetual bond | Others |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>I. Ending balance of the previous year</b>                              | 485,000,000.00 |                          |                |        | 811,365,185.81  |                       |                            |                  | 38,071,282.24    | -55,776,343.03    |                            | 1,278,660,125.02 |
| Add: Changes in accounting policies  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| Correction of prior period errors  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| Others   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>II. Beginning balance of the current year</b>                           | 485,000,000.00 |                          |                |        | 811,365,185.81  |                       |                            |                  | 38,071,282.24    | -55,776,343.03    |                            | 1,278,660,125.02 |
| <b>III. Movements in the Current Year (decrease to be listed with "-")</b> |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (I) Total comprehensive income   |                |                          |                |        |                 |                       |                            |                  |                  | 1,241,374.53      |                            | 1,241,374.53     |
| (II) Capital invested and decreased by shareholders                        |                |                          |                |        |                 |                       |                            |                  |                  | 1,241,374.53      |                            | 1,241,374.53     |
| 1. Ordinary shares input by shareholders                                   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Capital invested by holders of other equity instruments                 |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Amounts of share-based payments recorded in owners' equity              |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 4. Others  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (III) Profit distribution  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Appropriation to surplus reserves                                       |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Distribution to shareholders  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Miscellaneous   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (IV) Internal carry-over in shareholder's equity                           |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Capital surplus transferred to share capital                            |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Surplus reserves transferred to share capital                           |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 3. Surplus reserves to recover loss  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 4. Retained earnings carried forward from changes in defined benefit plan  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 5. Retained earnings carried forward from other comprehensive incomes      |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 6. Others  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (V) Special reserves   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 1. Appropriation in current year   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| 2. Use in current year   |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| (VI) Others  |                |                          |                |        |                 |                       |                            |                  |                  |                   |                            |                  |
| <b>IV. Ending balance of the current year</b>                              | 485,000,000.00 |                          |                |        | 811,365,185.81  |                       |                            |                  | 38,071,282.24    | -54,534,968.50    |                            | 1,279,901,499.55 |

Person in charge of the Company:  
Wang Jun

Person in charge of accounting:  
Feng Yongmei

Person in charge of the accounting firm:  
Wang Yandong

# SECTION 10 FINANCIAL REPORT

## I. COMPANY PROFILE

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 13 July 1993, it was transferred to a limited liability company that 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 the State Commission for Restructuring the Economic System, on 16 July 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 on 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 16 May 2001 and 11 June 2002 and being reviewed and approved in ZJFXZ [2002] No. 133 File issued by the China Securities Regulatory Commission, the Company successfully increased issues in 22,000,000 RMB common shares (A-shares) to the public stock shareholders between 26 December 2002 and 7 January 2003, with 1 yuan par value per share. After the secondary public offering, the Company's total share capital 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 1 yuan 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 the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing, the Company's sole non-circulating shares 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 29 March 2006.

Beiren Group Corporation sold 21,000,000 shares of the Company's non-restricted circulating shares through the block trading system of the Shanghai Stock Exchange on 6 January 2010 and 7 January 2010, and publicly sold 20,000 shares of the Company's non-restricted circulating shares on 2 December 2010, accounting for 4.98% of the Company's total share capital. As of 31 December 2011, Beiren Group Corporation held 201,620,000 state-owned legal person shares which were all non-restricted circulating shares and accounted for 47.78% of total share capital; 120,380,000 non-restricted domestic public shares, accounting for 28.52% of total share capital; and 100,000,000 non-restricted overseas public shares, accounting for 23.70% of total share capital.

The Company's controlling shareholder Beiren Group Corporation and the Company's actual controller Beijing Jingcheng Machinery Electric Holding Co., Ltd. (hereinafter referred to as Jingcheng Machinery Electric) signed the *Agreement on Gratuitous Transfer of State-owned Stock Equity between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation* on 16 June 2012, under which, Beiren Group Corporation gratuitously transferred the Company's 201,620,000 A-shares to Jingcheng Machinery Electric; and after the share transfer, the Company's total share capital remained the same, and Jingcheng Machinery Electric held 201,620,000 shares of the Company stock which accounted for 47.78% of total share capital 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 1 September 2012. The Company received the *Confirmation of Transfer Register issued by China Securities Depository and Clearing Co., Ltd. Shanghai Branch* on 7 December 2012, and the formalities related to share transfer were 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 Machinery Electric and Beiren Group Corporation in November 2012. Pursuant to these agreements, the Company replaced all its assets and liabilities with related assets of gas storage and transport equipment business owned by Jingcheng Machinery Electric, and the balance was made up by Jingcheng Machinery Electric 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 Machinery Electric.

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

The Company signed the *Agreement on Replacement and Settlement of Material Assets* with Jingcheng Machinery Electric and Beiren Group Corporation on 31 October 2013, under which, Jingcheng Machinery Electric 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 23 December 2013, the Company was renamed from Beiren Printing Machinery Co., Ltd to Beijing Jingcheng Machinery Electric Co., Ltd.

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

Jingcheng Machinery Electric bought 2,115,052 shares of the Company's A-share through the trading system of the Shanghai Stock Exchange on 3 August 2016, accounting for 0.50% of the Company's total share capital. After the increase in holding, Jingcheng Machinery Electric held 182,735,052 unrestricted circulating A-shares of the Company, accounting for 43.30% of the total share capital of the Company.

On 30 June 2020, Jingcheng Machinery Electric subscribed for 63,000,000 shares of the Company through non-public offering, accounting for 12.99% of the total share capital of the Company, and completed the share registration on 9 July 2020. After this issuance, the total share capital of the Company increased to 485,000,000 shares, of which Jingcheng Machinery Electric held 182,735,052 unrestricted circulating A-shares and 63,000,000 restricted A shares, accounting for 50.67% of the total share capital of the Company.

# SECTION 10 FINANCIAL REPORT

## I. COMPANY PROFILE (CONTINUED)

Upon the approval by the resolutions of the First Extraordinary General Meeting in 2021, the First A Shares Class Meeting in 2021 and the First H Shares Class Meeting in 2021, and the "Approval for the Asset Acquisition by way of Share Issuance and Raising of Supporting Funds by Beijing Jingcheng Machinery Electric Company Limited to Li Hong and Others" (ZJXK [2022] No.586) from the China Securities Regulatory Commission, the Company completed the acquisition of 80% equity of BYTQ on 17 June 2022 by issuing shares to Li Hong, etc. A total of 46,481,314 shares were issued, accounting for 8.75% of the total share capital of the Company, all of which were restricted circulating shares. The Company has a total of 531,481,314 shares after this issuance.

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, Huoxian Nansan Street, Huoxian Town, 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 Machinery Electric is both the controlling shareholder and actual controller of the Company.

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

## III. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

### 1. Basis of preparation

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 30 June 2022 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

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the relevant information such as the financial position, the operating results and the cash flows of the Company and the Group.

### 2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

### 3. Business cycle

The Group adopts 12 months to identify the current nature of assets and liabilities since the operating cycle is too short for its business.

### 4. Bookkeeping base currency

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

# SECTION 10 FINANCIAL REPORT

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

### 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 combining party, from the business combination under common control should be measured based on the book value in the ultimate controller's consolidated statements of the combined party on the combination date. The difference between the book value of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital surplus. Where the capital surplus is insufficient for offset, retained earnings shall be adjusted.

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

### 6. Preparation methods of Consolidated Financial Statements

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

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries are inconsistent with that adopted by the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits within the scope of consolidation shall be eliminated during preparation of consolidated financial statements. Shares in owners' equity of subsidiaries but not attributable to the parent company, net profit and loss for the current period, other comprehensive income, and shares attributable to non-controlling interests in total comprehensive income shall be listed in consolidated financial statements as "non-controlling interests, non-controlling interest income, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders" respectively.

For the subsidiaries acquired in the business combination under common control, its operating results and cash flow are included in the consolidated financial statements from the beginning of the current period of the combination. During the preparation of comparative consolidated financial statements, relevant items of the financial statements of the previous periods shall be adjusted. It shall be deemed that the reporting entity formed after the business combination has existed since the beginning of the control by the ultimate controller.

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 controller, 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 controller, related 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 retained earnings at the beginning of the year or current profits and losses during the period of the 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 of consolidated financial statements, financial statements of the subsidiaries are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition 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.

# SECTION 10 FINANCIAL REPORT

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

### 6. Preparation methods of Consolidated Financial Statements (Continued)

At the situation when the Group partially disposes long-term equity investments in subsidiaries without losing control right, in the consolidated financial statements, for the difference between the disposal price and the share of net assets which should be entitled by the Group in the subsidiaries continuously calculated since the acquisition date or combination date corresponding to the disposed long-term equity investments, such difference shall be adjusted to capital premium or share premium. If the capital reserve is insufficient to 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 between the sum of consideration acquired from disposal of equity interest and the fair value of the residual equity interest and the share of net assets of the original subsidiaries measured constantly based on the original proportion of the shareholding from the acquisition date or combination date shall be recognized as the profit and loss on investment of the period at the loss of control and the goodwill shall be offset. Other comprehensive income in connection with equity investment of the original subsidiaries shall be transferred to the profit and loss on investment of the period at the loss of control.

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.

### 7. Classification of joint operation arrangement and accounting treatment methods 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. Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading 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 of not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### 9. Foreign currency transactions and foreign exchange translation for financial statements

#### (1) Foreign currency transaction

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. The foreign currency monetary items in the balance sheet date are translated into RMB at the spot exchange rate on the balance sheet date; the translation difference is directly recognized as the current profit and loss, except the disposal of translation difference that is formed by foreign currency specific borrowings for establishing or producing assets eligible for capitalization as per capitalization principle.

#### (2) Translation of foreign currency financial statements

The assets and liabilities in the foreign currency balance sheet shall be converted based on the exchange rate on the balance sheet date; Owners' equity items except "retained earnings", shall be converted according to the spot exchange rate on the business date. The revenue and expense items in the profit statement shall be converted according to the spot exchange rate on the date of transaction occurrence. The difference arising from the above translation shall be listed in "other comprehensive income" items. Foreign currency cash flow shall be converted at the spot rate on the date that cash flow occurs. The amount of effect of exchange rate fluctuations on cash shall be separately listed in the cash flow statement.

# SECTION 10 FINANCIAL REPORT

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

### 10. Financial assets and financial liabilities

When the Group becomes a party of a financial instrument contract, the Group recognizes a financial asset or a financial liability.

#### (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 classifies the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: ① The business model for managing this financial asset is aimed at collecting contractual cash flow; ② The contract terms of the 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. 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. For financial assets that are not part of any hedging relationship, the gains or losses arising from amortization according to the effective interest method, impairment, exchange gain or loss, and derecognition shall be included in the current profits and losses.

The Group classifies 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 management of the financial assets takes the collection of contractual cash flow and the of such financial assets as the objective. ② The contract terms of the 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. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. All gains or losses of such financial assets that are not of any hedging relationship, 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.

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 designates 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 its recognition is terminated, the accumulated gains or losses previously booked into other comprehensive income shall be transferred from other comprehensive incomes and recorded into retained earnings.

The Group classifies 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 gains or losses 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 reclassifies all affected financial assets when changing the business mode of financial assets management.



# SECTION 10 FINANCIAL REPORT

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

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

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

##### 2) *Recognition basis and measurement for transfer of financial assets*

The Group derecognizes 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 the transferred financial asset on the derecognition date and the sum of the consideration received due to the transfer of financial assets and the amount of the corresponding derecognition portion of the accumulated fair value changes originally included in other comprehensive income (the financial assets involved in the transfer shall meet the following conditions at the same time: the Group's business model for managing this financial asset is aimed at collecting contractual cash flow; the contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.) 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 underecognized part, and the difference between the sum of the 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 financial assets involved in the transfer also meet the following conditions: the Group's business model for managing such financial assets is to collect contractual cash flow as the target; the contract terms of such financial assets stipulate that the cash generated on a specific date is only for the payment of the interest on the basis of the principal amount) and the entire book value of the aforesaid financial assets amortized shall be included in the current profits and losses.

#### (2) Financial liabilities

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

Except for the following items, the Group classifies the financial liabilities as the financial liabilities measured at amortized cost and uses the effective interest method to carry out a subsequent calculation based on the amortized cost:

- ① The financial liabilities at fair value through profit or loss (including derivatives falling under financial liabilities), including the financial liabilities held for trading and financial liabilities designated as financial liabilities at fair value through profit or loss when initially recognizing, are measured subsequently at fair value, the gains or losses resulting from the changes in fair value and the dividends and interest expenses related to such financial liabilities are recorded in the current profits and losses.
- ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. Such financial liabilities shall be measured by the Group in accordance with relevant standards for the transfer of 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. If the Group is the issuer of such financial liabilities, the liabilities after initial recognition shall be subsequently measured according to the higher of the loss reserve amount determined according to the impairment provisions of financial instruments, and the balance of initially recognized amount after deducting the accumulated amortized amount recognized according to the revenue standard.

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) *Recognition criteria for termination of financial liabilities*

Where the current obligation of financial liabilities has been terminated entirely or partially, the financial liabilities or obligation that has been terminated shall be derecognized. The Company and the creditor sign an agreement in which the existing financial liabilities are replaced by means of undertaking new financial liabilities; in the event that the contractual terms of the new financial liabilities and those for existing financial liabilities are inconsistent, recognition for the existing financial liabilities shall be terminated and the new financial liabilities shall be recognized. In case the Company makes a material alteration to all or part of the contractual terms of the existing financial liabilities, recognition for the existing financial liabilities or part thereof shall be terminated while the financial liabilities after the alteration shall be recognized as new financial liabilities. The difference between the book value of the derecognized part and the paid consideration shall be included in current profits and losses.

# SECTION 10 FINANCIAL REPORT

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

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

#### (3) Determination methods of 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. The inputs for measuring the fair value are divided into three levels: the inputs for level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for level 1; the inputs for level 3 are the inputs that are unobservable for 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 level of fair value measurement results is determined based on the lowest level for input value that is significant for the whole fair value measurement.

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) Offset 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.

#### (5) Distinction 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 a financial instrument must be or can be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are used as substitutes for cash or other financial assets or to enable the holder of this instrument to enjoy the residual equity in the assets after deducting all liabilities from the issuer. If it is the former one, this instrument is the financial liabilities 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.

If the financial instruments or their components belong to financial liabilities, the relevant interests, dividends (or stock dividends), gains or losses, as well as gains or losses arising from redemption or refinancing shall be recognized in the profits and losses of the current period by the Group.

If the financial instruments or their components belong to equity instruments, as to the issuance (including re-financing), re-purchasing, sale or cancellation of such instruments, the Group will take with these situations as changes of equity and will not recognize any change of fair value of the equity instruments.



# SECTION 10 FINANCIAL REPORT

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

### 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 judges 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 refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. 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 expected cash flows receivable, that is, the present value of all cash shortages of the Group.

The Group calculates expected credit loss of notes receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of provision for impairment of the current notes receivable, the Group will recognize the difference as an 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.

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 current 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 bill  
Bank acceptance notes (held due)

##### About 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 account receivable which are formed by the transaction specified by the Accounting Standards for Business Enterprises No. 14 – Revenue and does 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 judges 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.

# SECTION 10 FINANCIAL REPORT

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

### 12. Accounts receivable (Continued)

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 refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. 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 expected cash flows receivable, that is, the present value of all cash shortages of the Group.

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 provision for impairment of the current accounts receivable, the Group will recognize the difference as an 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 taken back and are approved to be written off, the "bad debt provision" shall be debited and the "accounts receivable" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

Based on the actual credit losses of previous years and considering the forward-looking information for current 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

##### About provision for bad debt

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

### 13. Receivables financing

Receivable financing reflects notes receivable and accounts receivable measured at fair value with changes included in other comprehensive incomes on the balance sheet date. The Group classifies bank acceptance notes accepted by banks with higher credit rating for the purpose of both receiving contract cash flow and selling as receivables financing.

For the accounting treatment method, refer to the relevant contents of financial assets measured at fair value with changes included in other comprehensive incomes in IV.10. Financial assets and financial liabilities.

### 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

##### About 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

# SECTION 10 FINANCIAL REPORT

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

### 15. Inventories

The Group's inventory mainly includes raw materials, packing materials, low-value consumables, products in process, finished goods, goods shipped, contract performance costs, 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.

Net realizable value of inventories of goods directly for sale such as finished goods, products in process or materials for sale, etc. is determined by the amount of their estimated selling price less estimated selling and distribution expenses and related taxes. The net realizable value of raw materials held for production is determined by the amount of the estimated selling price of the finished goods produced less the estimated cost to be incurred by the time of completion, the estimated selling and distribution expenses, and related taxes.

### 16. Contract assets

#### (1) Recognition methods and standards of contract assets

Contract 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 contract asset.

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

For determination method of expected credit loss of contract assets, refer to the above IV.12. Accounts receivable for related contents.

Accounting treatment: the Group calculates the expected credit loss of the contract assets on the balance sheet date, if the expected credit losses are greater than the carrying amount of the current contract asset impairment provision, the Group shall recognize the difference as an impairment loss, debit "asset impairment loss" and credit "contract 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 contract assets cannot be recovered and are approved to be written off, the "provision for impairment of contract asset" shall be debited and the "contract assets" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "asset impairment loss" shall be debited against difference of the period.

### 17. Contract cost

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

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

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

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

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

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

# SECTION 10 FINANCIAL REPORT

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

### 17. Contract cost (Continued)

#### (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 provision for impairment shall be made for the excess and recognized as asset impairment losses.

If the factors for impairment in previous periods change after that, so that the aforesaid difference is higher than the book value of the asset, the original provision for impairment of the asset shall be reversed and included in the current profits or losses, but the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date assuming no provision for impairment is made.

### 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 do not 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 IV.12. Accounts receivable for related contents.

### 19. Long-term equity investments

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

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

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. The Group, if holding less than 20% of the voting right of the investee, may have a significant influence on the investee in consideration of facts and situations that the Group sends representatives to the board of directors or similar organs of authorities of the investee, participates in financial and operation policy-making of the investee, has important transactions with the investee, sends management personnel to the investee, or provides critical technical information for the investee.

The investee under the control of the Group shall be deemed as a subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the share of book value of net assets in the ultimate controller's consolidated statements of the acquiree on the combination date shall be recognized as the initial investment amount of long-term equity investments. If the book value of the net asset of the combined party on the combination date is negative, then the cost of long-term equity investments 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 controller on the combining date shall be deemed as the initial investment amount of the long-term equity investment. The balance between the initial investment amount and the sum of the book value of long-term equity investments which has reached the amount before the combination and the book value of new payment consideration obtained on the combination date shall be applied to adjust capital surplus. If the capital surplus is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investments acquired via business combination not under common control, the combination cost is taken as the initial investment amount.

# SECTION 10 FINANCIAL REPORT

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

### 19. Long-term equity investments (Continued)

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment amount calculated by the cost method. If the equity interest originally held before the acquisition date and calculated by the equity method, relevant other comprehensive income originally figured out by the equity method is temporarily not adjusted and will be subject to accounting treatment when disposing the investment, on the same basis as that adopted by the investee entity for directly handling related assets or liabilities. If the equity held before the acquisition date is non-trading equity instruments that are designated by the Group to be measured at fair value with their changes included in other comprehensive income, the accumulated changes in fair value originally included in other comprehensive income shall not be transferred into current profits or losses.

Apart from aforementioned long-term equity investments acquired through business combination, as to long-term equity investments acquired by cash payment, the actually paid amount is taken as the investment cost; as to long-term equity investments acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investments invested by investors, the value specified in investment contract or agreement is taken as the investment cost; if the Company has long-term equity investments 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 joint ventures and associates.

For long-term equity investments subsequently calculated by the cost method, when more investments added, the book value of the long-term equity investments cost is increased based on the fair value of cost paid for added investments and related transaction expenses. Cash dividend or profit declared by the investee is recognized as current investment income in accordance with the amount to enjoy.

For long-term equity investments subsequently measured by the equity method, the book value of the long-term equity investments 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 associate, then recognize the net profits of the investee after adjustment.

For the disposal of long-term equity investments, the difference between the book value and actually obtained price shall be included in the current investment income. For the long-term equity investments calculated by equity method which has been included in the owners' equity due to other changes in owners' equity (excluding the net profit or loss) of the investee entity, when disposed of, the part which has been included in the owners' equity of such investment shall be transferred to current profits and losses according to corresponding proportion.

Where the Group loses the joint control over or the significant influence on the investee due to the disposal of part of the equity investment, the remaining disposed equity shall be accounted for as per the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (CK [2017] No.7), and the balance between the fair value and the book value on the date of losing joint control or significant influence is included in current profit or loss. For other comprehensive income from original equity investment recognized by the equity method is subject to the accounting treatment on the same basis as that adopted by the investee for directly handling related assets or liabilities when the equity method is not used anymore.

For loss control of the investee due to disposal of partial long-term equity investments, the residual equity after disposal, if capable of realizing joint control or applying significant influence on the investee, is changed to the equity method for calculation, the difference for disposal of book value and consideration is included in the investment income, and the residual equity is adjusted as it is calculated by the equity method since it is acquired; the residual equity after disposal, if unable to realize joint control or apply significant effect on the investee, is changed to accounting treatment based on the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (CK[2017] No.7), the difference for disposal of book value and consideration is included in the investment income, and the difference between the fair value and book value of the residual equity on the loss-control date is included in current profit and loss.

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. Any transaction categorized as package deal is subject to the accounting treatment oriented for subsidiary disposal and loss of controlling power. However, before the loss of controlling power, the difference between the disposal price and book value of long-term equity investments of the corresponding disposed equity interest for every transaction is recognized as other comprehensive income, which is not transferred into current profit and loss until the controlling power is lost.

## SECTION 10 FINANCIAL REPORT

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

#### 20. Investment real estates

Investment real estates of the Group include 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. Investment real estates of the Group shall be subject to subsequent measurement on a cost basis.

The Group's investment real estates 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 real estates are as follows:

| Type                | Depreciation life<br>(year) | Estimated<br>residual rate<br>(%) | Annual<br>depreciation rate<br>(%) |
|---------------------|-----------------------------|-----------------------------------|------------------------------------|
| Land use rights     | 50                          | —                                 | 2.000                              |
| Plant and buildings | 40                          | 5                                 | 2.375                              |

#### 21. Fixed assets

Fixed assets of the Group refer to the tangible assets which have the following characteristics at the same time, namely held for the production of commodities, the provision of labor services, leasing or operation and management for a period of more than one year.

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

| Type                        | Period of<br>depreciation<br>(years) | Estimated<br>residual rate<br>(%) | Annual<br>depreciation rate<br>(%) |
|-----------------------------|--------------------------------------|-----------------------------------|------------------------------------|
| 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 for fixed assets at the end of each year. In case of change, it shall be treated as change of accounting estimates.

#### 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 real estates 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 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 eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment of unused borrowings is deducted. 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 based on the weighted average interest rate of the general borrowings.

# SECTION 10 FINANCIAL REPORT

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

### 24. Right-of-use assets

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

#### (1) Initial measurement

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

#### (2) Subsequent measurement

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

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

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

Starting from the commencement of the lease term, the Group will depreciate the right-to-use asset. The right-of-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-of-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; for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; and for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value.

The land use right shall be amortized at average as per the years of transfer from the date of transferring the land use right; and intangible assets such as patented technology and non-patented technology shall be amortized at average as per the shortest one of the estimated service life, benefit year stipulated in the contract and effective service life stipulated by law. The amortized amounts shall be included in current profits and losses and relevant asset costs according to beneficiaries. The estimated service life and the amortization method of intangible assets with limited service life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates.

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

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

Expenditures at the research stage shall be included in the current profit or loss when incurred.

# 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) With technical feasibility for finishing the intangible assets to use or sell;
- (2) Where the management is intended to finish and use or sell the intangible assets;
- (3) With methods for finishing the intangible assets to generate economic profits, including evidence of existing market for products produced by the intangible assets, existing market of the intangible assets or serviceability of the intangible assets which is for internal use;
- (4) With enough support of technology, financial resources and other resources for finishing development of the intangible assets as well as capacity for using or selling the assets;
- (5) The expenditure attributable to the intangible assets during its development phase can be reliably measured.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when incurred. Development expenditures included in profits or losses before will not be recognized as assets in 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. Impairment of long-term assets

As for fixed assets, construction in progress, right-of-use assets, intangible assets with limited service life, investment real estates measured at cost model, and long-term equity investments on subsidiaries, joint ventures, and associates, the Group will make an impairment assessment if there is an indication of impairment on assets on the balance sheet date. Where the impairment assessment result indicates that an asset's book value exceeds the recoverable amount, provision for impairment 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. Asset impairment provision shall be calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable value of the single assets, the recoverable value shall be recognized as per the asset portfolio to which the single asset belongs. The asset group refers to the minimum combination of assets that can independently generate cash inflow.

Goodwill separately listed in the financial statements shall be tested for impairment at least once each year no matter whether there exists impairment indication. In conducting the impairment assessment, the book value of goodwill shall be amortized to the assets group or asset portfolio benefit from the synergy of the business combination. If the result of the test indicates that the recoverable value of an asset portfolio or group of asset portfolios, including the allocated goodwill, is lower than its book value, the corresponding impairment loss shall be recognized. The impairment loss shall be first deducted from the book value of goodwill that is allocated to the asset portfolio or group of asset portfolios, and then deducted from the book value of other assets within the asset portfolios or groups of asset portfolios in proportion to the book value of assets other than goodwill.

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

### 27. Long-term deferred expenses

Long-term deferred expenses of the Group include turnover fees and house decoration 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. Contract liabilities

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



# SECTION 10 FINANCIAL REPORT

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

### 29. Employee benefits

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

Short-term compensation includes employee salary, employee benefit, medical insurance, etc. The Group shall recognize the short-term compensation actually incurred as liability and include it in the current profits and losses or related asset cost 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 the current profit or loss 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. Where the Group provides dismissal benefits to its employees, the liabilities of employee benefits arising from dismissal benefits shall be recognized and booked in current period profits or losses at the earlier of the following two time points, i.e. when the Group cannot unilaterally withdraw the dismissal benefits provided by the Group as a result of the termination of the labor relations plan or the retirement benefits offered by the redundancy proposals and when the Group recognizes the costs or costs associated with the restructuring involving the payment of dismissal benefits. If the dismissal welfare is not expected to be fully paid before 12 months after the end of the reporting period, the substantive dismissal work is completed within one year but the compensation payments exceed the dismissal plan of one-year payment, the Group will choose the appropriate discount rate, and the dismissal welfare of the current profits and losses will be measured according to the amount after discounting.

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

When an external warranty, discount of commercial acceptance notes, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements at the same time, the Group shall recognize such responsibilities as estimated liabilities: the assumed responsibilities are current obligations; the fulfillment of such obligations will likely cause the outflow of economic benefits from the Group; the amount of such obligations can be measured reliably.

The estimated liabilities are initially measured at the best estimate of expenditures required to perform relevant current obligations, and the risks, uncertainties, and time value of money related to contingencies are taken into comprehensive consideration. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. As of the balance sheet date, the book value of the estimated liabilities is reviewed and adjusted (if any change) to reflect the current best estimate.

# SECTION 10 FINANCIAL REPORT

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

### 32. Share-based payment

The stock payment settled by equity for obtaining services of employees shall be measured according to the fair value on the date when granting the equity instrument to employees. In situations where the amount of fair value is only vested after completing services in the waiting period or reaching specific performance conditions, the amount of fair value calculated by the method of line based on the optimal estimation of the quantity of vesting equity instruments in the waiting period shall be included 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 Group on each balance sheet date within the waiting period, and the liabilities shall be adjusted correspondingly.

On each balance sheet date and the settlement date prior to the settlement of the relevant liabilities, the fair value of the liabilities shall be re-measured, with the change of the fair value recognized into current profit or loss.

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

### 33. Revenue recognition principles and measuring methods

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

The Group measures its revenue based on the fair value of the receivables for goods sold and services provided in its daily operations. The revenue shall be presented upon discount deducting as well as offsetting of the inter-company sales in the Group. Revenue 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, meaning it recognizes 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 recognized 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 customer shall not be included in the transaction price as the liabilities. Where there is a material financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest method. At the beginning of the contract, if the Group expects that the interval between the customer's acquisition of control over goods or services and the payment of the price by the customer will not exceed one year, the significant financing component existing in the contract is 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 measuring methods (Continued)

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

- (1) The Group enjoys the current collection right in regard to such goods or services;
- (2) The Group has transferred the legal ownership of such goods to the customer;
- (3) The Group has transferred 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 contract asset, and the contract 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 contract liabilities.

### 34. Government subsidies

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

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

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

When the related assets are sold, assigned, transferred or damaged before the end of service life, all the undistributed deferred incomes shall be transferred to the current profits and losses of assets disposal.

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

For repayment of government subsidies already recognized, if there is related deferred income balance, the balance is included in the current profits and losses after the offset of the carrying amount of the deferred income. In other cases, the government subsidies are directly included in the 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 recognized by calculating the difference (temporary difference) between the tax base and book value thereof. For the deductible loss of taxable income that can be deducted in the future years as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred income tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable income (or deductible losses), relevant deferred income tax assets and liabilities shall not 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 deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.

# SECTION 10 FINANCIAL REPORT

## 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 a 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

##### 1) Recognition of leases

At the commencement of the lease term, the Group recognizes the right-of-use asset and lease liabilities for the lease. For the recognition and measurement of right-of-use assets and lease liabilities, please refer to Note IV "24. Right-of-use assets and "30. Lease liabilities".

##### 2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. 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 or extend the lease term 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 or the extended lease term according to the contract.

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

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

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

# SECTION 10 FINANCIAL REPORT

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

### 36. Lease (Continued)

#### (3) The Group as the lessor

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into finance leases and operating leases 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 finance lease and other leases other than the finance lease as an operating lease.

If a lease has one or more of the following circumstances, the Group usually classifies it as a finance lease: ① When the lease term expires, the ownership of the leased assets is transferred to the lessee; ② The lessee has the option to purchase the leased assets, and the purchase price is low enough compared with the fair value of the leased assets when the option is expected to be exercised, so it can be reasonably determined that the lessee will exercise the option on the lease start date; ③ Although the ownership of the assets is not transferred, the lease period accounts for most of the service life of the leased assets (not less than 75% of the service life of the leased assets); ④ On the lease start date, the present value of lease receipts is almost equal to the fair value of leased assets (not less than 90% of the fair value of leased assets.); ⑤ The property of the leasing assets is special. The leasing assets can be used by the lessee only if not changed significantly. If a lease has one or more of the following signs, the Group may also classify it as a finance lease: ① If the lessee cancels the lease, the lessee shall bear the losses caused to the lessor by the cancellation of the lease; ② The gain or loss arising from the fluctuation of the fair value of the residual value of assets belongs to the lessee; ③ The lessee has the ability to renew the lease for the next period at a rent far below the market level.

#### 1) Accounting treatment for finance lease

##### Initial measurement

At the commencement of the lease term, the Group recognizes the finance lease receivables for the finance lease and derecognizes the finance leasing assets. When the Group initially measures the finance lease receivables, the net investment in a lease is taken as the entry value of the finance 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 the 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 finance 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 finance lease condition if the change takes effect on the lease commencement date.

##### Accounting treatment of lease change

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

# SECTION 10 FINANCIAL REPORT

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

### 36. Lease (Continued)

#### (3) The Group as the lessor (Continued)

##### 2) Accounting treatment of operating lease

###### Treatment of rent

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

###### Incentives provided

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

###### Initial direct expense

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

###### Depreciation

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

###### Variable lease payment

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

###### Change in operating lease

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

### 37. Held-for-sale

- (1) The Group classifies the non-current assets or disposal groups meeting the following conditions as the held-for-sale assets: 1) the non-current assets or disposal groups can be immediately sold under current conditions pursuant to general terms for selling such assets or disposal groups; and 2) the sales are very likely to occur, i.e., a resolution has been made on a sales plan and a definitive purchase commitment has been obtained, and the sales are expected to be completed within one year. Relevant regulations require that the relevant approval needs to be obtained for those available for sale after approval by relevant authorities or regulators. Before the non-current assets or disposal groups are classified as the held-for-sale assets for the first time, the Group shall measure the book value of each asset and liability in the non-current assets or disposal groups in accordance with the relevant accounting standards. When the non-current assets or disposal groups held for sale are measured initially or remeasured 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 combination, 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 operations

Discontinued operations refer to the components of the Group which meet one of the following conditions, which could be separately distinguished, and that such components have been disposed or been classified as the type of held for sale assets: (1) Such components represent an independent main business or separate main operating areas; (2) Such components are parts of a related plan to dispose of an independent main business or a separate main business area; (3) Such components are subsidiaries specially acquired for resale.

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

In preparing the financial statements, the Group's management needs to apply estimates and assumptions that have an impact on the application of accounting policies and the amounts of assets, liabilities, revenue, and expenses. The actual situation may differ from these estimates. The management of the Group will continuously assess the judgment on the key assumption and uncertain factors involved in the estimates. Influence from change of accounting estimates shall be recognized in the current period and future period of change.

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



# SECTION 10 FINANCIAL REPORT

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

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

#### (1) Impairment for receivables

The Group applies a simplified treatment method in accordance with the provisions of the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments. For the receivables (including notes 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 provision for impairment of goodwill

The Group conducts an impairment assessment 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 an amendment is below the current one, then the Group will increase the provision for impairment of 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 the provision for impairment of 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 provision for impairment for fixed assets

The Group will conduct an impairment assessment 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 an amendment is below the current one, then the Group will increase the provision for impairment 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 the provision for impairment 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 provision for impairment for the fixed assets that have been accrued.

# SECTION 10 FINANCIAL REPORT

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

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

#### (5) Accounting estimate for recognition of deferred income tax assets

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

#### (6) Service life for fixed assets and intangible assets

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

#### (7) Accounting estimates for product quality assurance

On the balance sheet date, the Group forecasts the quality assurance responsibilities of products with warranty periods. The estimated provision proportion is determined by the management based on the years of liability for the quality assurance under the sales contract and historical experience. When the past estimates have been materially changed, the future after-sales service expense shall be adjusted accordingly.

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

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

None.

#### (2) Changes in significant accounting estimates

None.

## V. TAXES

### 1. Main taxes and tax rates

| Tax categories                        | Taxation basis  | Tax rate           |
|---------------------------------------|---|--------------------|
| Value-added tax (VAT)                 | VAT payable   | 13%, 9%, 6% and 5% |
| City maintenance and construction tax | VAT payable   | 5%, 7%             |
| Educational surcharges                | VAT payable   | 3%                 |
| Local education surcharge             | VAT payable   | 2%                 |
| Property tax                          | 70%-80% of the original house property value and income from house property leasing | 1.2% and 12%       |
| Corporate income tax                  | Taxable income  | 25%, 15%           |
| Hong Kong profits tax                 | Taxable income  | 16.50%             |
| Corporate income tax (USA)            | Taxable income  | 21%                |

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

| Name of taxpayers   | Income tax rate |
|---|-----------------|
| The Company   | 25%             |
| Beijing Tianhai Industry Co., Ltd.                            | 15%             |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 25%             |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | 25%             |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 15%             |
| Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.           | 25%             |
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | 25%             |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 15%             |
| BTIC America Corporation                                      | 21%             |
| Jingcheng Holding (Hong Kong) Co., Ltd.                       | 16.50%          |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | 15%             |

# SECTION 10 FINANCIAL REPORT

## V. TAXES (CONTINUED)

### 2. Tax preference

On 2 December 2019, Tianhai Industrial, a subsidiary of the Company, obtained a high-tech enterprise certificate with the certificate number GR201911006923 jointly issued by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of SAT and Beijing Local Taxation Bureau. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate in the current period.

On 2 December 2019, Kuancheng Tianhai, a subsidiary of the Company, obtained a high-tech enterprise certificate with the certificate number GR201913002251 jointly issued by Hebei Provincial Science and Technology Department, Hebei Provincial Finance Department, Hebei Provincial Tax Service, State Taxation Administration. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate in the current period.

On 2 December 2020, Tianhai Cryogenic, a subsidiary of the Company, obtained a high-tech enterprise certificate with the certificate number GR202012007641 jointly issued by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau, and Beijing Municipal Tax Service of State Taxation Administration. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate in the current period.

On 14 November 2021, BYTQ, a subsidiary of the Company, obtained the high-tech enterprise certificate, valid for 3 years, with certificate No. GR202137100429. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate in the current period.

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 1 January 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

For the data on the financial statements disclosed below, unless otherwise specifically stated, “beginning balance” refers to the balance as of 1 January 2022, “ending balance” refers to the balance as of 30 June 2022, “the current period” refers to the period of 2022 from 1 January to 30 June, and “the previous period” refers to the period of 2021 from 1 January to 30 June. The monetary unit is yuan.

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

##### (1) Balance of cash at bank and on hand

| Item                                     | Ending balance        | Beginning balance     |
|--|-----------------------|-----------------------|
| Cash on hand                             | 132,100.53            | 182,714.81            |
| Cash at bank                             | 115,654,505.84        | 79,709,118.93         |
| Other cash at bank and on hand           | 64,735,823.38         | 25,884,929.98         |
| <b>Total</b>                             | <b>180,522,429.75</b> | <b>105,776,763.72</b> |
| Including: total amount deposited abroad | 8,419,799.42          | 3,422,520.20          |

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

| Item                            | Ending balance       | Beginning balance    |
|---------------------------------|----------------------|----------------------|
| L/C guarantee deposits          | 24,791,946.73        | 3,551,143.00         |
| Margin for bank acceptance bill | 39,548,486.95        | 22,000,000.00        |
| Bond for letter of guarantee    | 0.00                 | 2,908.98             |
| Foreign exchange margin trading | 395,389.70           | 330,878.00           |
| <b>Total</b>                    | <b>64,735,823.38</b> | <b>25,884,929.98</b> |

#### 2. Financial assets held for trading

| Item  | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Financial assets classified as measured at fair value and whose changes are included in current profit and loss | 24,723.00      | 30,675.01         |
| Including: others   | 24,723.00      | 30,675.01         |

#### 3. Notes receivable

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

| Type of notes        | Ending balance |                    |               | Beginning balance |                    |            |
|----------------------|----------------|--------------------|---------------|-------------------|--------------------|------------|
|                      | Book balance   | Bad debt provision | Book value    | Book balance      | Bad debt provision | Book value |
| Bank acceptance bill | 10,822,070.00  | 0.00               | 10,822,070.00 | 0.00              | 0.00               | 0.00       |

##### (2) Notes receivable which have been pledged at the end of the period

| Item                 | Amount pledged at the period-end |
|----------------------|----------------------------------|
| Bank acceptance bill | 10,822,070.00                    |

## SECTION 10 FINANCIAL REPORT

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

#### 4. Accounts receivable

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

| Type  | Ending balance        |                |                      |                          |  | Book value            |
|---|-----------------------|----------------|----------------------|--------------------------|--|-----------------------|
|   | Book balance          |                | Bad debt provision   |                          |  |                       |
|   | Amount                | Proportion (%) | Amount               | Provision proportion (%) |  |                       |
| Provision for bad debts made on an individual basis | 35,011,282.16         | 9.26           | 35,011,282.16        | 100.00                   |  | 0.00                  |
| Allowance for bad debts made on a collective basis  | 342,935,648.45        | 90.74          | 33,257,935.82        | -                        |  | 309,677,712.63        |
| Including: aging portfolio                          | 342,935,648.45        | 90.74          | 33,257,935.82        | 9.70                     |  | 309,677,712.63        |
| <b>Total</b>  | <b>377,946,930.61</b> | <b>100.00</b>  | <b>68,269,217.98</b> | <b>-</b>                 |  | <b>309,677,712.63</b> |

(Continued)

| Type  | Beginning balance     |                |                      |                          |  | Book value            |
|---|-----------------------|----------------|----------------------|--------------------------|--|-----------------------|
|   | Book balance          |                | Bad debt provision   |                          |  |                       |
|   | Amount                | Proportion (%) | Amount               | Provision proportion (%) |  |                       |
| Provision for bad debts made on an individual basis | 36,408,471.66         | 15.45          | 36,408,471.66        | 100.00                   |  | 0.00                  |
| Allowance for bad debts made on a collective basis  | 199,297,639.76        | 84.55          | 24,072,448.13        | -                        |  | 175,225,191.63        |
| Including: aging portfolio                          | 199,297,639.76        | 84.55          | 24,072,448.13        | 12.08                    |  | 175,225,191.63        |
| <b>Total</b>  | <b>235,706,111.42</b> | <b>100.00</b>  | <b>60,480,919.79</b> | <b>-</b>                 |  | <b>175,225,191.63</b> |

## SECTION 10 FINANCIAL REPORT

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

#### 4. Accounts receivable (Continued)

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

##### 1) Bad debt provision of accounts receivable made individually

| Name  | Ending balance       |                      |               | Reasons for provision   |
|---|----------------------|----------------------|---------------|---|
|   | Accounts receivable  | Bad debt provision   | Provision (%) |   |
| 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 |
| Shanghai Qigao Industry & Trade Co., Ltd.   | 3,748,726.88         | 3,748,726.88         | 100.00        |   |
| Shanghai Shenlong Bus Co., Ltd.   | 250,000.00           | 250,000.00           | 100.00        |   |
| Tianjin Xihuan Chengguan Trading Co., Ltd.  | 5,073,644.29         | 5,073,644.29         | 100.00        |   |
| Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.                               | 1,301,929.77         | 1,301,929.77         | 100.00        |   |
| Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.                             | 1,444,415.49         | 1,444,415.49         | 100.00        |   |
| Baotou Ruiming Chemical Technology Co., Ltd.  | 2,395,213.90         | 2,395,213.90         | 100.00        |   |
| Baotou Huaifeng Construction and installation Engineering Co., Ltd., Jian'an Branch | 1,929,000.00         | 1,929,000.00         | 100.00        |   |
| Baotou Xinneng Technology Co., Ltd.   | 102,225.00           | 102,225.00           | 100.00        |   |
| Dayun Automobile Co., Ltd.  | 4,452,641.17         | 4,452,641.17         | 100.00        |   |
| Guiyang Shengqing Trading Co., Ltd.   | 613,598.66           | 613,598.66           | 100.00        |   |
| Lanzhou Rongmei Industry & Trade Co., Ltd.  | 469,941.00           | 469,941.00           | 100.00        |   |
| Xinjiang Jinguan Automotive Supplies Co., Ltd.                                      | 528,545.00           | 528,545.00           | 100.00        |   |
| Linfen Jinbaifeng New Energy Technology Co., Ltd.                                   | 2,703,220.00         | 2,703,220.00         | 100.00        |   |
| Zhangjiakou Jinhong Liquefied Natural Gas Co., Ltd.                                 | 440,000.00           | 440,000.00           | 100.00        |   |
| Lyuliang Dongseng Gas Energy Co., Ltd.  | 2,180,000.00         | 2,180,000.00         | 100.00        |   |
| Xingxian Jinbaifeng Gas Technology Co., Ltd.  | 1,770,000.00         | 1,770,000.00         | 100.00        |   |
| Zhuolu County Jinhong Fuel Gas Co., Ltd.  | 312,000.00           | 312,000.00           | 100.00        |   |
| Chicheng County Jinhong Fuel Gas Co., Ltd.  | 44,000.00            | 44,000.00            | 100.00        |   |
| Zhangjiakou Xihuayuan Jinhong Fuel Gas Co., Ltd.                                    | 814,000.00           | 814,000.00           | 100.00        |   |
| Ningxia Baota Energy & Chemical Industry Co., Ltd.                                  | 100,000.00           | 100,000.00           | 100.00        |   |
| Baota Shenghua Business Group Co., Ltd.   | 100,000.00           | 100,000.00           | 100.00        |   |
| <b>Total</b>  | <b>35,011,282.16</b> | <b>35,011,282.16</b> | <b>-</b>      |   |

## SECTION 10 FINANCIAL REPORT

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

#### 4. Accounts receivable (Continued)

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

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

(Continued)

| Name  | Beginning balance    |                      | Provision (%) | Reasons for provision   |
|---|----------------------|----------------------|---------------|---|
|   | Accounts receivable  | Bad debt provision   |               |   |
| Tianjin Xihuan Chengguan Trading Co., Ltd.  | 5,073,644.29         | 5,073,644.29         | 100.00        | Downgrade of credit rating of the counterparty, and significant increase in credit risk |
| Dayun Automobile Co., Ltd.  | 4,452,641.17         | 4,452,641.17         | 100.00        |   |
| Sichuan Hengruifeng International Trade Co., Ltd.                                   | 4,238,181.00         | 4,238,181.00         | 100.00        |   |
| Shanghai Qigao Industry & Trade Co., Ltd.   | 3,748,726.88         | 3,748,726.88         | 100.00        |   |
| Linfen Jinbaifeng New Energy Technology Co. Ltd.                                    | 2,803,220.00         | 2,803,220.00         | 100.00        |   |
| Baotou Ruiming Chemical Technology Co., Ltd.  | 2,395,213.90         | 2,395,213.90         | 100.00        |   |
| Lyuliang Dongsen Gas Energy Co., Ltd.   | 2,240,000.00         | 2,240,000.00         | 100.00        |   |
| Baotou Huaifeng Construction and installation Engineering Co., Ltd., Jian'an Branch | 1,929,000.00         | 1,929,000.00         | 100.00        |   |
| Xingxian Jinbaifeng Gas Technology Co., Ltd.  | 1,770,000.00         | 1,770,000.00         | 100.00        |   |
| Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.                               | 1,658,177.77         | 1,658,177.77         | 100.00        |   |
| Xuzhou Xintianhai Electromechanical Equipment Co., Ltd.                             | 1,444,415.49         | 1,444,415.49         | 100.00        |   |
| Zhangjiakou Xiahuayuan Jinhong Fuel Gas Co., Ltd.                                   | 814,000.00           | 814,000.00           | 100.00        |   |
| Xinjiang Zhongzheng Chenbang Gas Co., Ltd.  | 726,741.50           | 726,741.50           | 100.00        |   |
| Guiyang Shengqing Trading Co., Ltd.   | 613,598.66           | 613,598.66           | 100.00        |   |
| Xinjiang Jinguang Automotive Supplies Co., Ltd.                                     | 528,545.00           | 528,545.00           | 100.00        |   |
| Lanzhou Rongmei Industry & Trade Co., Ltd.  | 469,941.00           | 469,941.00           | 100.00        |   |
| Zhangjiakou Jinhong Liquefied Natural Gas Co., Ltd.                                 | 440,000.00           | 440,000.00           | 100.00        |   |
| Zhuolu County Jinhong Fuel Gas Co., Ltd.  | 312,000.00           | 312,000.00           | 100.00        |   |
| Baotou Xinneng Technology Co., Ltd.   | 253,425.00           | 253,425.00           | 100.00        |   |
| Shanghai Shenlong Bus Co., Ltd.   | 250,000.00           | 250,000.00           | 100.00        |   |
| Ningxia Baota Energy & Chemical Industry Co., Ltd.                                  | 100,000.00           | 100,000.00           | 100.00        |   |
| Baota Shenghua Business Group Co., Ltd.   | 100,000.00           | 100,000.00           | 100.00        |   |
| Chicheng County Jinhong Fuel Gas Co., Ltd.  | 47,000.00            | 47,000.00            | 100.00        |   |
| <b>Total</b>  | <b>36,408,471.66</b> | <b>36,408,471.66</b> | <b>—</b>      |   |

## SECTION 10 FINANCIAL REPORT

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

#### 4. Accounts receivable (Continued)

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

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

| Aging         | Ending balance        |                      |               |
|---------------|-----------------------|----------------------|---------------|
|               | Book balance          | Bad debt provision   | Provision (%) |
| Within 1 year | 280,351,314.63        | 4,512,496.17         | 1.61          |
| 1-2 years     | 29,503,487.17         | 5,285,092.00         | 17.91         |
| 2-3 years     | 12,768,651.16         | 3,872,457.04         | 30.33         |
| 3-4 years     | 1,694,466.40          | 1,000,921.31         | 59.07         |
| 4-5 years     | 180,531.09            | 149,771.30           | 82.96         |
| Over 5 years  | 18,437,198.00         | 18,437,198.00        | 100.00        |
| <b>Total</b>  | <b>342,935,648.45</b> | <b>33,257,935.82</b> | <b>-</b>      |

(Continued)

| Aging         | Beginning balance     |                      |               |
|---------------|-----------------------|----------------------|---------------|
|               | Book balance          | Bad debt provision   | Provision (%) |
| Within 1 year | 164,865,928.61        | 2,654,341.45         | 1.61          |
| 1-2 years     | 13,505,072.55         | 2,418,758.50         | 17.91         |
| 2-3 years     | 2,206,936.19          | 669,363.75           | 30.33         |
| 3-4 years     | 176,338.15            | 104,162.95           | 59.07         |
| 4-5 years     | 1,863,513.94          | 1,545,971.16         | 82.96         |
| Over 5 years  | 16,679,850.32         | 16,679,850.32        | 100.00        |
| <b>Total</b>  | <b>199,297,639.76</b> | <b>24,072,448.13</b> | <b>-</b>      |

Note: The book balance of accounts receivable for 4-5 years for which provision for bad debts is provided by aging analysis method at the end of the period greater than the book balance for 3-4 years at the beginning of the period is due to the change in the scope of consolidation.

##### (2) Accounts receivable are listed by age

| Aging                     | Ending balance        | Beginning balance     |
|---------------------------|-----------------------|-----------------------|
| Within 1 year (inclusive) | 280,351,314.63        | 165,584,448.61        |
| 1 - 2 years               | 30,222,007.17         | 13,505,072.55         |
| 2 - 3 years               | 12,768,651.16         | 2,406,936.19          |
| Over 3 years              | 54,604,957.65         | 54,209,654.07         |
| Including: 3-4 years      | 1,894,466.40          | 1,421,088.15          |
| 4-5 years                 | 1,425,281.09          | 4,420,182.94          |
| Over 5 years              | 51,285,210.16         | 48,368,382.98         |
| <b>Total</b>              | <b>377,946,930.61</b> | <b>235,706,111.42</b> |

Note: The book balance of accounts receivable with an age of 4-5 years at the end of the period is greater than that of accounts receivable with an age of 3-4 years at the beginning of the period, which is due to the change in the scope of consolidation.



## SECTION 10 FINANCIAL REPORT

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

#### 4. Accounts receivable (Continued)

##### (3) Bad debt provision of accounts receivable in current period

| Type   | Beginning balance | Amount of change in current period |                      |                                | Others       | Ending balance       |
|--|-------------------|------------------------------------|----------------------|--------------------------------|--------------|----------------------|
|  |                   | Provision                          | Recovery or reversal | Amounts charged or written off |              |                      |
| Provision for bad debts of accounts receivable | 60,480,919.79     | 2,038,528.50                       | 1,397,189.50         | 0.00                           | 7,146,959.19 | <b>68,269,217.98</b> |

Note: Others are due to changes in exchange rate and scope of consolidation.

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

| Name of debtor  | Reversed or collected amount | Method                              | Reasons for withdrawal or reversal |
|---|------------------------------|-------------------------------------|------------------------------------|
| Xinjiang Zhongzheng Chenbang Gas Co., Ltd.            | 726,741.50                   | Telegraphic transfer                | Return amount received             |
| Xuzhou Zhongxin Electromechanical Equipment Co., Ltd. | 356,248.00                   | Telegraphic transfer                | Return amount received             |
| Baotou Xinneng Technology Co., Ltd.                   | 151,200.00                   | Telegraphic transfer                | Return amount received             |
| Linfen Jinbaifeng New Energy Technology Co. Ltd.      | 100,000.00                   | Telegraphic transfer and acceptance | Return amount received             |
| Lyuliang Dongsan Gas Energy Co., Ltd.                 | 60,000.00                    | Telegraphic transfer                | Return amount received             |
| Chicheng County Jinhong Fuel Gas Co., Ltd.            | 3,000.00                     | Telegraphic transfer                | Return amount received             |
| <b>Total</b>  | <b>1,397,189.50</b>          | <b>-</b>                            | <b>-</b>                           |

##### (5) No accounts receivable are actually written off in the current period.

##### (6) Accounts receivable with top five ending balance collected as per the borrowers

| Company Name   | Ending balance        | Aging         | Proportion to total amount of balance carried forward of accounts receivable (%) | Ending balance of bad debt provision |
|--|-----------------------|---------------|--|--------------------------------------|
| Qingdao AUCMA Wisdom Cold Chain Co., Ltd.                  | <b>56,743,560.85</b>  | Within 1 year | 15.01  | 913,449.90                           |
| Qingdao Rayfore Container Industry Co., Ltd.               | <b>24,990,000.00</b>  | Within 1 year | 6.61   | 402,285.52                           |
| Westport Fuel Systems Canada Inc-IT.                       | <b>12,710,048.77</b>  | Within 1 year | 3.36   | 204,631.79                           |
| Hubei Juxi Automotive Technology Co., Ltd.                 | <b>11,444,428.72</b>  | Within 1 year | 3.03   | 184,255.30                           |
| Chongqing Endurance Energy Equipment Integration Co., Ltd. | <b>11,431,862.74</b>  | Within 1 year | 3.02   | 184,052.99                           |
| <b>Total</b>   | <b>117,319,901.08</b> | <b>-</b>      | <b>31.03</b>   | <b>1,888,675.5</b>                   |

## SECTION 10 FINANCIAL REPORT

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

#### 5. Receivables financing

##### (1) Classification

| Item             | Ending balance | Beginning balance |
|------------------|----------------|-------------------|
| Notes receivable | 19,461,177.94  | 10,465,061.76     |

##### (2) Notes receivable not mature but endorsed to other parties or discounted at the end of the period

| Category             | Derecognized amount at end of the period | Un-derecognized amount at end of the period |
|----------------------|--|---|
| Bank acceptance bill | 238,787,114.82                           | 0.00  |

#### 6. Advances to suppliers

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

| Item          | Ending balance       |                | Beginning balance    |                |
|---------------|----------------------|----------------|----------------------|----------------|
|               | Amount               | Proportion (%) | Amount               | Proportion (%) |
| Within 1 year | 65,802,706.75        | 82.51          | 50,847,077.59        | 94.31          |
| 1 – 2 years   | 11,228,254.01        | 14.08          | 2,502,736.26         | 4.64           |
| 2 – 3 years   | 2,358,990.66         | 2.96           | 394,357.92           | 0.73           |
| Over 3 years  | 358,924.83           | 0.45           | 170,879.76           | 0.32           |
| <b>Total</b>  | <b>79,748,876.25</b> | <b>100.00</b>  | <b>53,915,051.53</b> | <b>100.00</b>  |

Note: The main reason for the unsettled advances to suppliers aged over one year is that the procurement has not been completed.

##### (2) Advances to suppliers with top five ending balance classified based on the prepaid parties

| Company name                                 | Ending balance       | Aging         | Proportion in total balance carried forward of advances to suppliers (%) |
|--|----------------------|---------------|--|
| RÖTH COMPOSITE MACHINERY GMBH                | 10,616,178.84        | Within 1 year | 13.31  |
| Tianjin Runde Zhongtian Steel Pipe Co., Ltd. | 4,514,574.46         | Within 1 year | 5.66   |
| Benxi Ruixinying Steel Trade Co., Ltd.       | 3,039,764.41         | Within 1 year | 3.81   |
| Chengdu Maofan Trading Co., Ltd.             | 3,022,436.03         | Within 2 year | 3.79   |
| MJC Engineering& Technology, Inc.            | 2,908,950.20         | Within 1 year | 3.65   |
| <b>Total</b>                                 | <b>24,101,903.94</b> | –             | <b>30.22</b>   |

# SECTION 10 FINANCIAL REPORT

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

### 7. Other receivables

| Item                 | Ending balance       | Beginning balance   |
|----------------------|----------------------|---------------------|
| Interest receivable  | 0.00                 | 0.00                |
| Dividends receivable | 0.00                 | 0.00                |
| Other receivables    | 12,048,141.50        | 9,636,026.09        |
| <b>Total</b>         | <b>12,048,141.50</b> | <b>9,636,026.09</b> |

### Other receivables

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

| Type   | Book balance         |                | Ending balance      |                          | Book value           |
|--|----------------------|----------------|---------------------|--------------------------|----------------------|
|  |                      |                | Bad debt provision  |                          |                      |
|  | Amount               | Proportion (%) | Amount              | Provision proportion (%) |                      |
| Allowance for bad debts made on a collective basis | 14,027,166.16        | 100.00         | 1,979,024.66        | -                        | 12,048,141.50        |
| Including: aging portfolio                         | 14,027,166.16        | 100.00         | 1,979,024.66        | 14.11                    | 12,048,141.50        |
| <b>Total</b>                                       | <b>14,027,166.16</b> | <b>100.00</b>  | <b>1,979,024.66</b> | <b>-</b>                 | <b>12,048,141.50</b> |

(Continued)

| Type   | Book balance         |                | Beginning balance   |                          | Book value          |
|--|----------------------|----------------|---------------------|--------------------------|---------------------|
|  |                      |                | Bad debt provision  |                          |                     |
|  | Amount               | Proportion (%) | Amount              | Provision proportion (%) |                     |
| Allowance for bad debts made on a collective basis | 11,342,738.56        | 100.00         | 1,706,712.47        | -                        | 9,636,026.09        |
| Including: aging portfolio                         | 11,342,738.56        | 100.00         | 1,706,712.47        | 15.05                    | 9,636,026.09        |
| <b>Total</b>                                       | <b>11,342,738.56</b> | <b>100.00</b>  | <b>1,706,712.47</b> | <b>-</b>                 | <b>9,636,026.09</b> |

## SECTION 10 FINANCIAL REPORT

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

#### 7. Other receivables (Continued)

##### (2) Provision for bad debts of other accounts receivable accrued as per aging portfolio

| Aging         | Ending balance       |                     |               |
|---------------|----------------------|---------------------|---------------|
|               | Other receivables    | Bad debt provision  | Provision (%) |
| Within 1 year | 4,907,188.16         | 41,213.04           | 0.84          |
| 1 – 2 years   | 4,980,012.98         | 148,587.78          | 2.98          |
| 2 – 3 years   | 1,164,639.08         | 70,229.82           | 6.03          |
| 3-4 years     | 1,273,521.72         | 135,502.38          | 10.64         |
| 4-5 years     | 177,460.00           | 59,147.42           | 33.33         |
| Over 5 years  | 1,524,344.22         | 1,524,344.22        | 100.00        |
| <b>Total</b>  | <b>14,027,166.16</b> | <b>1,979,024.66</b> | <b>–</b>      |

(Continued)

| Aging         | Beginning balance    |                     |               |
|---------------|----------------------|---------------------|---------------|
|               | Other receivables    | Bad debt provision  | Provision (%) |
| Within 1 year | 6,816,843.57         | 57,261.48           | 0.84          |
| 1 – 2 years   | 1,469,979.59         | 43,952.39           | 2.99          |
| 2 – 3 years   | 1,299,795.35         | 78,377.66           | 6.03          |
| 3-4 years     | 195,460.00           | 20,796.94           | 10.64         |
| 4-5 years     | 81,500.00            | 27,163.95           | 33.33         |
| Over 5 years  | 1,479,160.05         | 1,479,160.05        | 100.00        |
| <b>Total</b>  | <b>11,342,738.56</b> | <b>1,706,712.47</b> | <b>–</b>      |

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

| Nature                                     | Ending balance       | Beginning balance    |
|--|----------------------|----------------------|
| Pretty cash                                | 6,560,433.67         | 1,750,310.76         |
| Deposit, security, etc.                    | 996,780.08           | 3,557,895.84         |
| Advances to suppliers more than five years | 1,672,931.39         | 1,426,910.09         |
| Current accounts                           | 4,797,021.02         | 4,607,621.87         |
| <b>Total</b>                               | <b>14,027,166.16</b> | <b>11,342,738.56</b> |

# SECTION 10 FINANCIAL REPORT

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

### 7. Other receivables (Continued)

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

|   | Stage I                                       | Stage II   | Stage III   | Total               |
|---|---|--|---|---------------------|
|   | Expected credit losses for the next 12 months | Expected credit loss within the whole duration (no credit impairment occurs) | Expected credit loss within the whole duration (credit impairment has occurred) |                     |
| <b>Bad debt provision</b>   |   |  |   |                     |
| Balance on 1 January 2022   | 0.00  | 1,706,712.47   | 0.00  | 1,706,712.47        |
| Book balance of other receivables on 1 January 2022 in the current period | –   | –  | –   | –                   |
| – transfer to Stage 2   | 0.00  | 0.00   | 0.00  | 0.00                |
| – transfer to Stage 3   | 0.00  | 0.00   | 0.00  | 0.00                |
| – back to Stage 2   | 0.00  | 0.00   | 0.00  | 0.00                |
| – back to Stage 1   | 0.00  | 0.00   | 0.00  | 0.00                |
| Provision in the current period   | 0.00  | 219,972.24   | 0.00  | 219,972.24          |
| Reversal in the current period  | 0.00  | 0.00   | 0.00  | 0.00                |
| Write-off in the current period   | 0.00  | 0.00   | 0.00  | 0.00                |
| Cancellation in the current period  | 0.00  | 0.00   | 0.00  | 0.00                |
| Other changes   | 0.00  | 52,339.95  | 0.00  | 52,339.95           |
| <b>Balance on 30 June 2022</b>  | <b>0.00</b>                                   | <b>1,979,024.66</b>  | <b>0.00</b>   | <b>1,979,024.66</b> |

#### (5) Other receivables listed as per aging

| Aging                     | Ending balance       | Beginning balance    |
|---------------------------|----------------------|----------------------|
| Within 1 year (inclusive) | <b>4,907,188.16</b>  | 6,816,843.57         |
| 1-2 years                 | <b>4,980,012.98</b>  | 1,469,979.59         |
| 2-3 years                 | <b>1,164,639.08</b>  | 1,299,795.35         |
| Over 3 years              | <b>2,975,325.94</b>  | 1,756,120.05         |
| Including: 3-4 years      | <b>1,273,521.72</b>  | 195,460.00           |
| 4-5 years                 | <b>177,460.00</b>    | 81,500.00            |
| Over 5 years              | <b>1,524,344.22</b>  | 1,479,160.05         |
| <b>Total</b>              | <b>14,027,166.16</b> | <b>11,342,738.56</b> |

#### (6) Other receivables – bad debt provision

| Type   | Beginning balance | Amount of change in current period |                      |                                |           | Ending balance      |
|--|-------------------|------------------------------------|----------------------|--------------------------------|-----------|---------------------|
|  |                   | Provision                          | Recovery or reversal | Amounts charged or written off | Others    |                     |
| Provision for bad debts of other receivables | 1,706,712.47      | 219,972.24                         | 0.00                 | 0.00                           | 52,339.95 | <b>1,979,024.66</b> |

Note: Others are due to the consolidation of subsidiaries.

#### (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)

#### 7. Other receivables (Continued)

##### (8) Other receivables with top five balances carried forward collected as per the borrowers

| Company name   | Nature                                  | Ending balance      | Aging          | Proportion in total ending balance of other receivables (%) | Ending balance of bad debt provision |
|--|---|---------------------|----------------|---|--------------------------------------|
| Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. | Current accounts                        | 3,563,942.40        | Within 2 years | 25.41   | 90,024.88                            |
| Baotou Steel Union Sales Co., Ltd.                                 | Advances to suppliers more than 5 years | 400,648.84          | Over 5 years   | 2.86  | 400,648.84                           |
| Taiyuan Heavy Industry Co., Ltd.                                   | Advances to suppliers more than 5 years | 350,000.00          | Over 5 years   | 2.50  | 350,000.00                           |
| Qingdao Hisense Hitachi Air-conditioning Systems Co., Ltd.         | Deposit, security, etc.                 | 330,000.00          | 1-2 years      | 2.35  | 9,881.25                             |
| Qingdao Hisense HVAC Equipment Co., Ltd.                           | Deposit, security, etc.                 | 220,000.00          | 2-4 years      | 1.57  | 14,188.60                            |
| <b>Total</b>   | –                                       | <b>4,864,591.24</b> | –              | 34.69   | 864,743.57                           |

(9) There were no other receivables involved with government subsidy in the current period.

(10) There are no other accounts receivable that are derecognized due to the 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 year.

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

#### 8. Inventories

##### (1) Category of inventories

| Item                | Ending balance        |   |                       |
|---------------------|-----------------------|---|-----------------------|
|                     | Book balance          | Provision for decline in value of inventories | Book value            |
| Raw materials       | 131,553,965.48        | 4,347,540.46                                  | 127,206,425.02        |
| Products in process | 132,612,868.11        | 28,017,254.29                                 | 104,595,613.82        |
| Finished goods      | 122,545,794.59        | 8,351,157.19                                  | 114,194,637.40        |
| Goods shipped       | 12,973,123.64         | 0.00  | 12,973,123.64         |
| <b>Total</b>        | <b>399,685,751.82</b> | <b>40,715,951.94</b>                          | <b>358,969,799.88</b> |

(Continued)

| Item                | Beginning balance     |   |                       |
|---------------------|-----------------------|---|-----------------------|
|                     | Book balance          | Provision for decline in value of inventories | Book value            |
| Raw materials       | 102,276,804.53        | 5,784,489.09                                  | 96,492,315.44         |
| Products in process | 101,989,551.00        | 27,357,090.79                                 | 74,632,460.21         |
| Finished goods      | 156,027,066.06        | 12,229,535.68                                 | 143,797,530.38        |
| Goods shipped       | 9,771,880.78          | 0.00  | 9,771,880.78          |
| <b>Total</b>        | <b>370,065,302.37</b> | <b>45,371,115.56</b>                          | <b>324,694,186.81</b> |

## SECTION 10 FINANCIAL REPORT

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

#### 8. Inventories (Continued)

##### (2) Provision for decline in value of inventories 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       | 5,784,489.09         | -381,284.74                    | 0.00        | 1,055,663.89                   | 0.00        | <b>4,347,540.46</b>  |
| Products in process | 27,357,090.79        | 2,206,243.98                   | 0.00        | 1,546,080.48                   | 0.00        | <b>28,017,254.29</b> |
| Finished goods      | 12,229,535.68        | 2,806,937.82                   | 0.00        | 6,685,316.31                   | 0.00        | <b>8,351,157.19</b>  |
| <b>Total</b>        | <b>45,371,115.56</b> | <b>4,631,897.06</b>            | <b>0.00</b> | <b>9,287,060.68</b>            | <b>0.00</b> | <b>40,715,951.94</b> |

(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 the provision method of inventory falling price reserves.

#### 9. Other current assets

| Item                         | Ending balance       | Beginning balance |
|------------------------------|----------------------|-------------------|
| Value-added tax retained     | <b>18,751,818.77</b> | 26,956,300.86     |
| VAT not deducted             | <b>178,690.04</b>    | 178,690.04        |
| Corporate income tax prepaid | <b>100.00</b>        | 251,871.25        |
| <b>Total</b>                 | <b>18,930,608.81</b> | 27,386,862.15     |

#### 10. Long-term equity investments

##### (1) Classification of long-term equity investments

| Item   | Beginning balance    | Increase in the current period | Decrease in the current period | Ending balance       |
|--|----------------------|--------------------------------|--------------------------------|----------------------|
| Investments in joint ventures                                  | 11,298,117.96        | 8,561,429.21                   | 0.00                           | <b>19,859,547.17</b> |
| Investment in associates                                       | 68,649,365.80        | 6,975,861.50                   | 297,877.25                     | <b>75,327,350.05</b> |
| Subtotal   | 79,947,483.76        | 15,537,290.71                  | 297,877.25                     | <b>95,186,897.22</b> |
| Less: provision for impairment of long-term equity investments | 0.00                 | 0.00                           | 0.00                           | <b>0.00</b>          |
| <b>Total</b>   | <b>79,947,483.76</b> | <b>15,537,290.71</b>           | <b>297,877.25</b>              | <b>95,186,897.22</b> |

# SECTION 10 FINANCIAL REPORT

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

### 10. Long-term equity investments (Continued)

#### (2) Details of long-term equity investment

| Investees  | Beginning balance (Book value) | Increase in investment | Decrease in investment | Current increase or decrease                                     |                                       |                      |  |                                     | Ending balance (Book value) | Ending balance of provision for impairment |             |
|--|--------------------------------|------------------------|------------------------|--|---------------------------------------|----------------------|--|-------------------------------------|-----------------------------|--|-------------|
|  |                                |                        |                        | Profit or loss on investments recognized under the equity method | Other comprehensive income adjustment | Other equity changes | Declaration of cash dividends or profits | Accrual of provision for impairment |                             |  | Others      |
| I. Joint ventures  |                                |                        |                        |  |                                       |                      |  |                                     |                             |  |             |
| Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.     | 11,298,117.96                  | 0.00                   | 0.00                   | 8,561,429.21   | 0.00                                  | 0.00                 | 0.00                                     | 0.00                                | 0.00                        | 19,859,547.17                              | 0.00        |
| II. Associates   |                                |                        |                        |  |                                       |                      |  |                                     |                             |  |             |
| Jiangsu Tianhai Special Equipment Co., Ltd.                            | 39,423,860.42                  | 0.00                   | 0.00                   | 3,098,057.89   | 0.00                                  | 0.00                 | 0.00                                     | 0.00                                | 0.00                        | 42,521,918.31                              | 0.00        |
| Beijing Boken Energy Technology Inc                                    | 19,163,116.44                  | 0.00                   | 0.00                   | 635,636.81   | 3,496.18                              | 3,279,442.04         | 297,877.25                               | 0.00                                | 0.00                        | 22,783,814.22                              | 0.00        |
| Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. | 10,062,388.94                  | 0.00                   | 0.00                   | -40,771.42   | 0.00                                  | 0.00                 | 0.00                                     | 0.00                                | 0.00                        | 10,021,617.52                              | 0.00        |
| <b>Total</b>   | <b>79,947,483.76</b>           | <b>0.00</b>            | <b>0.00</b>            | <b>12,254,352.49</b>   | <b>3,496.18</b>                       | <b>3,279,442.04</b>  | <b>297,877.25</b>                        | <b>0.00</b>                         | <b>0.00</b>                 | <b>95,186,897.22</b>                       | <b>0.00</b> |

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

| Item             | Ending amount        | Beginning amount     |
|------------------|----------------------|----------------------|
| <b>Listed</b>    | —                    | —                    |
| China's mainland | 22,783,814.22        | 19,163,116.44        |
| Hong Kong, China | 0.00                 | 0.00                 |
| Other regions    | 0.00                 | 0.00                 |
| <b>Subtotal</b>  | <b>22,783,814.22</b> | <b>19,163,116.44</b> |
| <b>Unlisted</b>  | <b>72,403,083.00</b> | <b>60,784,367.32</b> |
| <b>Total</b>     | <b>95,186,897.22</b> | <b>79,947,483.76</b> |

### 11. Fixed assets

| Item                     | Ending book value     | Beginning book value  |
|--------------------------|-----------------------|-----------------------|
| Fixed assets             | 610,175,289.37        | 618,317,885.27        |
| Disposal of fixed assets | 0.00                  | 0.00                  |
| <b>Total</b>             | <b>610,175,289.37</b> | <b>618,317,885.27</b> |

# SECTION 10 FINANCIAL REPORT

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

### 11. Fixed assets (Continued)

#### Fixed assets

#### (1) List of fixed assets

| Item  | Plant and buildings | Machinery equipment | Transportation equipment | Office equipment | Electrical equipment | Total            |
|---|---------------------|---------------------|--------------------------|------------------|----------------------|------------------|
| I. Original book value                        |                     |                     |                          |                  |                      |                  |
| 1. Beginning balance                          | 483,512,550.60      | 669,565,257.23      | 16,587,109.64            | 10,424,126.63    | 5,821,977.85         | 1,185,911,021.95 |
| 2. Increase in the current period             | 792,760.69          | 17,588,721.86       | 3,275,870.61             | 1,631,176.85     | 0.00                 | 23,288,530.01    |
| (1) Purchase                                  | 0.00                | 4,705,416.85        | 0.00                     | 426,409.19       | 0.00                 | 5,131,826.04     |
| (2) Transferred from construction in progress | 792,760.69          | 8,683,503.88        | 214,386.03               | 192,905.69       | 0.00                 | 9,883,556.29     |
| (3) Increase due to business combination      | 0.00                | 4,199,801.13        | 3,061,484.58             | 1,011,861.97     | 0.00                 | 8,273,147.68     |
| 3. Decrease in the current period             | 0.00                | 1,459,559.03        | 0.00                     | 1,020,010.83     | 0.00                 | 2,479,569.86     |
| (1) Disposal or retirement                    | 0.00                | 1,459,559.03        | 0.00                     | 1,020,010.83     | 0.00                 | 2,479,569.86     |
| 4. Ending balance                             | 484,305,311.29      | 685,694,420.06      | 19,862,980.25            | 11,035,292.65    | 5,821,977.85         | 1,206,719,982.10 |
| II. Cumulative depreciation                   |                     |                     |                          |                  |                      |                  |
| 1. Beginning balance                          | 111,331,286.43      | 417,073,554.17      | 10,845,483.10            | 6,917,398.92     | 2,940,587.12         | 549,108,309.74   |
| 2. Increase in the current period             | 5,672,018.15        | 22,383,343.16       | 2,111,561.63             | 1,055,394.55     | 113,922.06           | 31,336,239.55    |
| (1) Provision                                 | 5,672,018.15        | 21,178,592.06       | 584,877.04               | 312,072.56       | 113,922.06           | 27,861,481.87    |
| (2) Increase due to business combination      | 0.00                | 1,204,751.10        | 1,526,684.59             | 743,321.99       | 0.00                 | 3,474,757.68     |
| 3. Decrease in the current period             | 0.00                | 1,466,673.77        | 0.00                     | 918,009.73       | 0.00                 | 2,384,683.50     |
| (1) Disposal or retirement                    | 0.00                | 1,466,673.77        | 0.00                     | 918,009.73       | 0.00                 | 2,384,683.50     |
| 4. Ending balance                             | 117,003,304.58      | 437,990,223.56      | 12,957,044.73            | 7,054,783.74     | 3,054,509.18         | 578,059,865.79   |
| III. Provision for impairment                 |                     |                     |                          |                  |                      |                  |
| 1. Beginning balance                          | 0.00                | 17,884,460.64       | 194,073.82               | 286,144.82       | 120,147.66           | 18,484,826.94    |
| 2. Increase in the current period             | 0.00                | 0.00                | 0.00                     | 0.00             | 0.00                 | 0.00             |
| 3. Decrease in the current period             | 0.00                | 0.00                | 0.00                     | 0.00             | 0.00                 | 0.00             |
| 4. Ending balance                             | 0.00                | 17,884,460.64       | 194,073.82               | 286,144.82       | 120,147.66           | 18,484,826.94    |
| IV. Book value                                |                     |                     |                          |                  |                      |                  |
| 1. Ending book value                          | 367,302,006.71      | 229,819,735.86      | 6,711,861.70             | 3,694,364.09     | 2,647,321.01         | 610,175,289.37   |
| 2. Beginning book value                       | 372,181,264.17      | 234,607,242.42      | 5,547,552.72             | 3,220,582.89     | 2,761,243.07         | 618,317,885.27   |

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

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

(4) The Group has no fixed assets for which the certificate of title has not been handed at the end of the year.

(5) The gain from sales of fixed assets in the current period is 0.00 yuan.

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

| Item                           | Ending amount         | Beginning amount |
|--------------------------------|-----------------------|------------------|
| Within China                   | <b>367,302,006.71</b> | 372,181,264.17   |
| Long-term (more than 50 years) | <b>0.00</b>           | 0.00             |
| Mid-term (10-50 years)         | <b>367,302,006.71</b> | 372,181,264.17   |
| Short-term (within 10 years)   | <b>0.00</b>           | 0.00             |
| Outside China                  | <b>0.00</b>           | 0.00             |
| Long-term (more than 50 years) | <b>0.00</b>           | 0.00             |
| Mid-term (10-50 years)         | <b>0.00</b>           | 0.00             |
| Short-term (within 10 years)   | <b>0.00</b>           | 0.00             |
| <b>Total</b>                   | <b>367,302,006.71</b> | 372,181,264.17   |

# SECTION 10 FINANCIAL REPORT

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

### 12. Construction in progress

| Item                     | Ending amount        | Beginning amount     |
|--------------------------|----------------------|----------------------|
| Construction in progress | 38,684,377.35        | 38,592,075.56        |
| Construction materials   | 0.00                 | 0.00                 |
| <b>Total</b>             | <b>38,684,377.35</b> | <b>38,592,075.56</b> |

### Construction in progress

| Item   | Ending balance       |                          |                      |
|--|----------------------|--------------------------|----------------------|
|  | Book balance         | Provision for impairment | Book value           |
| Equipment to be installed  | 18,180,607.02        | 0.00                     | 18,180,607.02        |
| Four-type Bottle Project Phase I   | 433,771.69           | 0.00                     | 433,771.69           |
| Four-type Bottle Project Phase II  | 6,434,452.01         | 0.00                     | 6,434,452.01         |
| Large-diameter Aluminum Liner Manufacturing Capability Improvement Project | 7,757,552.00         | 0.00                     | 7,757,552.00         |
| Production Capacity Improvement Project of Respirator Liner                | 2,672,665.58         | 0.00                     | 2,672,665.58         |
| Hydrogen System Project QXT  | 766,801.30           | 0.00                     | 766,801.30           |
| Hydrogen Refueling Station Project HRS                                     | 2,438,527.75         | 0.00                     | 2,438,527.75         |
| <b>Total</b>   | <b>38,684,377.35</b> | <b>0.00</b>              | <b>38,684,377.35</b> |

(Continued)

| Item   | Beginning balance    |                          |                      |
|--|----------------------|--------------------------|----------------------|
|  | Book balance         | Provision for impairment | Book value           |
| Equipment to be installed  | 16,091,184.82        | 0.00                     | 16,091,184.82        |
| Four-type Bottle Project Phase I   | 7,862,432.78         | 0.00                     | 7,862,432.78         |
| Four-type Bottle Project Phase II  | 4,476,937.15         | 0.00                     | 4,476,937.15         |
| Large-diameter Aluminum Liner Manufacturing Capability Improvement Project | 7,757,552.00         | 0.00                     | 7,757,552.00         |
| Production Capacity Improvement Project of Respirator Liner                | 2,131,454.78         | 0.00                     | 2,131,454.78         |
| Hydrogen System Project QXT  | 234,672.43           | 0.00                     | 234,672.43           |
| Hydrogen Refueling Station Project HRS                                     | 37,841.60            | 0.00                     | 37,841.60            |
| <b>Total</b>   | <b>38,592,075.56</b> | <b>0.00</b>              | <b>38,592,075.56</b> |

### Significant changes in construction in progress in the current period

| Project name   | Beginning balance    | Increase in the current period | Decrease in the current period |                 | Ending balance       |
|--|----------------------|--------------------------------|--------------------------------|-----------------|----------------------|
|  |                      |                                | Transferred to fixed assets    | Other decreases |                      |
| Four-type Bottle Project Phase I   | 7,862,432.78         | 0.00                           | 7,428,661.09                   | 0.00            | 433,771.69           |
| Four-type Bottle Project Phase II  | 4,476,937.15         | 1,957,514.86                   | 0.00                           | 0.00            | 6,434,452.01         |
| Large-diameter Aluminum Liner Manufacturing Capability Improvement Project | 7,757,552.00         | 0.00                           | 0.00                           | 0.00            | 7,757,552.00         |
| Production Capacity Improvement Project of Respirator Liner                | 2,131,454.78         | 541,210.80                     | 0.00                           | 0.00            | 2,672,665.58         |
| <b>Total</b>   | <b>22,228,376.71</b> | <b>2,498,725.66</b>            | <b>7,428,661.09</b>            | <b>0.00</b>     | <b>17,298,441.28</b> |

# SECTION 10 FINANCIAL REPORT

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

### 12. Construction in progress (Continued)

#### Significant changes in construction in progress in the current period (Continued)

(Continued)

| Project name   | Budget<br>(10,000 yuan) | Percentage<br>of total<br>project<br>investments<br>among<br>budget (%) | Project<br>progress<br>(%) | Accumulated<br>amount<br>of interest<br>capitalization | Including:<br>Amount of<br>capitalized<br>interest in<br>the current<br>period | Capitalization<br>rate of<br>interest<br>in current<br>period (%) | Sources<br>of fund                |
|--|-------------------------|---|----------------------------|--|--|---|-----------------------------------|
| Four-type Bottle Project Phase I   | 5,200.00                | 109.01  | 100.00                     | 0.00   | 0.00   | -   | Self-raised/raised funds          |
| Four-type Bottle Project Phase II  | 8,000.00                | 11.19   | 35.80                      | 0.00   | 0.00   | -   | Self-raised/State-allocated funds |
| Large-diameter Aluminum Liner Manufacturing Capability Improvement Project | 978.00                  | 79.32   | 79.32                      | 0.00   | 0.00   | -   | Self-raised/State-allocated funds |
| Production Capacity Improvement Project of Respirator Liner                | 960.00                  | 27.84   | 27.84                      | 0.00   | 0.00   | -   | Self-raised/State-allocated funds |
| <b>Total</b>   | <b>15,138.00</b>        | <b>-</b>  | <b>-</b>                   | <b>-</b>   | <b>-</b>   | <b>-</b>  | <b>-</b>                          |

### 13. Right-of-use assets

| Item                                     | Plant and buildings |
|--|---------------------|
| I. Original book value                   | -                   |
| 1. Beginning amount                      | 0.00                |
| 2. Increase in the current period        | 7,309,238.38        |
| Increase due to business combination     | 7,309,238.38        |
| 3. Decrease in the current period        | 0.00                |
| 4. Ending amount                         | 7,309,238.38        |
| II. Cumulative depreciation              | -                   |
| 1. Beginning amount                      | 0.00                |
| 2. Increase in the current period        | 2,530,121.00        |
| (1) Provision                            | 28,112.45           |
| (2) Increase due to business combination | 2,502,008.55        |
| 3. Decrease in the current period        | 0.00                |
| 4. Ending amount                         | 2,530,121.00        |
| III. Provision for impairment            | -                   |
| 1. Beginning amount                      | 0.00                |
| 2. Increase in the current period        | 0.00                |
| 3. Decrease in the current period        | 0.00                |
| 4. Ending amount                         | 0.00                |
| IV. Book value                           | -                   |
| 1. Beginning amount                      | 0.00                |
| 2. Ending amount                         | 4,779,117.38        |

# SECTION 10 FINANCIAL REPORT

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

### 14. Intangible assets

#### (1) List of intangible assets

| Item                                     | Land use rights | Patent rights | Software     | Trademark right | Total          |
|--|-----------------|---------------|--------------|-----------------|----------------|
| I. Original book value                   |                 |               |              |                 |                |
| 1. Beginning balance                     | 145,164,762.08  | 11,707,050.00 | 5,680,865.75 | 0.00            | 162,552,677.83 |
| 2. Increase in the current period        | 0.00            | 16,072,640.92 | 1,242,144.52 | 34,000,000.00   | 51,314,785.44  |
| (1) Outsourcing                          | 0.00            | 0.00          | 1,064,442.97 | 0.00            | 1,064,442.97   |
| (2) Increase due to business combination | 0.00            | 16,072,640.92 | 177,701.55   | 34,000,000.00   | 50,250,342.47  |
| 3. Decrease in the current period        | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| 4. Ending balance                        | 145,164,762.08  | 27,779,690.92 | 6,923,010.27 | 34,000,000.00   | 213,867,463.27 |
| II. Cumulative amortization              |                 |               |              |                 |                |
| 1. Beginning balance                     | 27,672,118.29   | 11,707,050.00 | 3,136,393.86 | 0.00            | 42,515,562.15  |
| 2. Increase in the current period        | 1,517,711.52    | 99,306.47     | 413,750.22   | 56,666.67       | 2,087,434.88   |
| (1) Provision                            | 1,517,711.52    | 26,665.57     | 365,448.65   | 56,666.67       | 1,966,492.41   |
| (2) Increase due to business combination | 0.00            | 72,640.90     | 48,301.57    | 0.00            | 120,942.47     |
| 3. Decrease in the current period        | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| 4. Ending balance                        | 29,189,829.81   | 11,806,356.47 | 3,550,144.08 | 56,666.67       | 44,602,997.03  |
| III. Provision for impairment            |                 |               |              |                 |                |
| 1. Beginning balance                     | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| 2. Increase in the current period        | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| 3. Decrease in the current period        | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| 4. Ending balance                        | 0.00            | 0.00          | 0.00         | 0.00            | 0.00           |
| IV. Book value                           |                 |               |              |                 |                |
| 1. Ending book value                     | 115,974,932.27  | 15,973,334.45 | 3,372,866.19 | 33,943,333.33   | 169,264,466.24 |
| 2. Beginning book value                  | 117,492,643.79  | 0.00          | 2,544,471.89 | 0.00            | 120,037,115.68 |

(2) No intangible assets were formed through internal R&D in the Company at the end of the period.

(3) There is no land use right for a property for which a certificate of title has not been handled at the end of the period.

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

| Item                           | Ending amount         | Beginning amount |
|--------------------------------|-----------------------|------------------|
| Within China                   | <b>115,974,932.27</b> | 117,492,643.79   |
| Long-term (more than 50 years) | <b>0.00</b>           | 0.00             |
| Mid-term (10-50 years)         | <b>115,974,932.27</b> | 117,492,643.79   |
| Short-term (within 10 years)   | <b>0.00</b>           | 0.00             |
| Outside China                  | <b>0.00</b>           | 0.00             |
| Long-term (more than 50 years) | <b>0.00</b>           | 0.00             |
| Mid-term (10-50 years)         | <b>0.00</b>           | 0.00             |
| Short-term (within 10 years)   | <b>0.00</b>           | 0.00             |
| <b>Total</b>                   | <b>115,974,932.27</b> | 117,492,643.79   |

# SECTION 10 FINANCIAL REPORT

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

### 15. Goodwill

#### (1) Original value of goodwill

| Name of the investee                               | Beginning balance   | Increase in the current period |             | Decrease in the current period |             | Ending balance        |
|--|---------------------|--------------------------------|-------------|--------------------------------|-------------|-----------------------|
|  |                     | Formed by business combination | Others      | Disposal                       | Others      |                       |
| BTIC AMERICA CORPORATION                           | 6,562,344.06        | 0.00                           | 0.00        | 0.00                           | 0.00        | 6,562,344.06          |
| Qingdao BYTQ United Digital Intelligence Co., Ltd. | 0.00                | 168,996,039.10                 | 0.00        | 0.00                           | 0.00        | 168,996,039.10        |
| <b>Total</b>                                       | <b>6,562,344.06</b> | <b>168,996,039.10</b>          | <b>0.00</b> | <b>0.00</b>                    | <b>0.00</b> | <b>175,558,383.16</b> |

Note: On 24 June 2022, the Company acquired 80% of the equity of Qingdao BYTQ United Digital Intelligence Co., Ltd., and paid the consideration of 307,200,000.00 yuan. On the acquisition date, the amount of 168,996,039.10 yuan by which the cost to obtain the aforementioned equity was greater than the shares of the fair value of identifiable net assets of Qingdao BYTQ United Digital Intelligence Co., Ltd. calculated on the basis of the shareholding ratio was recognized as goodwill.

#### (2) Provision for impairment of goodwill

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

### 16. Long-term deferred expenses

| Item                          | Beginning balance   | Increase in the current period | Amortization in the period | Ending balance      |
|-------------------------------|---------------------|--------------------------------|----------------------------|---------------------|
| Amortization of turnover fees | 4,238,482.87        | 0.00                           | 570,710.52                 | 3,667,772.35        |
| Fit-out of the premises       | 134,263.01          | 0.00                           | 14,385.30                  | 119,877.71          |
| <b>Total</b>                  | <b>4,372,745.88</b> | <b>0.00</b>                    | <b>585,095.82</b>          | <b>3,787,650.06</b> |

### 17. 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 impairment of assets  | 7,493,650.68                    | 1,128,549.84               | 30,688.80                       | 7,672.20                   |
| Depreciation life difference        | 19,718.71                       | 4,140.93                   | 209,335.48                      | 43,960.45                  |
| Projected product quality assurance | 3,151,505.77                    | 472,725.86                 | 0.00                            | 0.00                       |
| Lease liabilities                   | 3,580,476.81                    | 537,071.52                 | 0.00                            | 0.00                       |
| <b>Total</b>                        | <b>14,245,351.97</b>            | <b>2,142,488.15</b>        | <b>240,024.28</b>               | <b>51,632.65</b>           |

## SECTION 10 FINANCIAL REPORT

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

#### 17. Deferred income tax assets and deferred income tax liabilities (Continued)

##### (2) Deferred income tax liabilities not offset

| Item   | Ending balance               |                                 | Beginning balance            |                                 |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|
|  | Taxable temporary difference | Deferred income tax liabilities | Taxable temporary difference | Deferred income tax liabilities |
| Value of fixed assets added since valuation              | 687,685.07                   | 103,152.76                      | 0.00                         | 0.00                            |
| Increased value of intangible assets after the appraisal | 49,941,662.00                | 7,491,249.30                    | 0.00                         | 0.00                            |
| Appraisal increment of inventories                       | 2,528,924.27                 | 379,338.64                      | 0.00                         | 0.00                            |
| Right-of-use assets                                      | 3,419,326.13                 | 512,898.92                      | 0.00                         | 0.00                            |
| <b>Total</b>   | <b>56,577,597.47</b>         | <b>8,486,639.62</b>             | <b>0.00</b>                  | <b>0.00</b>                     |

##### (3) Deferred income tax assets or liabilities presented in net amount after being offset

| Item                            | Ending mutual offset amount between deferred income tax assets and liabilities | Ending balance of deferred income tax assets or liabilities after offset | Mutual set-off amount of deferred income tax assets and liabilities at the period-begin | Beginning balance of deferred income tax assets or liabilities after off-set |
|---------------------------------|--|--|---|--|
| Deferred income tax assets      | 512,898.92   | 1,629,589.23   | 0.00  | 0.00   |
| Deferred income tax liabilities | 512,898.92   | 7,973,740.70   | 0.00  | 0.00   |

##### (4) List of unrecognized deferred income tax assets

| Item                               | Ending balance        | Beginning balance     |
|------------------------------------|-----------------------|-----------------------|
| Deductible temporary difference    | –                     | –                     |
| Deductible losses                  | 351,978,490.46        | 320,021,341.98        |
| Provision for impairment of assets | 128,517,714.90        | 132,575,230.02        |
| <b>Total</b>                       | <b>480,496,205.36</b> | <b>452,596,572.00</b> |

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

| Year         | Ending amount         | Beginning amount      | Remarks  |
|--------------|-----------------------|-----------------------|----------|
| 2022         | 30,525,583.21         | 34,220,361.27         | –        |
| 2023         | 26,181,496.65         | 26,181,496.65         | –        |
| 2024         | 30,827,779.34         | 30,827,779.34         | –        |
| 2025         | 37,827,141.86         | 37,827,141.86         | –        |
| 2026         | 33,809,861.76         | 33,809,861.76         | –        |
| 2027         | 6,211,964.75          | 0.00                  | –        |
| 2028         | 57,814,432.00         | 57,814,432.00         | –        |
| 2029         | 33,462,310.54         | 33,462,310.54         | –        |
| 2030         | 10,120,273.81         | 10,120,273.81         | –        |
| 2031         | 55,757,684.75         | 55,757,684.75         | –        |
| 2032         | 29,439,961.79         | 0.00                  | –        |
| <b>Total</b> | <b>351,978,490.46</b> | <b>320,021,341.98</b> | <b>–</b> |

# SECTION 10 FINANCIAL REPORT

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

### 18. Other non-current assets

| Category of borrowing | Ending balance | Beginning balance |
|-----------------------|----------------|-------------------|
| Equity investments    | 230,866.00     | 0.00              |

### 19. Short-term borrowings

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

| Category of borrowing | Ending balance       | Beginning balance    |
|-----------------------|----------------------|----------------------|
| Mortgaged loans       | 5,369,702.08         | 3,825,972.96         |
| Guaranteed loans      | 80,000,000.00        | 80,000,000.00        |
| <b>Total</b>          | <b>85,369,702.08</b> | <b>83,825,972.96</b> |

- 1) On 12 August 2021, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120210068) with Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited, with the loan amount of 20,000,000.00 yuan, lasting from 12 August 2021 to 12 August 2022 and with the loan rate of 4.85%. Jingcheng Machinery Electric 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 20,000,000.00 yuan.
- 2) On 8 September 2021, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120210075) with Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited, with the loan amount of 30,000,000.00 yuan, lasting from 8 September 2021 to 8 September 2022 and with the loan rate of 4.85%. Jingcheng Machinery Electric 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 30,000,000.00 yuan.
- 3) On 28 September 2021, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. YYB1210120210080) with Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited, with the loan amount of 30,000,000.00 yuan, lasting from 28 September 2021 to 28 September 2022 and with the loan rate of 4.85%. Jingcheng Machinery Electric 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 30,000,000.00 yuan.
- 4) On 27 June 2022, BTIC America Corporation signed a working capital loan contract with Cathy bank, with a loan amount of USD800,000 from 27 June 2022 to 31 July 2022 at a rate of 4.21%. By the end of the period, the bank has made a loan of USD800,000.

(2) There is no short-term borrowing 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 4.85% (4.29% at the end of the previous year).

### 20. Notes payable

| Type of notes        | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 80,099,959.43  | 50,693,681.14     |

(1) There is no note payable due but unpaid at the end of the current period.

(2) The ending notes payable of the Group mentioned above are aged within 6 months.

## SECTION 10 FINANCIAL REPORT

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

#### 21. Accounts payable

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

| Item                   | Ending balance        | Beginning balance     |
|------------------------|-----------------------|-----------------------|
| Material payment, etc. | 287,171,762.11        | 257,186,660.09        |
| Project payment        | 7,255,644.69          | 5,910,106.04          |
| <b>Total</b>           | <b>294,427,406.80</b> | <b>263,096,766.13</b> |

##### (2) Significant accounts payable with aging over one year

| Company name   | Ending balance       | Reasons for not repaying or carrying forward |
|--|----------------------|--|
| Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.          | 11,552,652.22        | Unsettled                                    |
| World Precise Machinery (China) Co., Ltd.                          | 8,094,070.80         | Unsettled                                    |
| Beijing Xinxin Wanda Materials Co., Ltd.                           | 7,355,072.14         | Unsettled                                    |
| Beijing Machinery Industry Automation Research Institute Co., Ltd. | 6,103,774.58         | Unsettled                                    |
| Xinxiang Jinpeng Metallurgical Equipment Co., Ltd.                 | 5,882,598.55         | Unsettled                                    |
| Gaobeidian Baobei Telecommunications Equipment Factory             | 5,640,091.57         | Unsettled                                    |
| Dingzhou Ruiyi Machinery Parts Manufacturing Co., Ltd.             | 4,434,525.04         | Unsettled                                    |
| Danyang Flywheel Gas Valve Co., Ltd.                               | 4,077,298.43         | Unsettled                                    |
| Beijing Mingxin Century Packaging Products Co., Ltd.               | 3,614,852.35         | Unsettled                                    |
| Kunshan Ocs Suspension Transportation System Co., Ltd.             | 3,510,619.55         | Unsettled                                    |
| Wuxi Zhengda Metal Products Co., Ltd.                              | 3,369,953.84         | Unsettled                                    |
| Tianjin Lebeier Catering Management Co., Ltd.                      | 2,899,529.00         | Unsettled                                    |
| Tianjin TPCO Investment Co., Ltd.                                  | 2,817,736.84         | Unsettled                                    |
| Xianghe Yunxiu Woodwork Co., Ltd.                                  | 2,565,203.20         | Unsettled                                    |
| Wuxi Zhengda Metal Products Co., Ltd.                              | 2,532,181.28         | Unsettled                                    |
| Anhui Ximeng Equipment Co., Ltd.                                   | 2,522,765.49         | Unsettled                                    |
| <b>Total</b>   | <b>76,972,924.88</b> | -  |

##### (3) Accounts payable are listed by age

| Aging         | Ending balance        | Beginning balance     |
|---------------|-----------------------|-----------------------|
| Within 1 year | 121,679,047.14        | 207,871,626.04        |
| 1-2 years     | 131,930,349.57        | 25,619,375.00         |
| 2-3 years     | 29,121,581.61         | 21,583,659.94         |
| Over 3 years  | 11,696,428.48         | 8,022,105.15          |
| <b>Total</b>  | <b>294,427,406.80</b> | <b>263,096,766.13</b> |

# SECTION 10 FINANCIAL REPORT

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

### 22. Contract liabilities

#### (1) Contract liabilities

| Item                          | Ending balance       | Beginning balance |
|-------------------------------|----------------------|-------------------|
| Advances on sales             | <b>76,257,245.24</b> | 68,094,818.68     |
| Including: more than one year | <b>28,993,825.63</b> | 12,458,694.38     |

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

| Company name                         | Amount changed       | Reason                                     |
|--------------------------------------|----------------------|--|
| Hefei Haier Refrigerator Co., Ltd.   | 3,218,732.87         | New contract not performed                 |
| SUBEAN ENTERPRISE CO., LTD           | 2,984,460.23         | New contract not performed                 |
| Haier Smart Home Co., Ltd.           | 2,646,996.64         | New contract not performed                 |
| Qingdao Haier Refrigerator Co., Ltd. | 2,442,595.35         | New contract not performed                 |
| ROTAREX FAREAST PTE LTD              | 2,426,875.52         | New contract not performed                 |
| TONG SHENG GAS CO., LTD              | -1,546,966.69        | The contract has been completely fulfilled |
| <b>Total</b>                         | <b>12,172,693.92</b> | <b>-</b>                                   |

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

| Company name                     | Ending balance      | Reasons for not repaying or carrying forward   |
|----------------------------------|---------------------|--|
| Surallah Biogas Ventures Corp    | 1,655,534.60        | The contract has not been completely fulfilled |
| SING SWEE BEE ENTERPRISE PTE LTD | 1,492,834.75        | The contract has not been completely fulfilled |
| EUROTECH CYLINDERS PVT.LTD       | 977,503.46          | The contract has not been completely fulfilled |
| GREENBELT HOLDINGS LTD           | 622,569.60          | The contract has not been completely fulfilled |
| INTECWELD IMPORT S.A.C           | 604,026.00          | The contract has not been completely fulfilled |
| DIYOR METAN GAZ SERVIS LLC       | 523,489.20          | The contract has not been completely fulfilled |
| <b>Total</b>                     | <b>5,875,957.61</b> | <b>-</b>                                       |

### 23. Employee compensation payable

#### (1) Classification of employee compensation payable

| Item   | Beginning balance    | Increase in the current period | Decrease in the current period | Ending balance       |
|--|----------------------|--------------------------------|--------------------------------|----------------------|
| Short-term compensation                            | 23,412,381.28        | 83,409,961.10                  | 94,181,754.63                  | <b>12,640,587.75</b> |
| Post-employment benefits-defined contribution plan | 1,331,968.59         | 10,407,336.46                  | 10,463,575.38                  | <b>1,275,729.67</b>  |
| Dismissal welfare                                  | 159,947.59           | 237,688.50                     | 334,584.50                     | <b>63,051.59</b>     |
| Other benefits due within one year                 | 2,353,390.81         | 0.00                           | 604,858.68                     | <b>1,748,532.13</b>  |
| <b>Total</b>                                       | <b>27,257,688.27</b> | <b>94,054,986.06</b>           | <b>105,584,773.19</b>          | <b>15,727,901.14</b> |

# SECTION 10 FINANCIAL REPORT

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

### 23. Employee compensation payable (Continued)

#### (2) Short-term compensation

| Item   | Beginning balance    | Increase in the current period | Decrease in the current period | Ending balance       |
|--|----------------------|--------------------------------|--------------------------------|----------------------|
| Salary, bonus, allowance and subsidy           | 16,388,240.79        | 68,442,314.08                  | 78,926,741.24                  | <b>5,903,813.63</b>  |
| Employee benefits                              | 0.00                 | 407,450.33                     | 407,450.33                     | <b>0.00</b>          |
| Social insurance                               | 636,087.63           | 6,960,803.05                   | 7,046,877.33                   | <b>550,013.35</b>    |
| Including: medical insurance premium           | 527,913.88           | 6,131,511.23                   | 6,214,035.03                   | <b>445,390.08</b>    |
| Work-related injury insurance premium          | 62,155.03            | 715,270.04                     | 718,820.52                     | <b>58,604.55</b>     |
| Maternity insurance                            | 46,018.72            | 114,021.78                     | 114,021.78                     | <b>46,018.72</b>     |
| Housing provident fund                         | 125,854.94           | 6,121,909.00                   | 6,099,520.00                   | <b>148,243.94</b>    |
| Labor union funds and employee education funds | 5,437,257.92         | 1,477,484.64                   | 1,701,165.73                   | <b>5,213,576.83</b>  |
| Housing allowance                              | 824,940.00           | 0.00                           | 0.00                           | <b>824,940.00</b>    |
| <b>Total</b>                                   | <b>23,412,381.28</b> | <b>83,409,961.10</b>           | <b>94,181,754.63</b>           | <b>12,640,587.75</b> |

#### (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 counted in current profit and loss or relevant asset costs.

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 pension insurance | 1,222,704.22        | 10,085,743.53                  | 10,140,361.21                  | <b>1,168,086.54</b> |
| Unemployment insurance  | 109,264.37          | 321,592.93                     | 323,214.17                     | <b>107,643.13</b>   |
| <b>Total</b>            | <b>1,331,968.59</b> | <b>10,407,336.46</b>           | <b>10,463,575.38</b>           | <b>1,275,729.67</b> |

The Group shall contribute 10,407,336.46 yuan (previous amount: 10,300,300.44 yuan) to the defined contribution plan in the current period. As of 30 June 2022, the Group still has 1,275,729.67 yuan (beginning balance: 1,331,968.59 yuan) for deposit, which is due and unpaid during the reporting period. The relevant deposit fees have been deposited after the reporting period.

### 24. Taxes payable

| Item                                       | Ending balance       | Beginning balance |
|--|----------------------|-------------------|
| Value-added tax (VAT)                      | <b>17,838,987.56</b> | 3,698,661.32      |
| Corporate income tax                       | <b>3,802,123.13</b>  | 996,533.09        |
| Individual income tax                      | <b>513,444.82</b>    | 837,776.36        |
| City maintenance and construction tax      | <b>862,919.58</b>    | 201,745.20        |
| Educational surcharges                     | <b>441,979.24</b>    | 112,320.12        |
| Local education surcharge                  | <b>209,330.43</b>    | 53,950.94         |
| Stamp duty                                 | <b>209,622.88</b>    | 239,715.19        |
| Environmental protection tax               | <b>10,618.91</b>     | 12,807.31         |
| Employment security funds for the disabled | <b>330,000.00</b>    | 0.00              |
| Property tax                               | <b>0.00</b>          | 16,313.59         |
| Land use tax                               | <b>0.00</b>          | 16,909.50         |
| <b>Total</b>                               | <b>24,219,026.55</b> | 6,186,732.62      |

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

# SECTION 10 FINANCIAL REPORT

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

### 25. Other payables

| Item              | Ending balance        | Beginning balance    |
|-------------------|-----------------------|----------------------|
| Interests payable | 0.00                  | 0.00                 |
| Dividends payable | 0.00                  | 349,853.79           |
| Other payables    | 156,941,772.26        | 25,610,218.99        |
| <b>Total</b>      | <b>156,941,772.26</b> | <b>25,960,072.78</b> |

#### 25.1 Dividends payable

| Item                    | Ending balance | Beginning balance |
|-------------------------|----------------|-------------------|
| Ordinary share dividend | 0.00           | 349,853.79        |

#### 25.2 Other payables

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

| Nature                                   | Ending balance        | Beginning balance    |
|--|-----------------------|----------------------|
| Advances offered for others, etc.        | 27,011,106.25         | 21,954,285.78        |
| Accounts due from and to related parties | 41,656,781.60         | 2,815,933.21         |
| Income from equity acquisition           | 87,433,884.41         | 0.00                 |
| Rental expenses                          | 840,000.00            | 840,000.00           |
| <b>Total</b>                             | <b>156,941,772.26</b> | <b>25,610,218.99</b> |

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

| Company name                               | Ending balance      | Reasons for not repaying or carrying forward |
|--|---------------------|--|
| Tianjin TPCO Investment Co., Ltd.          | 1,517,866.95        | Unsettled                                    |
| ShineWing Certified Public Accountants LLP | 1,260,188.68        | Unsettled                                    |
| Equity Financial Press Limited             | 673,227.92          | Unsettled                                    |
| <b>Total</b>                               | <b>3,451,283.55</b> | -  |

### 26. Non-current liabilities due within one year

| Item                                   | Ending balance      | Beginning balance   | Remarks |
|--|---------------------|---------------------|---------|
| Long-term payables due within one year | 7,000,000.00        | 7,000,000.00        | Note    |
| Lease liabilities due within one year  | 1,748,706.63        | 0.00                |         |
| <b>Total</b>                           | <b>8,748,706.63</b> | <b>7,000,000.00</b> | -       |

Note: Long-term payables due within one year are the equity contribution committed by the subsidiary Tianhai Industrial to Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.

### 27. Other current liabilities

| Item                           | Ending balance | Beginning balance |
|--------------------------------|----------------|-------------------|
| Output tax received in advance | 4,273,514.93   | 4,613,930.02      |

# SECTION 10 FINANCIAL REPORT

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

### 28. Lease liabilities

| Item  | Ending balance      | Beginning balance |
|---|---------------------|-------------------|
| Lease payment   | 3,810,228.78        | 0.00              |
| Less: unrecognized financing costs                          | 229,751.97          | 0.00              |
| Reclassified to non-current liabilities due within one year | 1,748,706.63        | 0.00              |
| <b>Total</b>  | <b>1,831,770.18</b> | <b>0.00</b>       |

### 29. Long-term payables

| Item               | Ending balance       | Beginning balance    |
|--------------------|----------------------|----------------------|
| Long-term payables | 0.00                 | 0.00                 |
| Specific payables  | 53,207,700.00        | 30,000,000.00        |
| <b>Total</b>       | <b>53,207,700.00</b> | <b>30,000,000.00</b> |

#### Specific payables

| Item   | Beginning balance    | Increase in the current period | Decrease in the current period | Ending balance       | Cause of formation |
|--|----------------------|--------------------------------|--------------------------------|----------------------|--------------------|
| R&D and Industrialization Project for the Hydrogen Energy Frontier Technology Products of Beijing Tianhai Industry Co., Ltd. | 30,000,000.00        | 0.00                           | 0.00                           | 30,000,000.00        | Note 1             |
| Design and Development Project of 1000L Hydrogen Storage Cylinders and Liquid Hydrogen Tanks for Vehicles                    | 0.00                 | 16,807,700.00                  | 0.00                           | 16,807,700.00        | Note 2             |
| Design and development project of type IV hydrogen storage cylinder  | 0.00                 | 6,400,000.00                   | 0.00                           | 6,400,000.00         |                    |
| <b>Total</b>   | <b>30,000,000.00</b> | <b>23,207,700.00</b>           | <b>0.00</b>                    | <b>53,207,700.00</b> | <b>—</b>           |

Note 1: The State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality issued a Notice about Appropriation of 2021 State-owned Capital Operation Budget (JCZCZ [2021] No. 1886) to the Company on 27 October 2021, notified to arrange 30,000,000 yuan for the R&D and Industrialization Project for the Hydrogen Energy Frontier Technology Products of BTIC. BTIC, a subsidiary of the Company, received the above funds in December 2021.

Note 2: On 26 November 2021, Beijing Jingcheng Machinery Electric Holding Co., Ltd. issued the Reply of Beijing Jingcheng Machinery Electric Co., Ltd. on the Request for Budget Funds for BTIC's "Open Competition Mechanism to Select the Best Candidates" Project (JK (Reply) [2021] No. 3) to the Company, and approved the Request for Instructions on Budget Funds for BTIC's "Open Competition Mechanism to Select the Best Candidates" Project (Design and Development of Type IV Hydrogen Storage Cylinder (R&D of Key Technologies of Plastic Inner Tank Forming and Filament Winding)) (JJG (Request) [2021] No. 14) and the Request for Instructions on Budget Funds for BTIC's "Open Competition Mechanism to Select the Best Candidates" Project (Design and Development of 1000L Hydrogen Storage Cylinders and Liquid Hydrogen Tanks for Vehicles (R&D of Key Technologies of Hydrogen High Vacuum Multi-layer Heat Insulation)) (JJG (Request) [2021] No. 15) with a total requested amount of 23,207,700.00 yuan. BTIC, a subsidiary of the Company, received the above funds in March 2022.

## SECTION 10 FINANCIAL REPORT

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

#### 30. Long-term employee compensation payable

##### (1) Classification of long-term employee compensation payable

| Item   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Post-employment benefits – net liabilities of defined benefit plan | 29,951,825.69  | 29,193,698.39     |

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

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Beginning balance   | 31,547,089.20                | 31,184,637.77                 |
| Defined benefit cost included in the current profits and losses | 591,507.92                   | 1,232,865.99                  |
| 1. Current service cost   | 0.00                         | 63,442.07                     |
| 2. Previous service cost  | 0.00                         | 0.00                          |
| 3. Settlement gains (losses to be listed with "-")              | 0.00                         | 0.00                          |
| 4. Net interests  | 591,507.92                   | 1,169,423.92                  |
| Defined benefit cost included in other comprehensive income     | 0.00                         | 0.00                          |
| Actuarial gains (losses to be listed with "-")                  | 0.00                         | 0.00                          |
| Other changes   | -438,239.30                  | -870,414.56                   |
| 1. Liabilities eliminated when settling                         | 0.00                         | 0.00                          |
| 2. Paid welfare   | -438,239.30                  | -870,414.56                   |
| Ending balance  | 31,700,357.82                | 31,547,089.20                 |
| Less: welfare due within one year                               | 1,748,532.13                 | 2,353,390.81                  |
| Deduction of ending balance due within one year                 | 29,951,825.69                | 29,193,698.39                 |

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

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Beginning balance   | 31,547,089.20                | 31,184,637.77                 |
| Defined benefit cost included in the current profits and losses | 591,507.92                   | 1,232,865.99                  |
| Defined benefit cost included in other comprehensive income     | 0.00                         | 0.00                          |
| Other changes   | -438,239.30                  | -870,414.56                   |
| <b>Ending balance</b>   | <b>31,700,357.82</b>         | <b>31,547,089.20</b>          |

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

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

##### (5) Notes on major actuarial assumptions and sensitive analysis results of defined benefit plans:

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

## SECTION 10 FINANCIAL REPORT

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

#### 31. Estimated liabilities

| Item                      | Ending balance | Beginning balance | Cause of formation        |
|---------------------------|----------------|-------------------|---------------------------|
| Product quality assurance | 8,945,975.89   | 5,794,470.12      | Quality Guarantee Deposit |

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

#### 32. Deferred incomes

##### (1) Classification

| Item                 | Beginning balance | Increase in the current period | Decrease in the current period | Ending balance | Cause of formation |
|----------------------|-------------------|--------------------------------|--------------------------------|----------------|--------------------|
| Government subsidies | 5,318,879.05      | 0.00                           | 18,289.09                      | 5,300,589.96   | Note 1 to Note 3   |

##### (2) Projects using government subsidies

| Government subsidies item  | Beginning balance | Increase in subsidies for the period | Amount included in non-operating revenue in the current period | Other revenue included in the current period | The amount of costs written down in the current period | Ending balance | Asset-related/income-related |
|--|-------------------|--------------------------------------|--|--|--|----------------|------------------------------|
| 70 MPa hydrogen cylinder development project                             | 318,879.05        | 0.00                                 | 0.00   | 18,289.09                                    | 0.00   | 300,589.96     | Revenue-related              |
| Development project of fixed liquid hydrogen storage tank                | 2,000,000.00      | 0.00                                 | 0.00   | 0.00   | 0.00   | 2,000,000.00   | Revenue-related              |
| Design and development of vehicle-mounted 1000L liquid hydrogen cylinder | 3,000,000.00      | 0.00                                 | 0.00   | 0.00   | 0.00   | 3,000,000.00   | Revenue-related              |
| <b>Total</b>   | 5,318,879.05      | 0.00                                 | 0.00   | 18,289.09                                    | 0.00   | 5,300,589.96   | -                            |

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 development project of the fixed liquid hydrogen storage tank is supported by the R&D funds of Key Technologies Research and Development of Vehicle-mounted 1000L Liquid Hydrogen Storage System and Fixed Liquid Hydrogen Storage Tank issued by Beijing Municipal Science and Technology Commission.

Note 3: The design and R&D of the vehicle-mounted 1000L liquid hydrogen cylinder are supported by the R&D funds of Key Technologies Research and Development of Vehicle-mounted 1000L Liquid Hydrogen Storage System and Fixed Liquid Hydrogen Storage Tank issued by Beijing Municipal Science and Technology Commission.

# SECTION 10 FINANCIAL REPORT

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

### 33. Share capital

The change of the legal, issued, and paid-up share capital of the Company is as follows. All the shares of the Company are ordinary shares with a book value of 1 yuan per share.

| Item                          | Beginning amount      | Change in the current period |             |                                |             | Subtotal             | Ending amount         |
|-------------------------------|-----------------------|------------------------------|-------------|--------------------------------|-------------|----------------------|-----------------------|
|                               |                       | New share issued             | Bonus issue | Shares converted from reserves | Others      |                      |                       |
| Total restricted shares       | 63,000,000.00         | 46,481,314.00                | 0.00        | 0.00                           | 0.00        | 46,481,314.00        | 109,481,314.00        |
| Unrestricted shares           | -                     | -                            | -           | -                              | -           | -                    | -                     |
| RMB common shares             | 322,000,000.00        | 0.00                         | 0.00        | 0.00                           | 0.00        | 0.00                 | 322,000,000.00        |
| Overseas listed foreign share | 100,000,000.00        | 0.00                         | 0.00        | 0.00                           | 0.00        | 0.00                 | 100,000,000.00        |
| Total unrestricted shares     | 422,000,000.00        | 0.00                         | 0.00        | 0.00                           | 0.00        | 0.00                 | 422,000,000.00        |
| <b>Total shares</b>           | <b>485,000,000.00</b> | <b>46,481,314.00</b>         | <b>0.00</b> | <b>0.00</b>                    | <b>0.00</b> | <b>46,481,314.00</b> | <b>531,481,314.00</b> |

Note: Upon the approval by the resolutions of the First Extraordinary General Meeting in 2021, the First A Shares Class Meeting in 2021 and the First H Shares Class Meeting in 2021, and the "Approval for the Asset Acquisition by way of Share Issuance and Raising of Supporting Funds by Beijing Jingcheng Machinery Electric Company Limited to Li Hong and Others" (ZJXK [2022] No.586) from the China Securities Regulatory Commission, the Company completed the acquisition of 80% equity of BYTQ on 17 June 2022 by issuing shares to Li Hong, etc. A total of 46,481,314 shares were issued, accounting for 8.75% of the total share capital of the Company, all of which were restricted circulating shares.

### 34. Capital surplus

| Item                  | Beginning balance     | Increase in the current period | Decrease in the current period | Ending balance          |
|-----------------------|-----------------------|--------------------------------|--------------------------------|-------------------------|
| Share premium         | 707,035,741.33        | 173,284,801.59                 | 0.00                           | 880,320,542.92          |
| Other capital reserve | 128,318,120.35        | 3,279,442.04                   | 0.00                           | 131,597,562.39          |
| <b>Total</b>          | <b>835,353,861.68</b> | <b>176,564,243.63</b>          | <b>0.00</b>                    | <b>1,011,918,105.31</b> |

Note 1: The Company completed the acquisition of 80% equity of BYTQ by issuing shares to Li Hong, etc. and paying cash, with a combined consideration of 307,200,000.00 yuan. The difference of 173,284,801.59 yuan between the combined consideration and the issue of 46,481,314 shares and the cash payment of 87,433,884.41 yuan was included in the capital surplus-share premium.

Note 2: The increase in other capital surplus was due to the private placement of 6.25 million shares by Beijing Bolken Energy Technology Inc. (hereinafter referred to as Bolken), an associate of BTIC, a subsidiary of the Company, in the current period, so the shareholding proportion of BTIC in Bolken was passively diluted from 10.91% to 9.93%. The difference of 3,279,442.04 yuan between BTIC's share in the net book assets of Bolken that was calculated according to the original and new shareholding proportion before and after the dilution was included in the capital surplus.

## SECTION 10 FINANCIAL REPORT

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

#### 35. Other comprehensive income

| Item   | Beginning balance    | Amount in the current period                            |  |                           |   |  | Ending balance    |
|--|----------------------|---|--|---------------------------|---|--|-------------------|
|  |                      | Amount incurred before income tax in the current period | Less: Other comprehensive income recorded in the prior year and transferred to profit or loss for the current year | Less: Income tax expenses | After-tax amount attributable to parent company | After-tax amount attributable to minority shareholders |                   |
| I. Other comprehensive income not to be reclassified through profit or loss                            | 160,000.00           | 0.00  | 0.00   | 0.00                      | 0.00  | 0.00   | 160,000.00        |
| Including: changes arising from remeasurement 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 incomes to be reclassified into profit or loss in future                       | -1,190,194.20        | 1,966,372.71  | 0.00   | 0.00                      | 1,783,243.77                                    | 183,128.94   | 593,049.57        |
| Including: Other comprehensive income that can be converted to profit or loss under the equity method  | 3,757.58             | 3,496.18  | 0.00   | 0.00                      | 3,496.18  | 0.00   | 7,253.76          |
| Differences arising from translation of foreign currency financial statements                          | -1,193,951.78        | 1,962,876.53  | 0.00   | 0.00                      | 1,779,747.59                                    | 183,128.94   | 585,795.81        |
| <b>Total other comprehensive incomes</b>   | <b>-1,030,194.20</b> | <b>1,966,372.71</b>                                     | <b>0.00</b>  | <b>0.00</b>               | <b>1,783,243.77</b>                             | <b>183,128.94</b>                                      | <b>753,049.57</b> |

#### 36. Surplus reserves

| Item                           | Beginning balance    | Increase in the current period | Decrease in the current period | Ending balance       |
|--------------------------------|----------------------|--------------------------------|--------------------------------|----------------------|
| Statutory surplus reserves     | 41,838,334.73        | 0.00                           | 0.00                           | 41,838,334.73        |
| Discretionary surplus reserves | 2,906,035.91         | 0.00                           | 0.00                           | 2,906,035.91         |
| Reserve funds                  | 460,638.52           | 0.00                           | 0.00                           | 460,638.52           |
| Enterprise development funds   | 460,638.52           | 0.00                           | 0.00                           | 460,638.52           |
| <b>Total</b>                   | <b>45,665,647.68</b> | <b>0.00</b>                    | <b>0.00</b>                    | <b>45,665,647.68</b> |

#### 37. Retained earnings

| Item   | Current period         | Previous period        |
|--|------------------------|------------------------|
| Beginning balance  | -687,333,700.32        | -664,051,428.89        |
| Add: adjustment of beginning retained earnings                                     | 0.00                   | 0.00                   |
| Beginning balance of the current period  | -687,333,700.32        | -664,051,428.89        |
| Add: Net profit attributable to owners of the parent company in the current period | 10,576,997.42          | -23,282,271.43         |
| Less: appropriation to statutory surplus reserves                                  | 0.00                   | 0.00                   |
| Withdrawal of discretionary surplus reserve  | 0.00                   | 0.00                   |
| Withdrawal of provision for general risk   | 0.00                   | 0.00                   |
| Dividends payable on ordinary shares   | 0.00                   | 0.00                   |
| Ordinary stock dividends converted into share capital                              | 0.00                   | 0.00                   |
| <b>Ending balance in the current period</b>  | <b>-676,756,702.90</b> | <b>-687,333,700.32</b> |

# SECTION 10 FINANCIAL REPORT

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

### 38. Operating revenues and operating costs

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

| Item             | Amount in the current period |                       | Amount in the previous period |                |
|------------------|------------------------------|-----------------------|-------------------------------|----------------|
|                  | Revenue                      | Cost                  | Revenue                       | Cost           |
| Main business    | 611,748,676.07               | 534,626,173.95        | 508,272,446.37                | 435,964,995.70 |
| Other businesses | 25,928,340.70                | 18,497,333.32         | 18,282,074.38                 | 17,254,289.67  |
| <b>Total</b>     | <b>637,677,016.77</b>        | <b>553,123,507.27</b> | 526,554,520.75                | 453,219,285.37 |

#### (2) Specific deductions of operating revenue

| Item  | Current period<br>(10,000 yuan) | Specific<br>deductions  | Previous period<br>(10,000 yuan) | Specific<br>deductions   |
|---|---------------------------------|-------------------------|----------------------------------|--|
| Amount of operating revenue   | 63,767.70                       | –                       | 52,655.45                        | –  |
| Total amount of deductions  | 2,261.83                        | –                       | 3,416.13                         | –  |
| Proportion of total amount of deductions in operating revenue (%)   | 3.55                            | –                       | 6.49                             | –  |
| I. Business revenue irrelevant to main business   |                                 |                         |                                  |  |
| 1. Other business revenues beyond normal operation Revenues obtained by renting fixed assets, intangible assets, packaging, sales of materials, exchange of non-monetary assets with materials, and operation of trusted management businesses, as well as income that is included in the main business income but is beyond the normal operation of the listed company.                                    | 2,261.83                        | Sales of materials, OEM | 3,393.67                         | On 19 November 2021, Shanghai Stock Exchange issued the Guidelines No. 2 on Self-Regulatory and Supervision for Listed Companies on Shanghai Stock Exchange – Financial Delisting Indicators: Deduction of Operating Revenue, according to which the Group reorganized the data of the previous period, and the deduction items were sales of materials and OEM. |
| 2. Revenue from non-qualified pseudo-banking service, such as Interest revenue from lending funds; Revenue from pseudo-banking service added in the current and the previous fiscal year, such as the revenue generated from guarantees, commercial factoring, petty loans, finance leases, pawning, and other businesses, except for financial leasing business carried out for the sale of main products. | 0.00                            | –                       | 0.00                             | –  |
| 3. Revenue from new trading services in the current and previous fiscal years.  | 0.00                            | –                       | 22.46                            | Income from new trade services of the Company  |
| 4. Revenue from related party transactions irrelevant to the existing normal business of listed companies.  | 0.00                            | –                       | 0.00                             | –  |

## SECTION 10 FINANCIAL REPORT

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

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

##### (2) Specific deductions of operating revenue (Continued)

| Item  | Current period<br>(10,000 yuan) | Specific<br>deductions | Previous period<br>(10,000 yuan) | Specific<br>deductions |
|---|---------------------------------|------------------------|----------------------------------|------------------------|
| 5. Revenue of subsidiaries from the beginning of the period to the date of combination arising from business combination under the same control.  | 0.00                            | -                      | 0.00                             | -                      |
| 6. Revenue generated by trade services that are difficult to form a stable business model.  | 0.00                            | -                      | 0.00                             | -                      |
| Subtotal of business revenue irrelevant to main business  | 2,261.83                        | -                      | 3,416.13                         | -                      |
| II. Revenue without commercial substance  |                                 |                        |                                  |                        |
| 1. Revenue from transactions or events that do not significantly change the risk, time distribution, or amount of future cash flow of the enterprise.   | 0.00                            | -                      | 0.00                             | -                      |
| 2. Revenue from transactions without real business. Such as spurious revenues realized by self-transaction and spurious revenues generated by using Internet technology or other methods to construct transactions. | 0.00                            | -                      | 0.00                             | -                      |
| 3. Revenue from businesses with significantly unfair transaction prices.  | 0.00                            | -                      | 0.00                             | -                      |
| 4. Revenue generated from subsidiaries or operations arising from business combinations acquired through unfair consideration or non-transaction method in the current fiscal year.                                 | 0.00                            | -                      | 0.00                             | -                      |
| 5. Revenue involved in non-standard audit opinions in audit opinions.   | 0.00                            | -                      | 0.00                             | -                      |
| 6. Revenue from other transactions or events that are not commercially reasonable.  | 0.00                            | -                      | 0.00                             | -                      |
| Subtotal of revenue without commercial substance  | 0.00                            | -                      | 0.00                             | -                      |
| III. Other revenue irrelevant to the main business or without commercial substance  | 0.00                            | -                      | 0.00                             | -                      |
| Amount of operating revenues after deductions   | 61,505.87                       | -                      | 49,239.32                        | -                      |



# SECTION 10 FINANCIAL REPORT

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

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

#### (3) Revenue arising from the contract

| Category of contracts                          | Amount in the current period |                       | Amount in the previous period |                       |
|--|------------------------------|-----------------------|-------------------------------|-----------------------|
|  | Revenue                      | Cost                  | Revenue                       | Cost                  |
| <b>Classification by type of goods</b>         |                              |                       |                               |                       |
| Including: seamless steel gas cylinder         | 251,540,929.81               | 223,099,002.39        | 254,696,194.16                | 200,418,062.57        |
| Wrapped cylinder                               | 80,999,931.12                | 71,345,414.36         | 64,916,143.89                 | 58,448,500.32         |
| Cryogenic cylinder                             | 61,972,238.48                | 54,151,754.03         | 49,708,943.97                 | 40,786,468.42         |
| Cryogenic storage and transportation equipment | 73,370,115.18                | 68,388,958.50         | 79,600,581.96                 | 72,853,016.20         |
| Intelligent production line                    | 26,548,672.50                | 16,981,696.74         | 0.00                          | 0.00                  |
| Others   | 117,316,788.98               | 100,659,347.93        | 59,350,582.39                 | 63,458,948.19         |
| <b>Classification by business area</b>         |                              |                       |                               |                       |
| Including: domestic                            | 317,664,718.13               | 268,069,204.30        | 309,538,264.97                | 261,194,375.50        |
| Overseas                                       | 294,083,957.94               | 266,556,969.65        | 198,734,181.40                | 174,770,620.20        |
| <b>Total</b>                                   | <b>611,748,676.07</b>        | <b>534,626,173.95</b> | <b>508,272,446.37</b>         | <b>435,964,995.70</b> |

#### (4) 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 include 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.

#### (5) 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.

#### (6) The total operating revenues from the top five customers of the Group in the current period are 131,250,315.16 yuan, accounting for 20.58% of the total operating revenues in the current period (previous period: 22.65%), with the details as follows:

| Company name                                   | Operating revenue     | Proportion to total operating revenue (%) |
|--|-----------------------|---|
| LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD. | 37,023,751.34         | 5.81                                      |
| Westport Fuel Systems Canada Inc-IT.           | 31,540,908.18         | 4.95                                      |
| Qingdao AUCMA Wisdom Cold Chain Co., Ltd.      | 26,548,672.50         | 4.16                                      |
| Hubei Juxi Automotive Technology Co., Ltd.     | 18,971,053.99         | 2.97                                      |
| Houpu Clean Energy Group Co., Ltd.             | 17,165,929.15         | 2.69                                      |
| <b>Total</b>                                   | <b>131,250,315.16</b> | <b>20.58</b>                              |

## SECTION 10 FINANCIAL REPORT

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

#### 39. Taxes and surcharges

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Property tax  | 1,096,360.40                 | 1,112,653.98                  |
| City maintenance and construction tax                       | 794,234.20                   | 261,579.93                    |
| Education surcharge (including local educational surcharge) | 614,433.18                   | 210,709.15                    |
| Stamp duty  | 449,712.08                   | 107,878.91                    |
| Land use tax  | 327,377.77                   | 344,287.27                    |
| Environmental protection tax                                | 31,519.26                    | 88,386.70                     |
| Resources tax   | 4,730.60                     | 7,418.60                      |
| Others  | 316,872.21                   | 383,534.75                    |
| <b>Total</b>  | <b>3,635,239.70</b>          | <b>2,516,449.29</b>           |

#### 40. Selling and distribution expenses

| Item                             | Amount in the current period | Amount in the previous period |
|----------------------------------|------------------------------|-------------------------------|
| Employee benefits                | 12,512,459.24                | 11,284,205.17                 |
| Travel expenses                  | 737,361.26                   | 912,170.08                    |
| After-sales service charges      | 398,230.08                   | 336,208.42                    |
| Repair expenses                  | 259,652.97                   | 17,612.09                     |
| Business expenses                | 236,863.39                   | 666,308.04                    |
| Office expenses                  | 338,844.92                   | 237,825.78                    |
| Warehousing and storage expenses | 48,372.55                    | 18,196.27                     |
| Exhibition expenses              | 569,772.43                   | 350,450.21                    |
| Transportation expenses          | 0.00                         | 700,965.53                    |
| Packing charges                  | 276,262.82                   | 514,823.35                    |
| Others                           | 464,046.82                   | 11,722.27                     |
| <b>Total</b>                     | <b>15,841,866.48</b>         | <b>15,050,487.21</b>          |

#### 41. Administrative expenses

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Employee benefits                                 | 27,289,475.52                | 28,992,930.88                 |
| Costs on employment of intermediary organizations | 2,495,924.55                 | 2,657,686.65                  |
| – Audit service fees                              | 28,301.89                    | 74,410.25                     |
| – Tax service fees                                | 20,860.71                    | 0.00                          |
| – Other service fees                              | 1,989,435.65                 | 1,305,883.03                  |
| – Lawyer service fees                             | 457,326.30                   | 1,277,393.37                  |
| Office expenses                                   | 2,424,327.94                 | 2,533,879.86                  |
| Amortization of intangible assets                 | 929,874.99                   | 655,498.89                    |
| Depreciation expenses                             | 987,270.46                   | 703,399.46                    |
| Vehicle expenses                                  | 742,068.54                   | 759,027.40                    |
| Energy charges                                    | 268,173.66                   | 150,369.41                    |
| Business entertainment expenses                   | 188,799.48                   | 283,854.47                    |
| Repair expenses                                   | 150,737.34                   | 136,592.92                    |
| Travel expenses                                   | 48,074.86                    | 356,154.98                    |
| Business publicity expenses                       | 0.00                         | 18,627.80                     |
| Others  | 2,809,805.52                 | 2,668,439.52                  |
| <b>Total</b>                                      | <b>38,334,532.86</b>         | <b>39,916,462.24</b>          |



## SECTION 10 FINANCIAL REPORT

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

#### 42. R&D expenses

| Item         | Amount in the current period | Amount in the previous period |
|--------------|------------------------------|-------------------------------|
| R&D expenses | 21,615,500.91                | 10,015,871.43                 |

#### 43. Financial expenses

| Item                    | Amount in the current period | Amount in the previous period |
|-------------------------|------------------------------|-------------------------------|
| Interest expenses       | 2,882,848.89                 | 4,698,538.37                  |
| Less: Interest income   | 222,568.30                   | 880,727.71                    |
| Add: exchange loss      | 123,287.57                   | 2,202,510.06                  |
| Add: other expenditures | 156,927.67                   | 169,616.45                    |
| <b>Total</b>            | <b>2,940,495.83</b>          | <b>6,189,937.17</b>           |

#### 44. Other incomes

| Other sources of income             | Amount in the current period | Amount in the previous period |
|-------------------------------------|------------------------------|-------------------------------|
| Transferring-in of deferred revenue | 18,289.09                    | 549,644.62                    |
| Government subsidies                | 1,816,023.83                 | 7,204,801.32                  |
| <b>Total</b>                        | <b>1,834,312.92</b>          | <b>7,754,445.94</b>           |

#### 45. Investment income

| Sources of investment income   | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Long-term equity investment income calculated by the equity method   | 12,254,352.49                | 3,532,099.11                  |
| Investment income from disposal of financial assets held for trading | 507,318.54                   | 0.00                          |
| Debt restructuring   | 783,874.87                   | 0.00                          |
| <b>Total</b>   | <b>13,545,545.90</b>         | <b>3,532,099.11</b>           |

#### 46. Income from changes in fair value

| Item                              | Amount in the current period | Amount in the previous period |
|-----------------------------------|------------------------------|-------------------------------|
| Financial assets held for trading | -5,952.01                    | 0.00                          |

#### 47. Credit impairment losses

| Item                                     | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Loss on bad debts of accounts receivable | -641,339.00                  | -2,925,645.12                 |
| Loss on bad debts of other receivables   | -219,972.24                  | -91,197.66                    |
| <b>Total</b>                             | <b>-861,311.24</b>           | <b>-3,016,842.78</b>          |

## SECTION 10 FINANCIAL REPORT

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

#### 48. Asset impairment losses

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Inventory depreciation loss and contract performance cost impairment loss | -4,631,897.06                | -7,227,430.91                 |

#### 49. Income on disposal of assets

| Item   | Amount in the current period | Amount in the previous period | Amount included in current non-recurring profits and losses |
|--|------------------------------|-------------------------------|---|
| Gains from disposal of non-current assets                  | 0.00                         | 122,252.07                    | 0.00  |
| Including: income from disposal of investment real estates | 0.00                         | 0.00                          | 0.00  |
| Gain from disposal of fixed assets                         | 0.00                         | 122,252.07                    | 0.00  |

0.00 yuan is included in non-recurring profits and losses in the current period (previous period: 122,252.07 yuan)

#### 50. Non-operating revenue

| Items of non-operating revenue | Amount in the current period | Amount in the previous period | Amount included in current non-recurring profits and losses |
|--------------------------------|------------------------------|-------------------------------|---|
| Revenue from breach indemnity  | 55,641.09                    | 94,000.00                     | 55,641.09   |
| Others                         | 666,718.71                   | 489,967.12                    | 666,718.71  |
| <b>Total</b>                   | <b>722,359.80</b>            | <b>583,967.12</b>             | <b>722,359.80</b>   |

722,359.80 yuan is included in non-recurring profits and losses in the current period (previous period: 583,967.12 yuan)

#### 51. Non-operating expenses

| Item  | Amount in the current period | Amount in the previous period | Amount included in current non-recurring profits and losses |
|---|------------------------------|-------------------------------|---|
| Losses of retirement of non-current assets                    | 257,255.15                   | 164,242.22                    | 257,255.15  |
| Including: Loss from write-off and retirement of fixed assets | 257,255.15                   | 164,242.22                    | 257,255.15  |
| Liquidated damages, fines and overdue fines                   | 54,656.00                    | 200.00                        | 54,656.00   |
| Others  | 754,279.56                   | 0.00                          | 754,279.56  |
| <b>Total</b>  | <b>1,066,190.71</b>          | <b>164,442.22</b>             | <b>1,066,190.71</b>   |

1,066,190.71 yuan is included in non-recurring profits and losses in the current period (previous period: 164,442.22 yuan)

# SECTION 10 FINANCIAL REPORT

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

### 52. 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 | <b>3,547,898.81</b>          | 1,616,001.45                  |
| 1. Mainland China corporate income tax   | <b>1,511,729.86</b>          | 490,737.63                    |
| 2. Hong Kong income tax  | <b>0.00</b>                  | 0.00                          |
| 3. Other regions (USA)   | <b>2,036,168.95</b>          | 920,025.80                    |
| 4. Over-measurement in the previous years (under-measurement)                    | <b>0.00</b>                  | 205,238.02                    |
| Deferred income tax expenses   | <b>-513,183.81</b>           | 232,836.29                    |
| <b>Total</b>   | <b>3,034,715.00</b>          | 1,848,837.74                  |

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

| Item   | Amount in the current period |
|--|------------------------------|
| Consolidated total profits in the current period   | <b>11,722,741.32</b>         |
| Income taxes expenses calculated at legal or applicable tax rate   | <b>2,930,685.33</b>          |
| Effect of various tax rates applicable to subsidiaries   | <b>-1,703,758.13</b>         |
| Impact of income tax in previous periods before adjustment   | <b>0.00</b>                  |
| Impact of non-deductible costs, expenses and losses  | <b>-131,759.63</b>           |
| Impact of non-taxable income   | <b>-1,838,152.87</b>         |
| Impact of using deductible losses of unrecognized deferred tax assets in the previous period                             | <b>0.00</b>                  |
| Impact of deductible temporary difference or deductible losses on unrecognized deferred tax assets in the current period | <b>5,367,381.73</b>          |
| Others   | <b>-1,589,681.43</b>         |
| <b>Total</b>   | <b>3,034,715.00</b>          |

### 53. Other comprehensive income

Refer to Note "VI. 35 Other comprehensive income" for details.

### 54. Items of cash flow statements

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

##### 1) Cash received relating to other operating activities

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Margins, deposits and pretty cash recovered | <b>244,039.97</b>            | 2,350,142.87                  |
| Interest income                             | <b>222,568.30</b>            | 840,092.61                    |
| Government subsidies                        | <b>1,816,023.83</b>          | 6,056,712.01                  |
| Current accounts                            | <b>191,398.34</b>            | 2,559,675.75                  |
| Penalties                                   | <b>20,571.00</b>             | 31,794.00                     |
| Others                                      | <b>3,502,009.57</b>          | 3,490,213.20                  |
| <b>Total</b>                                | <b>5,996,611.01</b>          | 15,328,630.44                 |

## SECTION 10 FINANCIAL REPORT

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

#### 54. Items of cash flow statements (Continued)

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

##### 2) Cash paid relating to other operating activities

| Item                                | Amount in the current period | Amount in the previous period |
|-------------------------------------|------------------------------|-------------------------------|
| All expenses                        | 26,310,295.39                | 20,650,304.04                 |
| Guarantee deposit, security deposit | 991,544.82                   | 10,615,000.00                 |
| Current accounts                    | 136,851.99                   | 4,756,499.54                  |
| Service charges                     | 72,692.25                    | 156,451.42                    |
| Penalties                           | 0.00                         | 200.00                        |
| Others                              | 708,967.88                   | 3,951,693.12                  |
| <b>Total</b>                        | <b>28,220,352.33</b>         | <b>40,130,148.12</b>          |

##### 3) Cash received relating to other investing activities

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Net cash paid for acquisition of subsidiaries and other business entities | 36,233,354.22                | 0.00                          |

##### 4) Other cash received relating to financing activities

| Item  | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Special funds for key technology R&D projects | 23,207,700.00                | 0.00                          |

##### 5) Cash paid relating to other financing activities

| Item   | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Minority stockholder's reduction of contribution | 0.00                         | 10,864,936.71                 |



# SECTION 10 FINANCIAL REPORT

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

### 54. Items of cash flow statements (Continued)

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

| Item   | Amount in the<br>current period | Amount in the<br>previous period |
|--|---------------------------------|----------------------------------|
| 1. Adjustment of net profits into cash flow from operating activities:   | -                               | -                                |
| Net profit   | <b>8,688,026.32</b>             | -618,761.37                      |
| Add: provision for impairment of assets  | <b>4,631,897.06</b>             | 7,227,430.91                     |
| Credit impairment losses   | <b>861,311.24</b>               | 3,016,842.78                     |
| Depreciation of Fixed Assets   | <b>27,861,481.87</b>            | 24,914,195.22                    |
| Depreciation of right-of-use assets  | <b>28,112.45</b>                | 0.00                             |
| Amortization of intangible assets  | <b>1,966,492.41</b>             | 1,624,585.47                     |
| Amortization of long-term deferred expenses  | <b>585,095.82</b>               | 2,060,364.39                     |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-") | <b>0.00</b>                     | -122,252.07                      |
| Loss on retirement of fixed assets (gains to be listed with "-")   | <b>257,255.15</b>               | 164,242.22                       |
| Loss on changes in fair value (gains to be listed with "-")  | <b>5,952.01</b>                 | 0.00                             |
| Finance expenses (gains to be listed with "-")   | <b>1,625,913.51</b>             | 6,346,879.89                     |
| Investment losses (gains to be listed with "-")  | <b>-13,545,545.90</b>           | -3,532,099.11                    |
| Decrease on deferred income tax assets (increases to be listed with "-")                                       | <b>-59,250.69</b>               | 232,836.29                       |
| Increases in deferred income tax liabilities (decreases to be listed with "-")                                 | <b>-453,933.12</b>              | 0.00                             |
| Decrease of inventories (increases to be listed with "-")  | <b>6,892,626.23</b>             | -63,523,695.99                   |
| Decrease of operating receivables (increase indicated with "-")  | <b>-61,435,053.36</b>           | 17,855,691.35                    |
| Increase of operating payables (decrease indicated with "-")   | <b>3,174,027.81</b>             | -37,694,458.11                   |
| Others   | <b>0.00</b>                     | 0.00                             |
| Net cash flows from operating activities   | <b>-18,915,591.19</b>           | -42,048,198.13                   |
| 2. Significant investment and financing activities without cash receipts and payments:                         | -                               | -                                |
| Conversion of debt into capital  | <b>0.00</b>                     | 0.00                             |
| Convertible corporate bonds due within one year  | <b>0.00</b>                     | 0.00                             |
| Fixed assets acquired under finance lease  | <b>0.00</b>                     | 0.00                             |
| 3. Net changes in cash and cash equivalents:   | -                               | -                                |
| Ending balance of cash   | <b>115,786,606.37</b>           | 94,546,205.59                    |
| Less: beginning balance of cash  | <b>79,891,833.74</b>            | 246,146,097.89                   |
| Add: ending balance of cash equivalents  | <b>0.00</b>                     | 0.00                             |
| Less: beginning balance of cash equivalents  | <b>0.00</b>                     | 0.00                             |
| Net increase in cash and cash equivalents  | <b>35,894,772.63</b>            | -151,599,892.30                  |

#### (3) Cash and cash equivalents

| Item   | Ending balance        | Beginning balance |
|--|-----------------------|-------------------|
| Cash on hand   | <b>115,786,606.37</b> | 79,891,833.74     |
| Including: cash on hand  | <b>132,100.53</b>     | 182,714.81        |
| Cash at bank available for payments at any time  | <b>115,654,505.84</b> | 79,709,118.93     |
| Other cash at bank and on hand available for payment at any time   | <b>0.00</b>           | 0.00              |
| Cash equivalents   | <b>0.00</b>           | 0.00              |
| Ending balance of cash and cash equivalents  | <b>115,786,606.37</b> | 79,891,833.74     |
| Including: cash and cash equivalents with limited use of the parent company or subsidiaries of the Group | <b>0.00</b>           | 0.00              |

## SECTION 10 FINANCIAL REPORT

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

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

| Item                     | Ending book value   | Reason for restriction   |
|--------------------------|---|--|
| Cash at bank and on hand | <b>24,791,946.73</b><br><b>39,548,486.95</b><br><b>395,389.70</b> | L/C guarantee deposits<br>Margin for bank acceptance bill<br>Foreign exchange margin trading |
| Right-of-use assets      | <b>4,779,117.38</b>   | Ownership does not belong to the Company   |
| Notes receivable         | <b>10,822,070.00</b>  | Obtain pledge of bank line of credit   |
| <b>Total</b>             | <b>80,337,010.76</b>  | –  |

#### 56. Monetary items in foreign currency

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

| Item                            | Ending foreign currency balance | Conversion exchange rate | Ending equivalent RMB balance |
|---------------------------------|---------------------------------|--------------------------|-------------------------------|
| <b>Cash at bank and on hand</b> | –                               | –                        | <b>31,729,343.59</b>          |
| Including: U.S. dollar          | 4,025,805.90                    | 6.7114                   | 27,018,793.69                 |
| EUR                             | 671,840.20                      | 7.0084                   | 4,708,524.86                  |
| HKD                             | 2,367.94                        | 0.85519                  | 2,025.04                      |
| <b>Accounts receivable</b>      | –                               | –                        | <b>84,300,738.75</b>          |
| Including: U.S. dollar          | 10,086,280.79                   | 6.7114                   | 67,693,064.89                 |
| EUR                             | 2,369,681.22                    | 7.0084                   | 16,607,673.86                 |
| <b>Short-term borrowings</b>    | –                               | –                        | <b>5,369,120.00</b>           |
| Including: U.S. dollar          | 800,086.73                      | 6.7114                   | 5,369,702.08                  |
| <b>Accounts payable</b>         | –                               | –                        | <b>14,095,662.15</b>          |
| Including: U.S. dollar          | 2,100,256.60                    | 6.7114                   | 14,095,662.15                 |
| <b>Other payables</b>           | –                               | –                        | <b>7,790.79</b>               |
| Including: U.S. dollar          | 1,160.83                        | 6.7114                   | 7,790.79                      |

##### (2) Group companies incorporated overseas

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

#### 57. Government subsidies

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

| Category        | Amount       | Item presented   | Amount included in the current profits or losses |
|-----------------|--------------|------------------|--|
| Revenue-related | 1,816,023.83 | Other incomes    | 1,816,023.83                                     |
| Revenue-related | 5,300,589.96 | Deferred incomes | 18,289.09  |

##### (2) Refund of government subsidies

The Group has no refund of government subsidy in the current period.

# SECTION 10 FINANCIAL REPORT

## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business combination not under common control

#### (1) Business combinations not under common control in the current period

| Name of the acquiree                               | Time point of equity acquisition | Equity acquisition cost (10,000 yuan) | Shareholding percentage (%) | Method of equity acquisition            | Acquisition date | Basis for determining the acquisition date | Income of the acquiree from the acquisition date to the end of the period (10,000 yuan) | Net profit of the acquiree from the acquisition date to the end of the period (10,000 yuan) |
|--|----------------------------------|---------------------------------------|-----------------------------|---|------------------|--|---|---|
| Qingdao BYTQ United Digital Intelligence Co., Ltd. | 24 June 2022                     | 30,720.00                             | 80.00                       | Issuing shares and purchasing with cash | 24 June 2022     | Acquisition of control                     | 2,654.87  | 752.84  |

#### (2) Consolidated cost and goodwill

| Item   | Qingdao BYTQ United Digital Intelligence Co., Ltd. |
|--|--|
| Cash on hand   | 87,433,884.41                                      |
| Fair value of equity securities issued   | 219,766,115.59                                     |
| Total combination cost   | 307,200,000.00                                     |
| Less: Fair value share of identifiable net assets acquired   | 138,203,960.90                                     |
| Difference of goodwill/consolidation cost less than the fair value share of identifiable net assets obtained | 168,996,039.10                                     |

Explanation on determination of fair value of cost of combination, contingent consideration and its changes:

Nil

Major reason for a huge amount of goodwill:

On 24 June 2022, the Company acquired 80% equity interest in Qingdao BYTQ United Digital Intelligence Co., Ltd. for a consideration of RMB307,200,000.00. As at the date of purchase, the cost of acquiring the above equity interest was greater than the share of the fair value of the identifiable net assets of Qingdao BYTQ United Digital Intelligence Co., Ltd. calculated in proportion to the shareholding of RMB168,996,039.10 recognised as goodwill.

Other explanations:

Nil

#### (3) Identifiable assets and liabilities of the acquiree on the acquisition date

| Item  | Qingdao BYTQ United Digital Intelligence Co., Ltd. |                                |
|---|--|--------------------------------|
|   | Fair value on acquisition date                     | Book value on acquisition date |
| Assets:                                     | 283,423,520.85                                     | 227,239,028.64                 |
| Cash at bank and on hand                    | 56,310,676.35                                      | 56,310,676.35                  |
| Accounts receivable                         | 124,291,587.69                                     | 124,291,587.69                 |
| Inventories                                 | 41,519,018.17                                      | 36,513,075.68                  |
| Other current assets                        | 48,512.92  | 48,512.92                      |
| Fixed assets                                | 4,798,390.00                                       | 3,644,803.44                   |
| Right-of-use assets                         | 4,807,229.83                                       | 4,807,229.83                   |
| Intangible assets                           | 50,129,400.00                                      | 104,436.84                     |
| Deferred income tax assets                  | 1,518,705.89                                       | 1,518,705.89                   |
| Liabilities:                                | 110,668,569.72                                     | 102,240,895.90                 |
| Accounts payable                            | 88,208,073.12                                      | 88,208,073.12                  |
| Taxes payable                               | 7,692,800.98                                       | 7,692,800.98                   |
| Non-current liabilities due within one year | 2,225,792.58                                       | 2,225,792.58                   |
| Lease liabilities                           | 1,351,871.95                                       | 1,351,871.95                   |
| Estimated liabilities                       | 2,762,357.27                                       | 2,762,357.27                   |
| Deferred income tax liabilities             | 8,427,673.82                                       | 0.00                           |
| Net assets                                  | 172,754,951.13                                     | 124,998,132.74                 |
| Less: Non-controlling interests             | 0.00   | 0.00                           |
| Net assets acquired                         | 172,754,951.13                                     | 124,998,132.74                 |

# SECTION 10 FINANCIAL REPORT

## VII. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 1. Business combination not under common control (Continued)

#### (3) Identifiable assets and liabilities of the acquiree on the acquisition date (Continued)

Determination of the fair value of identifiable assets and liabilities:

N/A

Contingent liabilities of the acquiree assumed in business combination:

Nil

Other explanations:

Nil

### 2. Business combination under common control

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

## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Composition of the enterprise group

| Name of subsidiary  | Major business location      | Place of registration        | Nature of business     |
|---|------------------------------|------------------------------|------------------------|
| Beijing Tianhai Industry Co., Ltd.                            | Chaoyang District, Beijing   | Chaoyang District, Beijing   | Production             |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | Tianjin Port Free Trade Zone | Tianjin Port Free Trade Zone | Production             |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | Songjiang District, Shanghai | Songjiang District, Shanghai | Production             |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | Tongzhou District, Beijing   | Tongzhou District, Beijing   | Production             |
| Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.           | Tongzhou District, Beijing   | Tongzhou District, Beijing   | Production             |
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | Tongzhou District, Beijing   | Tongzhou District, Beijing   | Production             |
| BTIC AMERICA CORPORATION                                      | Houston, USA                 | Houston, USA                 | Sales                  |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | Chengde, Hebei               | Chengde, Hebei               | Production             |
| Jingcheng Holding (Hong Kong) Co., Ltd.                       | Hong Kong                    | Hong Kong                    | Trading and investment |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | Qingdao                      | Qingdao                      | Production             |

(Continued)

| Name of subsidiary  | Registered capital | Shareholding proportion (%) |          | Mean of acquisition                           |
|---|--------------------|-----------------------------|----------|---|
|   |                    | Direct                      | Indirect |   |
| Beijing Tianhai Industry Co., Ltd.                            | USD83,386,300      | 91.50                       | 8.50     | Business combination under common control     |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 225,578,400 yuan   |                             | 55.00    | Establishment                                 |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | USD3,017,400       |                             | 87.84    | Business combination under common control     |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 40,000,000.00 yuan |                             | 75.00    | Establishment                                 |
| Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.           | 20,000,000.00 yuan |                             | 100.00   | Business combination under common control     |
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | 545,225,200 yuan   |                             | 38.51    | Establishment                                 |
| BTIC AMERICA CORPORATION                                      | 680.00 shares      |                             | 90.00    | Business combination not under common control |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 81,584,000 yuan    |                             | 61.10    | Establishment                                 |
| Jingcheng Holding (Hong Kong) Co., Ltd.                       | HKD1,000           | 100.00                      |          | Business combination under common control     |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | 19,862,800 yuan    | 80.00                       |          | Business combination not under common control |

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in subsidiaries (Continued)

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

| Name of subsidiary  | Share holding of minority shareholders (%) | Profit and loss attributable to minority shareholders in the current period | Other comprehensive income attributable to minority shareholders in the current period | Changes in capital surplus in the current period | Capital reduction of minority shareholders in the current period | Dividends paid to minority shareholders in the current period | Balance of non-controlling interests at the end of the period |
|---|--|---|--|--|--|---|---|
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | 61.49                                      | 30,189.38   | 0.00   | 0.00   | 0.00   | 0.00  | 194,614,416.41  |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 25.00                                      | -346,558.63   | 0.00   | 0.00   | 0.00   | 0.00  | -11,723,636.06  |
| BTIC AMERICA CORPORATION                                      | 10.00                                      | 751,611.04  | 183,128.94   | 0.00   | 0.00   | 0.00  | 3,530,418.75  |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | 12.16                                      | 284,480.13  | 0.00   | 0.00   | 0.00   | 0.00  | 7,440,789.56  |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 45.00                                      | 943,919.23  | 0.00   | 0.00   | 0.00   | 0.00  | 75,325,156.25   |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 38.90                                      | -5,058,287.11   | 0.00   | 0.00   | 0.00   | 0.00  | 11,357,770.57   |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | 20.00                                      | 1,505,674.86  | 0.00   | 0.00   | 0.00   | 0.00  | 36,056,665.09   |
| <b>Total</b>  | -  | -1,888,971.1  | 183,128.94   | 0.00   | 0.00   | 0.00  | 316,601,580.57  |

Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. was established on 27 November 2012, with a registered capital of 10 million yuan wholly contributed by BTIC. After two capital increases, as of 31 December 2021, the registered capital of Beijing Minghui Tianhai Gas Storage and Transportation Sales Co., Ltd. has been increased to 545,225,200 yuan, including 210,000,000 yuan (38.51%) contributed by BTIC, 170,412,703.00 yuan (31.26%) contributed by Beijing Jingguofa Venture Investment Fund (LLP) and 164,812,525.00 yuan (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 BTIC nominates 3 and Beijing Jingguofa 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 the approval of a two-thirds vote of the board of directors, matters such as approving the business plan and investment plan of the company and determining the setting of internal management departments of the company must be approved by more than half of all the directors. The management is also dispatched by BTIC. BTIC 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. EQUITY IN OTHER ENTITIES (CONTINUED)

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

| 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. | 136,655,263.55 | 384,530,942.43     | 521,186,205.98 | 198,929,917.80      | 8,794,470.12            | 207,724,387.92    |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 116,034,961.55 | 17,205,026.15      | 133,239,987.70 | 178,134,531.92      | 2,000,000.00            | 180,134,531.92    |
| BTIC AMERICA CORPORATION                                      | 62,406,032.23  | 23,843.65          | 62,429,875.88  | 22,043,290.68       | 0.00                    | 22,043,290.68     |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | 63,766,062.60  | 18,689,111.72      | 82,455,174.32  | 24,769,116.91       | 0.00                    | 24,769,116.91     |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 167,556,133.03 | 157,122,326.44     | 324,678,459.47 | 157,289,267.79      | 0.00                    | 157,289,267.79    |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 52,501,613.75  | 97,412,848.91      | 149,914,462.66 | 120,717,170.66      | 0.00                    | 120,717,170.66    |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | 235,879,664.88 | 60,752,796.26      | 296,632,461.14 | 103,392,119.04      | 12,957,016.65           | 116,349,135.69    |

(Continued Table 1)

| Name of subsidiary  | Beginning balance |                    |                |                     |                         |                   |
|---|-------------------|--------------------|----------------|---------------------|-------------------------|-------------------|
|   | Current assets    | Non-current assets | Total assets   | Current liabilities | Non-current liabilities | Total liabilities |
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | 125,053,438.90    | 395,323,390.83     | 520,376,829.73 | 198,169,637.95      | 8,794,470.12            | 206,964,108.07    |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 123,909,794.66    | 16,872,278.21      | 140,782,072.87 | 184,290,382.56      | 2,000,000.00            | 186,290,382.56    |
| BTIC AMERICA CORPORATION                                      | 48,153,023.77     | 43,960.45          | 48,196,984.22  | 17,157,798.83       | 0.00                    | 17,157,798.83     |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | 46,517,171.99     | 17,815,450.94      | 64,332,622.93  | 8,986,040.29        | 0.00                    | 8,986,040.29      |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 154,851,147.65    | 162,865,992.90     | 317,717,140.55 | 152,425,547.17      | 0.00                    | 152,425,547.17    |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 40,870,361.49     | 98,549,522.27      | 139,419,883.76 | 97,219,283.00       | 0.00                    | 97,219,283.00     |

(Continued Table 2)

| Name of subsidiary  | Amount in the current period |                |                             |                                     |
|---|------------------------------|----------------|-----------------------------|-------------------------------------|
|   | Operating revenue            | Net profit     | Total comprehensive incomes | Cash flow from operating activities |
| Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. | 71,813,245.45                | 49,096.40      | 49,096.40                   | 594,571.69                          |
| Beijing Tianhai Cryogenic Equipment Co., Ltd.                 | 75,560,535.87                | -1,386,234.53  | -1,386,234.53               | -5,688,607.16                       |
| BTIC AMERICA CORPORATION                                      | 145,178,506.99               | 7,516,110.43   | 9,347,399.81                | 3,497,933.91                        |
| Shanghai Tianhai Composite Cylinders Co., Ltd.                | 31,040,590.10                | 2,339,474.77   | 2,339,474.77                | 2,977,050.45                        |
| Tianjin Tianhai High Pressure Container Co., Ltd.             | 238,400,613.78               | 2,097,598.30   | 2,097,598.30                | 1,722,388.79                        |
| Kuancheng Tianhai Pressure Container Co., Ltd.                | 45,189,122.01                | -13,003,308.76 | -13,003,308.76              | 2,588,158.72                        |
| Qingdao BYTQ United Digital Intelligence Co., Ltd.            | 26,548,672.50                | 7,528,374.32   | 7,528,374.32                | -1,931,445.57                       |

(Continued Table 3)

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

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

None.

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 4. Equity in joint ventures or associates

#### (1) Joint ventures and associates

| Name of associates and joint ventures                                  | Major business location       | Place of registration         | Nature of business | Shareholding proportion (%) |          | Accounting treatment of investment in associates and joint ventures |
|--|-------------------------------|-------------------------------|--------------------|-----------------------------|----------|---|
|  |                               |                               |                    | Direct                      | Indirect |   |
| Jiangsu Tianhai Special Equipment Co., Ltd.                            | Jiangsu Province<br>Zhenjiang | Jiangsu Province<br>Zhenjiang | Production         |                             | 27.461   | Equity method   |
| Beijing Bolken Energy Technology Inc.                                  | BEIJING                       | BEIJING                       | Production         |                             | 9.93     | Equity method   |
| Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.     | BEIJING                       | BEIJING                       | Lease              |                             | 49.00    | Equity method   |
| Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. | BEIJING                       | BEIJING                       | Production         |                             | 10.00    | Equity method   |

- 1) Jiangsu Tianhai was founded on 27 April 2015. It has a registered capital of 80 million yuan, which is jointly established by BTIC and Nanjing Bibo Industry & Commerce Industrial Co., Ltd. (hereinafter referred to as Nanjing Bibo), of which BTIC contributes 28 million yuan and holds 35% of its equity.

BTIC has invested in welding bottles and acetylene bottles worthy of 9,855,800 yuan (taking the equipment appraisal value of 9,855,800 yuan 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 18,144.2 million yuan (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 28 million yuan, accounting for 35% of the shares, while Nanjing Bibo invested 52 million yuan in cash, accounting for 65% of the shares.

In 2021, the new shareholder Zhenjiang Yucheng Venture Investment Partnership (Limited Partnership) ("Yucheng Venture") of Jiangsu Tianhai increased its capital by 21,962,938.00 yuan, so the shareholding proportion of BTIC in Jiangsu Tianhai was diluted to 27.4610% from 35.00%.

The board of directors of Jiangsu Tianhai is composed of 5 directors, including 1 director nominated by BTIC and 3 directors by Nanjing Bibo, and 1 director by Yucheng Venture. Jiangsu Tianhai does not have a board of supervisors, but has two supervisors, including one from BTIC and Nanjing Bibo respectively. Jiangsu Tianhai has one 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 BTIC; and one person in charge of technology and quality, nominated by BTIC. The daily management of Jiangsu Tianhai is mainly in the charge of the personnel sent by Nanjing Bibo. BTIC has a significant influence on Jiangsu Tianhai and is accounted for using the equity method.

- 2) Bolken was established in March 2005 with a registered capital of 63 million yuan. On 29 July 2015, it was listed on National Equities Exchange and Quotations, with the code of 833077. On 15 August 2018, Shaanxi Aerospace Science and Technology Corporation (hereinafter referred to as "Aerospace Science and Technology") listed its shareholding in Bolken's 10.91% equity (6,876,000 shares) for transfer. BTIC received the equity mentioned above by the mode of a transfer agreement on 6 September 2018 and paid the full price on 30 October. The equity change registration was completed at China Securities Depository and Clearing Corporation Limited on 7 November 2018, as well as procedures for industrial and commercial registration of changes on 22 February 2019.

In March 2022, Bolken issued a private placement of 6.25 million shares, so the shareholding proportion of BTIC in Bolken was passively diluted from 10.91% to 9.93%.

BTIC sent delegates to the Bolken board of directors on 7 December 2018, and participated in making financial and business policies of Bolken to exert significant influence on it and used the equity method to account.

- 3) The registered capital of Jingcheng Haitong was 80 million yuan. BTIC subscribed 39.20 million yuan in cash, holding 49% of the shares, and the subscription date is before 1 September 2021. Beijing Nengtong subscribed 40.80 million yuan in cash, holding 51% of the shares. The subscription date was 15 October 2018 for 20.40 million yuan, and 1 March 2019 for 20.10 million yuan. Up to the end of the period, Beijing Nengtong and BTIC have already fulfilled all the capital contribution obligations. Jingcheng Haitong has a board of directors with 5 members, including 2 directors from BTIC and 3 directors from Beijing Nengtong. The resolutions made by the board of directors shall not come into force unless they are approved by the directors with more than 4/5 (inclusive) of the voting rights. BTIC and Beijing Nengtong can realize joint control over Jingcheng Haitong, the equity method is adopted for accounting.

- 4) Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. (hereinafter referred to as Beijing Zhichuang Company) was established on 20 August 2020 by nine companies, including BTIC, a subsidiary of the Company, and Beiqi Foton Motor Co., Ltd., with the legal representative being Wu Xibin and registered capital of 100 million yuan, of which BTIC subscribed 10 million yuan, holding 10% equity, and the contribution shall be made prior to 31 December 2022. By the end of the period, BTIC has paid 3 million yuan. Beijing Zhichuang Company has a board of directors with 9 members and one director from BTIC. BTIC has a significant influence on Beijing Zhichuang Company and is accounted for by the equity method.

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 4. Equity in joint ventures or associates (Continued)

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

##### 1) Jiangsu Tianhai (associate)

| Item   | Ending balance/<br>Amount incurred in<br>the current period | Beginning balance/<br>Amount in the<br>previous period |
|--|---|--|
| Current assets   | 108,887,506.45  | 78,947,953.82  |
| Including: cash and cash equivalents                             | 40,325,704.06   | 6,650,729.15   |
| Non-current assets   | 236,985,704.98  | 197,065,666.03   |
| Total assets   | 345,873,211.43  | 276,013,619.85   |
| Current liabilities  | 88,671,957.65   | 99,094,030.58  |
| Non-current liabilities  | 79,000,000.00   | 10,000,000.00  |
| Total liabilities  | 167,671,957.65  | 109,094,030.58   |
| Non-controlling interests  | 0.00  | 0.00   |
| Shareholders' equity attributable to the parent company          | 178,201,253.78  | 166,919,589.27   |
| Share of net assets calculated by shareholding ratio             | 48,935,846.31   | 45,837,788.42  |
| Adjustments  | -6,413,928.00   | -6,413,928.00  |
| – Goodwill   | 0.00  | 0.00   |
| – Unrealized profit of internal transaction                      | -6,413,928.00   | -6,413,928.00  |
| – Others   | 0.00  | 0.00   |
| Book value of equity investment in associates                    | 42,521,918.31   | 39,423,860.42  |
| Fair value of equity investments in associates with public offer | 0.00  | 0.00   |
| Operating revenue  | 63,406,011.38   | 61,011,298.64  |
| Financial expenses   | 446,769.70  | 283,313.60   |
| Income tax expenses  | 1,838,747.61  | 637,551.05   |
| Net profit   | 11,281,664.51   | 3,612,789.22   |
| Net profit from discontinued operations                          | 0.00  | 0.00   |
| Other comprehensive income                                       | 0.00  | 0.00   |
| Total comprehensive incomes                                      | 11,281,664.51   | 3,612,789.22   |
| Dividend received from associates this period                    | 0.00  | 0.00   |

##### 2) Jingcheng Haitong (joint venture)

| Item   | Ending balance/<br>Amount incurred in<br>the current period | Beginning balance/<br>Amount in the<br>previous period |
|--|---|--|
| Current assets   | 78,019,160.95   | 61,982,334.93  |
| Including: cash and cash equivalents                             | 62,758,836.92   | 59,652,894.25  |
| Non-current assets   | 243,526,578.86  | 254,289,914.86   |
| Total assets   | 321,545,739.81  | 316,272,249.79   |
| Current liabilities  | 20,360,966.58   | 45,481,523.22  |
| Non-current liabilities  | 260,655,085.11  | 247,733,342.97   |
| Total liabilities  | 281,016,051.69  | 293,214,866.19   |
| Non-controlling interests  | 0.00  | 0.00   |
| Shareholders' equity attributable to the parent company          | 40,529,688.12   | 23,057,383.60  |
| Share of net assets calculated by shareholding ratio             | 19,859,547.17   | 11,298,117.96  |
| Adjustments  | 0.00  | 0.00   |
| – Goodwill   | 0.00  | 0.00   |
| – Unrealized profit of internal transaction                      | 0.00  | 0.00   |
| – Others   | 0.00  | 0.00   |
| Book value of equity investments to joint ventures               | 19,859,547.17   | 11,298,117.96  |
| Fair value of equity investments in associates with public offer | 0.00  | 0.00   |
| Operating revenue  | 32,139,312.56   | 24,898,023.32  |
| Financial expenses   | 5,432,288.17  | 238,168.12   |
| Income tax expenses  | 0.00  | 0.00   |
| Net profit   | 17,472,304.52   | 9,663,518.90   |
| Net profit from discontinued operations                          | 0.00  | 0.00   |
| Other comprehensive income                                       | 0.00  | 0.00   |
| Total comprehensive incomes                                      | 17,472,304.52   | 9,663,518.90   |
| Dividend received from associates this period                    | 0.00  | 0.00   |

# SECTION 10 FINANCIAL REPORT

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 4. Equity in joint ventures or associates (Continued)

#### (3) Summary of financial information of unimportant associates

| <b>Item</b>  | <b>Ending balance/<br/>Amount incurred in<br/>the current period</b> | Beginning balance/<br>Amount in the<br>previous period |
|--|--|--|
| Associates:  | -  | -  |
| Total book value of investment   | <b>32,805,431.74</b>   | 29,225,505.38  |
| Others   | <b>-297,877.25</b>   | -327,428.24  |
| Total of the following items calculated based on corresponding proportions | -  | -  |
| - Net profit   | <b>594,865.39</b>  | -179,947.94  |
| - Other comprehensive income   | <b>3,496.18</b>  | -1,117.81  |
| - Total comprehensive income   | <b>598,361.57</b>  | -181,065.75  |

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

# SECTION 10 FINANCIAL REPORT

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Group include loans, receivables, payables, etc.; refer to Note VI for detailed information of all financial instruments. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows. The management of the Group carries out management and supervision for these risk exposures to ensure that the above risks are controlled in the limited scope.

### Risk management objectives and policies

The Group's risk management aims to achieve a proper balance between risk and benefit, to minimize the negative effect of risks on the business performance of the Group, and to maximize the interest of shareholders and other equity investors. Based on the objective of risk management, the basic strategy of the Group's risk management is to determine and analyze all risks faced by the Group, to set up an appropriate bottom line of risk standing and to manage risks, as well as to supervise all risks in a timely and reliable manner and control the risk into the limited scope.

### 1. Market risks

#### (1) Exchange rate risk

Foreign exchange risk refers to risk of loss caused by change of exchange rate. Foreign exchange risks assumed by the Group are mainly related to USD and EUR. Apart from BTIC AMERICA CORPORATION, Jingcheng Holding (Hong Kong) Co., Ltd. and Beijing Tianhai Industry Co., Ltd, the subsidiaries of the Company that use USD and EURO to purchase and sell products, other main business activities of the Group are priced and settled in yuan. As of 30 June 2022, 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 yuan. Foreign currency risk associated with the assets and liabilities of such foreign currency balances may have influence on the Group's business performance.

| Item                            | 30 June 2022         |                      | 31 December 2021  |                   |
|---------------------------------|----------------------|----------------------|-------------------|-------------------|
|                                 | Original currency    | Equivalent to RMB    | Original currency | Equivalent to RMB |
| <b>Cash at bank and on hand</b> | -                    | <b>31,729,343.59</b> | -                 | 18,051,376.67     |
| USD                             | <b>4,025,805.90</b>  | <b>27,018,793.69</b> | 2,825,629.46      | 18,015,365.76     |
| EUR                             | <b>671,840.20</b>    | <b>4,708,524.86</b>  | 3,200.63          | 23,107.59         |
| HKD                             | <b>2,367.94</b>      | <b>2,025.04</b>      | 15,781.95         | 12,903.32         |
| <b>Accounts receivable</b>      | -                    | <b>84,300,738.75</b> | -                 | 55,683,978.03     |
| USD                             | <b>10,086,280.79</b> | <b>67,693,064.89</b> | 3,928,217.19      | 25,045,134.37     |
| EUR                             | <b>2,369,681.22</b>  | <b>16,607,673.86</b> | 4,243,783.49      | 30,638,843.66     |
| <b>Advances to suppliers</b>    | -                    | <b>9,466,546.72</b>  | -                 | 7,759,680.05      |
| USD                             | <b>827,439.65</b>    | <b>5,553,278.47</b>  | 1,202,778.05      | 7,668,551.99      |
| EUR                             | <b>558,368.28</b>    | <b>3,913,268.25</b>  | 12,622.14         | 91,128.06         |
| <b>Short-term borrowings</b>    | -                    | <b>5,369,120.00</b>  | -                 | 3,825,972.96      |
| USD                             | <b>800,086.73</b>    | <b>5,369,702.08</b>  | 600,086.73        | 3,825,972.96      |
| <b>Accounts payable</b>         | -                    | <b>14,095,662.15</b> | -                 | 8,249,676.21      |
| USD                             | <b>2,100,256.60</b>  | <b>14,095,662.15</b> | 1,111,545.91      | 7,086,883.29      |
| EUR                             | <b>0.00</b>          | <b>0.00</b>          | 161,058.34        | 1,162,792.92      |
| <b>Dividends payable</b>        | -                    | <b>0.00</b>          | -                 | 349,853.79        |
| USD                             | <b>0.00</b>          | <b>0.00</b>          | 54,873.00         | 349,853.79        |
| <b>Advances from customers</b>  | -                    | <b>39,951,921.72</b> | -                 | 34,082,915.43     |
| USD                             | <b>5,942,582.68</b>  | <b>39,883,049.40</b> | 5,321,940.13      | 33,931,093.66     |
| EUR                             | <b>9,827.11</b>      | <b>68,872.32</b>     | 21,028.82         | 151,821.77        |
| <b>Other payables</b>           | -                    | <b>7,790.79</b>      | -                 | 74,438.33         |
| USD                             | <b>1,160.83</b>      | <b>7,790.79</b>      | 11,675.32         | 74,438.33         |

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 basically 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)

#### 2. Credit risk

As of 30 June 2022, the greatest credit risk exposure causing the financial loss of the Group is mainly from the loss of the financial assets of the Group due to the failure of the other party to the contract in performing obligations, including:

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 book value 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, the Group set a special department responsible for confirming credit lines, performing credit review, and executing supervisory procedures, to ensure that necessary measures are taken to retrieve overdue credit. In addition, the Group reviews the recovery situation of each single receivable on each balance sheet date, to ensure the drawing of sufficient bad debt provision for irrecoverable amount. Therefore, the management believes that credit risks borne by the 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, 15.01% (14.47% for the previous period) and 31.03% (38.24% for the previous period) of 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. Qingdao AUCMA Wisdom Cold Chain Co., Ltd., the customer with the largest balance of accounts receivable at the end of the period, is a high-quality customer, so the Group has no significant credit risk.

The top five receivables totaled 117,319,901.08 yuan.

#### 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 negotiations with financial institutions, so as to maintain a certain credit line and reduce liquidity risk.

The Group takes bank loans as the main sources of funds. As of 30 June 2022, the amount of unused bank loans, bank acceptance notes and letters of credit of the Group was 106.23 million yuan (31 December 2021: 138 million yuan).

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

Amount as of 30 June 2022:

| Item  | Within 1 year  | 1-2 years | 2-5 years | Over 5 years | Total          |
|---|----------------|-----------|-----------|--------------|----------------|
| <b>Financial assets</b>                     |                |           |           |              |                |
| Cash at bank and on hand                    | 180,522,429.75 | 0.00      | 0.00      | 0.00         | 180,522,429.75 |
| Accounts receivable                         | 309,677,712.63 | 0.00      | 0.00      | 0.00         | 309,677,712.63 |
| Receivables financing                       | 19,461,177.94  | 0.00      | 0.00      | 0.00         | 19,461,177.94  |
| Other receivables                           | 12,048,141.50  | 0.00      | 0.00      | 0.00         | 12,048,141.50  |
| <b>Financial liabilities</b>                |                |           |           |              |                |
| Short-term borrowings                       | 85,369,702.08  | 0.00      | 0.00      | 0.00         | 85,369,702.08  |
| Notes payable                               | 80,099,959.43  | 0.00      | 0.00      | 0.00         | 80,099,959.43  |
| Accounts payable                            | 294,427,406.80 | 0.00      | 0.00      | 0.00         | 294,427,406.80 |
| Other payables                              | 156,941,772.26 | 0.00      | 0.00      | 0.00         | 156,941,772.26 |
| Employee compensation payable               | 15,727,901.14  | 0.00      | 0.00      | 0.00         | 15,727,901.14  |
| Non-current liabilities due within one year | 8,748,706.63   | 0.00      | 0.00      | 0.00         | 8,748,706.63   |

# SECTION 10 FINANCIAL REPORT

## X. DISCLOSURE OF FAIR VALUE

### 1. Ending fair value of 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 |                      |
| <b>I. Continuous fair value measurement</b>                       | –                              | –                              | –                              | –                    |
| (I) Financial assets held for trading                             | 0.00                           | 24,723.00                      | 0.00                           | 24,723.00            |
| Financial assets at fair value through profit or loss             | 0.00                           | 24,723.00                      | 0.00                           | 24,723.00            |
| Others  | 0.00                           | 24,723.00                      | 0.00                           | 24,723.00            |
| (II) Receivables financing  | 0.00                           | 0.00                           | 19,461,177.94                  | 19,461,177.94        |
| <b>Total amount of assets continuously measured at fair value</b> | <b>0.00</b>                    | <b>24,723.00</b>               | <b>19,461,177.94</b>           | <b>19,485,900.94</b> |

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

The evaluation technique of financial assets held for trading in the form of forward foreign exchange contract is discount cash flow, i.e. the future cash flow is calculated as per the observable forward exchange rate at the end of the period and the forward exchange rate of the contract and can reflect credit risks of enterprises in the same industry.

### 3. 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 with related parties

#### 1. Controlling shareholder and ultimate controller

##### (1) Controlling shareholder and ultimate controller

| Name of controlling shareholder and ultimate controller | Place of registration                           | Nature of business  | Registered capital (10,000 yuan) | Shareholding proportion (%) to the Company | Proportion (%) of voting right to the Company |
|---|---|---------------------|----------------------------------|--|---|
| Beijing Jingcheng Machinery Electric Holding Co., Ltd.  | Beijing Economic-Technological Development Area | Commercial services | 235,563.71                       | 46.24                                      | 46.24   |

##### (2) Registered capital of controlling shareholder and the changes (Unit: 10,000 yuan)

| Controlling shareholder                                | Beginning balance | Increase in the current period | Decrease in the current period | Ending balance |
|--|-------------------|--------------------------------|--------------------------------|----------------|
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | 235,563.71        | 0.00                           | 0.00                           | 235,563.71     |

##### (3) Shareholding or equity of controlling shareholder and the changes (Unit: 10,000 yuan)

| Controlling shareholder                                | Amount of shareholding |                   | Shareholding proportion (%) |                      |
|--|------------------------|-------------------|-----------------------------|----------------------|
|  | Ending balance         | Beginning balance | Ending proportion           | Beginning proportion |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | 24,573.5052            | 24,573.5052       | 46.24                       | 50.67                |

# SECTION 10 FINANCIAL REPORT

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

### (I) Relationship with related parties (Continued)

#### 2. Subsidiaries

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

#### 3. Joint ventures and associates

For details of important joint ventures or associates of the Group, please refer to contents of "VIII. 4. (1) Important joint ventures or associates" in the Notes. The information of other joint ventures or associates which produced balance for conducting related-party transactions with the Group in this period or in the earlier period is shown as follows:

| Name of joint venture or associates                                    | Relationship with the Company |
|--|-------------------------------|
| Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.     | Joint ventures                |
| Beijing Bolken Energy Technology Inc.                                  | Associates                    |
| Jiangsu Tianhai Special Equipment Co., Ltd.                            | Associates                    |
| Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. | Associates                    |

#### 4. Other related parties

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

### (II) Related 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 transaction | Amount in the current period | Amount in the previous period |
|---|--------------------------------------|------------------------------|-------------------------------|
| Jiangsu Tianhai Special Equipment Co., Ltd.               | Procurement of goods                 | 14,413,673.23                | 30,755,424.59                 |
| Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd. | Procurement of goods                 | 5,891,161.94                 | 0.00                          |
| Beijing Jingcheng Zhitong Robot Technology Co., Ltd.      | Procurement of goods                 | 1,106,194.68                 | 0.00                          |
| <b>Total</b>  | –                                    | <b>21,411,029.85</b>         | 30,755,424.59                 |

##### (2) Sales of goods/rendering services

| Related Party  | Content of related party transaction       | Amount in the current period | Amount in the previous period |
|--|--|------------------------------|-------------------------------|
| Jiangsu Tianhai Special Equipment Co., Ltd.                | Sales of goods Rendering of labor services | 28,246,092.24                | 19,108,555.99                 |
| Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.  | Sales of goods                             | 0.00                         | 360,357.52                    |
| Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. | Sales of goods                             | 636,785.82                   | 0.00                          |
| <b>Total</b>   | –  | <b>28,882,878.06</b>         | 19,468,913.51                 |

# SECTION 10 FINANCIAL REPORT

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

### (II) Related transaction (Continued)

#### 2. Related party lease

| Lessor   | Name of lessee | Type of leased assets | Lease expenses recognized in current period | Lease expenses recognized in previous period |
|--|----------------|-----------------------|---|--|
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | The Company    | Houses                | 149,449.55                                  | 274,650.00                                   |

#### 3. Related party guarantees

As the guaranteed party

| Guarantor  | Guaranteed amount | From      | To        | Guarantee has been performed or not |
|--|-------------------|-----------|-----------|-------------------------------------|
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | 20,000,000.00     | 2021-8-12 | 2022-8-12 | No                                  |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | 30,000,000.00     | 2021-9-8  | 2022-9-8  | No                                  |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. | 30,000,000.00     | 2021-9-28 | 2022-9-28 | No                                  |

#### 4. Fund lending/borrowing of related parties

| Name of related parties  | Amount of inter-bank lending | Starting date | Expiry date | Remarks |
|--|------------------------------|---------------|-------------|---------|
| <b>Lending</b>   |                              |               |             |         |
| Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. | 3,000,000.00                 | 2019-3-29     | 2024-3-28   | -       |
| <b>Borrowing</b>   |                              |               |             |         |
| Beijing Jingcheng Machinery Electric Holding Co., Ltd.             | 40,000,000.00                | 2022-5-31     | 2022-12-31  | -       |

#### 5. Interest expenses/incomes of related parties

| Name of related parties   | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Beijing Jingcheng Machinery Electric Holding Co., Ltd. (interest expense)                 | 131,555.56                   | 0.00                          |
| Zheng Guoxiang (interest expense)   | 0.00                         | 219,641.57                    |
| Guo Zhihong (interest expense)  | 0.00                         | 219,641.57                    |
| Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd. (interest revenue) | 70,664.39                    | 70,664.39                     |

# SECTION 10 FINANCIAL REPORT

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

### (II) Related transaction (Continued)

#### 6. Remuneration of key management personnel

| Item               | Amount in the current period | Amount in the previous period |
|--------------------|------------------------------|-------------------------------|
| Total compensation | <b>2,051,788.45</b>          | 2,197,291.88                  |

#### 7. Continuing connected transactions

The connected transactions disclosed in Item 7 “Miscellaneous” of Article 10 “Significant Related Transactions” of Section 6 “Important Matters” of the Company’s 2022 Interim Report also constitute the connected transactions or continuing connected 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 transactions with related parties

#### 1. Receivables

| Item                  | Related party  | Ending balance      |                    | Beginning balance |                    |
|-----------------------|--|---------------------|--------------------|-------------------|--------------------|
|                       |  | Book balance        | Bad debt provision | Book balance      | Bad debt provision |
| Accounts receivable   | Jiangsu Tianhai Special Equipment Co., Ltd.                        | <b>295,109.65</b>   | <b>4,751.27</b>    | 0.00              | 0.00               |
|                       | Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.         | <b>809,691.50</b>   | <b>110,561.53</b>  | 1,567,883.90      | 25,242.93          |
|                       | Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.           | <b>4,729,086.66</b> | <b>76,138.30</b>   | 7,706,543.98      | 124,075.36         |
| Other receivables     | Jiangsu Tianhai Special Equipment Co., Ltd.                        | <b>42,466.62</b>    | <b>356.72</b>      | 40,821.80         | 657.23             |
|                       | Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. | <b>3,563,942.40</b> | <b>90,024.88</b>   | 3,539,815.75      | 29,734.45          |
| Advances to suppliers | Beijing Jingcheng Zhitong Robot Technology Co., Ltd.               | <b>2,439,000.00</b> | <b>0.00</b>        | 0.00              | 0.00               |

#### 2. Payables

| Item  | Related party  | Ending balance       | Beginning balance |
|---|--|----------------------|-------------------|
| Accounts payable                            | Beijing Jingcheng Industrial Logistics Co., Ltd.                       | <b>902,227.27</b>    | 902,227.27        |
|   | Jiangsu Tianhai Special Equipment Co., Ltd.                            | <b>1,948,709.42</b>  | 3,892,348.41      |
|   | Tianjin TPCO Investment Co., Ltd.                                      | <b>2,817,736.84</b>  | 2,925,832.73      |
|   | Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.               | <b>11,557,951.37</b> | 28,041,299.15     |
| Contract liabilities                        | Beijing Jingcheng Zhitong Robot Technology Co., Ltd.                   | <b>312,500.00</b>    | 0.00              |
|   | Jiangsu Tianhai Special Equipment Co., Ltd.                            | <b>475,657.13</b>    | 92,885.46         |
|   | Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.               | <b>0.00</b>          | 1,340,339.44      |
| Other payables                              | Beijing Jingcheng Machinery Electric Holding Co., Ltd.                 | <b>40,131,555.56</b> | 1,160.83          |
|   | Beijing First Machine Tool Plant                                       | <b>7,359.09</b>      | 7,359.09          |
|   | Tianjin TPCO Investment Co., Ltd.                                      | <b>1,517,866.95</b>  | 2,814,772.38      |
| Dividends payable                           | Zheng Guoxiang   | <b>0.00</b>          | 174,926.90        |
|   | Guo Zhihong  | <b>0.00</b>          | 174,926.89        |
| Non-current liabilities due within one year | Beiqing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. | <b>7,000,000.00</b>  | 7,000,000.00      |

## SECTION 10 FINANCIAL REPORT

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

#### (IV) Commitments by related parties

The registered capital of Beijing Zhichuang Company, an associated enterprise of BTIC (the Company's subsidiary), was 100 million yuan, of which BTIC subscribed 10 million yuan, holding 10% of the shares, and the subscription date is before 31 December 2022. As of 30 June 2022, the unpaid capital contribution was 7 million yuan.

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

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

| Item                                 | Salary and allowance | Contribution to retirement fund plan | Bonus             | Share-based payment | Total               |
|--------------------------------------|----------------------|--------------------------------------|-------------------|---------------------|---------------------|
| <b>Amount in the current period</b>  |                      |                                      |                   |                     |                     |
| <b>Executive Director</b>            |                      |                                      |                   |                     |                     |
| Li Junjie                            | 112,398.00           | 104,497.98                           | 66,000.00         | 0.00                | 282,895.98          |
| Zhang Jiheng                         | 112,398.00           | 105,259.92                           | 66,000.00         | 0.00                | 283,657.92          |
| <b>Supervisor</b>                    |                      |                                      |                   |                     |                     |
| Li Zhe                               | 121,200.00           | 105,259.92                           | 59,400.00         | 0.00                | 285,859.92          |
| Wen Jinhua                           | 58,698.00            | 90,751.74                            | 43,458.00         | 0.00                | 192,907.74          |
| <b>Total</b>                         | <b>404,694.00</b>    | <b>405,769.56</b>                    | <b>234,858.00</b> | <b>0.00</b>         | <b>1,045,321.56</b> |
| <b>Amount in the previous period</b> |                      |                                      |                   |                     |                     |
| <b>Executive Director</b>            |                      |                                      |                   |                     |                     |
| Li Junjie                            | 112,400.00           | 102,129.94                           | 54,998.00         | 0.00                | 269,527.94          |
| Zhang Jiheng                         | 112,400.00           | 101,508.86                           | 54,998.00         | 0.00                | 268,906.86          |
| <b>Supervisor</b>                    |                      |                                      |                   |                     |                     |
| Li Zhe                               | 121,200.00           | 101,508.86                           | 49,500.00         | 0.00                | 272,208.86          |
| Liu Guangling                        | 68,922.00            | 91,933.60                            | 53,005.00         | 0.00                | 213,860.60          |
| Wen Jinhua                           | 58,698.00            | 61,964.00                            | 35,800.00         | 0.00                | 156,462.00          |
| <b>Total</b>                         | <b>473,620.00</b>    | <b>446,264.09</b>                    | <b>292,048.71</b> | <b>0.00</b>         | <b>1,180,966.26</b> |

Executive directors and non-executive directors do not collect directors' fees in the Company, and supervisors do not collect supervisors' fees in the Company. Executive directors (except chairman) and supervisors have the right to collect 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 Note "XI.(V).1". Compensation for the other 2 (in the previous period: 2) is as follows:

| Item                                 | Amount in the current period | Amount in the previous period |
|--------------------------------------|------------------------------|-------------------------------|
| Salary and allowance                 | 239,649.00                   | 222,492.00                    |
| Contribution to retirement fund plan | 208,995.96                   | 204,259.88                    |
| Year-end bonus                       | 117,150.00                   | 124,500.00                    |
| <b>Total</b>                         | <b>565,794.96</b>            | <b>551,251.88</b>             |

Scope of compensation:

| Item                         | Number of people for the current period | Number of people for the previous period |
|------------------------------|---|--|
| Within HKD1,000,000          | 5                                       | 5  |
| HKD1,000,001 to HKD1,500,000 |   |  |
| HKD1,500,001 to HKD2,000,000 |   |  |
| HKD2,000,001 to HKD2,500,000 |   |  |

# 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:

| <b>Item</b>                          | <b>Amount in the current period</b> | <b>Amount in the previous period</b> |
|--------------------------------------|-------------------------------------|--------------------------------------|
| Salary and allowance                 | <b>810,335.00</b>                   | 893,842.00                           |
| Contribution to retirement fund plan | <b>766,762.45</b>                   | 834,783.88                           |
| Bonus                                | <b>474,691.00</b>                   | 468,666.00                           |
| <b>Total</b>                         | <b>2,051,788.45</b>                 | 2,197,291.88                         |

### (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

The Group has no share-based payment as of 30 June 2022.

## XIII. CONTINGENCIES

There are no significant contingencies for the Group as of 30 June 2022.

## XIV. COMMITMENTS

The Group has no other significant commitments as of 30 June 2022.

## XV. EVENTS AFTER THE BALANCE SHEET DATE

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

| <b>Item</b>   | <b>Paid amount</b> |
|---|--------------------|
| Accounts payable with significant amount and aging of over 1 year | 0.00               |
| Other payables with significant amount and aging 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. Acquisition of 2% equity of Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.

The Company held the 8th Meeting of the Tenth Board of Directors on 28 April 2022 and the General Meeting of 2021 on 9 June 2022, respectively, which reviewed and adopted the Proposal on the Acquisition of 2% Equity of Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. Held by Beijing Nengtong Lease Company by Beijing Tianhai Industry Co., Ltd., and agreed that BTIC, a subsidiary of the Company, acquires 2% equity of Jingcheng Haitong held by Beijing Nengtong, with a transfer price of 461,732 yuan. After the transaction, the registered capital of Jingcheng Haitong is still 80 million yuan, and the contribution and equity ratio of shareholders of both parties are changed to: BTIC contributes 40.80 million yuan, with an equity ratio of 51%, and Beijing Nengtong contributes 39.2 million yuan, with an equity ratio of 49%.

Jingcheng Haitong has completed the industrial and commercial change registration procedures such as change of capital contribution and the equity ratio of shareholders and filing the Articles of Association on 4 July 2022, and obtained a new business license. On the same day, both parties completed the delivery of assets, and BTIC obtained the controlling interest of Jingcheng Haitong and incorporated it into the consolidation scope of the Company.

2. Apart from the above matters, the Group has no other significant matters as of the date of the auditor's report.

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

### 1. Accounts receivable

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

| Type   | Book balance         |                | Ending balance     |                          | Book value           |
|--|----------------------|----------------|--------------------|--------------------------|----------------------|
|  | Amount               | Proportion (%) | Bad debt provision |                          |                      |
|  |                      |                | Amount             | Provision proportion (%) |                      |
| Allowance for bad debts made on a collective basis | 19,779,200.00        | 100.00         | 318,445.12         | –                        | 19,460,754.88        |
| Including: aging portfolio                         | 19,779,200.00        | 100.00         | 318,445.12         | 1.61                     | 19,460,754.88        |
| <b>Total</b>                                       | <b>19,779,200.00</b> | <b>100.00</b>  | <b>318,445.12</b>  | <b>–</b>                 | <b>19,460,754.88</b> |

(Continued)

| Type   | Book balance         |                | Beginning balance  |                          | Book value          |
|--|----------------------|----------------|--------------------|--------------------------|---------------------|
|  | Amount               | Proportion (%) | Bad debt provision |                          |                     |
|  |                      |                | Amount             | Provision proportion (%) |                     |
| Allowance for bad debts made on a collective basis | 10,152,000.00        | 100.00         | 163,447.20         | –                        | 9,988,552.80        |
| Including: aging portfolio                         | 10,152,000.00        | 100.00         | 163,447.20         | 1.61                     | 9,988,552.80        |
| <b>Total</b>                                       | <b>10,152,000.00</b> | <b>100.00</b>  | <b>163,447.20</b>  | <b>–</b>                 | <b>9,988,552.80</b> |

Bad debt provision of accounts receivable made by aging portfolio

| Aging         | Ending balance |                    |               |
|---------------|----------------|--------------------|---------------|
|               | Book balance   | Bad debt provision | Provision (%) |
| Within 1 year | 19,779,200.00  | 318,445.12         | 1.61          |

# SECTION 10 FINANCIAL REPORT

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

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable are listed by age

| Aging                     | Ending balance | Beginning balance |
|---------------------------|----------------|-------------------|
| Within 1 year (inclusive) | 19,779,200.00  | 10,152,000.00     |

#### (3) Bad debt provision of accounts receivable in current period

| Type   | Beginning balance | Amount of change in current period |                      |                                |        | Ending balance |
|--|-------------------|------------------------------------|----------------------|--------------------------------|--------|----------------|
|  |                   | Provision                          | Recovery or reversal | Amounts charged or written off | Others |                |
| Provision for bad debts of accounts receivable | 163,447.20        | 154,997.92                         | 0.00                 | 0.00                           | 0.00   | 318,445.12     |

#### (4) Ending accounts receivable classified based on borrowers

| Company Name                                | Ending balance       | Aging         | Proportion to total amount of balance carried forward of accounts receivable (%) | Ending balance of bad debt provision |
|---|----------------------|---------------|--|--------------------------------------|
| Qingdao Lanjing Technology Co., Ltd.        | 10,152,000.00        | Within 1 year | 51.33  | 163,447.20                           |
| Chongqing Haier Air Conditioner Co., Ltd.   | 4,700,000.00         | Within 1 year | 23.76  | 75,670.00                            |
| Chongqing Haier Washing Appliance Co., Ltd. | 4,927,200.00         | Within 1 year | 24.91  | 79,327.92                            |
| <b>Total</b>                                | <b>19,779,200.00</b> | -             | <b>100.00</b>  | <b>318,445.12</b>                    |

### 2. Other receivables

| Item                 | Ending balance        | Beginning balance     |
|----------------------|-----------------------|-----------------------|
| Interest receivable  | 30,833,548.12         | 40,433,548.12         |
| Dividends receivable | 0.00                  | 0.00                  |
| Other receivables    | 343,000,991.60        | 343,000,991.60        |
| <b>Total</b>         | <b>373,834,539.72</b> | <b>383,434,539.72</b> |

#### 2.1 Interest receivable

##### (1) Classification of interest receivable

| Item                                      | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Interest on borrowings between affiliates | 30,833,548.12  | 40,433,548.12     |

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

Interests receivable for the current 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 MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 2. Other receivables (Continued)

#### 2.2 Other receivables

| Nature                   | Ending book balance   | Beginning book balance |
|--------------------------|-----------------------|------------------------|
| Other receivables        | 343,001,000.00        | 343,001,000.00         |
| Less: Bad debt provision | 8.40                  | 8.40                   |
| <b>Net value</b>         | <b>343,000,991.60</b> | <b>343,000,991.60</b>  |

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

| Nature                      | Ending book balance   | Beginning book balance |
|-----------------------------|-----------------------|------------------------|
| Concerned borrowings        | 340,000,000.00        | 340,000,000.00         |
| Concerned intercourse funds | 3,000,000.00          | 3,000,000.00           |
| Employee provision          | 1,000.00              | 1,000.00               |
| <b>Total</b>                | <b>343,001,000.00</b> | <b>343,001,000.00</b>  |

#### (2) Other receivables listed as per aging

| Aging                     | Ending balance        | Beginning balance     |
|---------------------------|-----------------------|-----------------------|
| Within 1 year (inclusive) | 1,000.00              | 3,001,000.00          |
| 1 – 2 years               | 3,000,000.00          | 0.00                  |
| 2 – 3 years               | 0.00                  | 0.00                  |
| Over 3 years              | 340,000,000.00        | 340,000,000.00        |
| Including: 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        |
| <b>Total</b>              | <b>343,001,000.00</b> | <b>343,001,000.00</b> |

#### (3) Other receivables – bad debt provision

| Bad debt provision  | Stage I                                       | Stage II   | Stage III   | Total       |
|---|---|--|---|-------------|
|   | Expected credit losses for the next 12 months | Expected credit loss within the whole duration (no credit impairment occurs) | Expected credit loss within the whole duration (credit impairment has occurred) |             |
| Balance on 1 January 2022   | 0.00  | 8.40   | 0.00  | 8.40        |
| Book balance of other receivables on 1 January 2022 in the current period | –   | –  | –   | –           |
| – transfer to Stage 2   | 0.00  | 0.00   | 0.00  | 0.00        |
| – transfer to Stage 3   | 0.00  | 0.00   | 0.00  | 0.00        |
| – back to Stage 2   | 0.00  | 0.00   | 0.00  | 0.00        |
| – back to Stage 1   | 0.00  | 0.00   | 0.00  | 0.00        |
| Provision in the current period   | 0.00  | 0.00   | 0.00  | 0.00        |
| Reversal in the current period  | 0.00  | 0.00   | 0.00  | 0.00        |
| Write-off in the current period   | 0.00  | 0.00   | 0.00  | 0.00        |
| Cancellation in the current period  | 0.00  | 0.00   | 0.00  | 0.00        |
| Other changes   | 0.00  | 0.00   | 0.00  | 0.00        |
| <b>Balance on 30 June 2022</b>  | <b>0.00</b>                                   | <b>8.40</b>  | <b>0.00</b>   | <b>8.40</b> |

# SECTION 10 FINANCIAL REPORT

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

### 2. Other receivables (Continued)

#### 2.2 Other receivables (Continued)

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

(5) *Other receivables classified as per the borrower*

| Company name                       | Nature           | Ending balance        | Aging         | Proportion in total ending balance of other receivables (%) | Ending balance of bad debt provision |
|------------------------------------|------------------|-----------------------|---------------|---|--------------------------------------|
| Beijing Tianhai Industry Co., Ltd. | Current accounts | 343,000,000.00        | Over 5 years  | 99.99   | 0.00                                 |
| Guo Junxiang                       | Pretty cash      | 1,000.00              | Within 1 year | 0.01  | 8.40                                 |
| <b>Total</b>                       | –                | <b>343,001,000.00</b> | –             | <b>100.00</b>   | <b>8.40</b>                          |

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

| Item  | Ending balance          |                          |                         | Beginning balance     |                          |                       |
|---|-------------------------|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|
|   | Book balance            | Provision for impairment | Book value              | Book balance          | Provision for impairment | Book value            |
| Investment in subsidiaries                  | 1,209,348,125.05        | 0.00                     | 1,209,348,125.05        | 902,148,125.05        | 0.00                     | 902,148,125.05        |
| Investment in associates and joint ventures | 0.00                    | 0.00                     | 0.00                    | 0.00                  | 0.00                     | 0.00                  |
| <b>Total</b>                                | <b>1,209,348,125.05</b> | <b>0.00</b>              | <b>1,209,348,125.05</b> | <b>902,148,125.05</b> | <b>0.00</b>              | <b>902,148,125.05</b> |

#### (2) Investment in subsidiaries

| Investees  | Beginning balance     | Increase in the current period | Decrease in the current period | Ending balance          | Provision for impairment in the current period | Ending balance of provision for impairment |
|--|-----------------------|--------------------------------|--------------------------------|-------------------------|--|--|
| Beijing Tianhai Industry Co., Ltd.                 | 760,104,096.95        | 0.00                           | 0.00                           | 760,104,096.95          | 0.00   | 0.00                                       |
| Jingcheng Holding (Hong Kong) Co., Ltd.            | 142,044,028.10        | 0.00                           | 0.00                           | 142,044,028.10          | 0.00   | 0.00                                       |
| Qingdao BYTQ United Digital Intelligence Co., Ltd. | 0.00                  | 307,200,000.00                 | 0.00                           | 307,200,000.00          | 0.00   | 0.00                                       |
| <b>Total</b>                                       | <b>902,148,125.05</b> | <b>307,200,000.00</b>          | <b>0.00</b>                    | <b>1,209,348,125.05</b> | <b>0.00</b>                                    | <b>0.00</b>                                |

### 4. Operating revenues and operating costs

| Item             | Amount in the current period |             | Amount in the previous period |             |
|------------------|------------------------------|-------------|-------------------------------|-------------|
|                  | Revenue                      | Cost        | Revenue                       | Cost        |
| Main business    | 0.00                         | 0.00        | 0.00                          | 0.00        |
| Other businesses | 212,991.15                   | 0.00        | 0.00                          | 0.00        |
| <b>Total</b>     | <b>212,991.15</b>            | <b>0.00</b> | <b>0.00</b>                   | <b>0.00</b> |

# SECTION 10 FINANCIAL REPORT

## VIII. APPROVAL ON FINANCIAL STATEMENTS

The financial report is released after being approved by the Board of Directors of the Company on 11 August 2022.

### Supplementary information of financial statements

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

| Item  | Amount in the current period | Remarks    |
|---|------------------------------|------------|
| Profit and loss of non-current assets disposal  | 0.00                         |            |
| Government subsidies included in the current profit and loss  | 1,834,312.92                 | VI. 44     |
| Reversal of the provision assessed for impairment on an individual basis  | 1,397,189.50                 | VI. 4      |
| Other non-operating revenue and expenses than the above items   | -343,830.91                  | VI. 50, 51 |
| Debt restructuring  | 783,874.87                   | VI. 45     |
| In addition to the effective hedging business related to the normal business of the Company, profits and losses from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and debt instruments at FVTOCI. | 501,366.53                   | VI. 45, 46 |
| Other losses and profits conforming to the definition of extraordinary gains and losses   | 0.00                         |            |
| Subtotal  | 4,172,912.91                 |            |
| Less: amount affected by income tax   | 0.00                         |            |
| Effect on non-controlling interests (after-tax)   | 852,512.98                   |            |
| <b>Total</b>  | <b>3,320,399.93</b>          | <b>-</b>   |

#### 2. Return on equity 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 during the reporting period   | Weighted average return on net assets (%) | Earnings per share (yuan/share) |                            |
|--|---|---------------------------------|----------------------------|
|  |   | Basic earnings per share        | Diluted earnings per share |
| Net profit attributable to common shareholders of the parent company   | 1.54                                      | 0.02                            | 0.02                       |
| Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss | 1.06                                      | 0.02                            | 0.02                       |

#### 3. Dividend

No dividend was paid or declared during the first half of 2022. No dividend was declared after the end of the reporting period (first half of 2021: none).

Beijing Jingcheng Machinery Electric Co., Ltd.

11 August 2022