

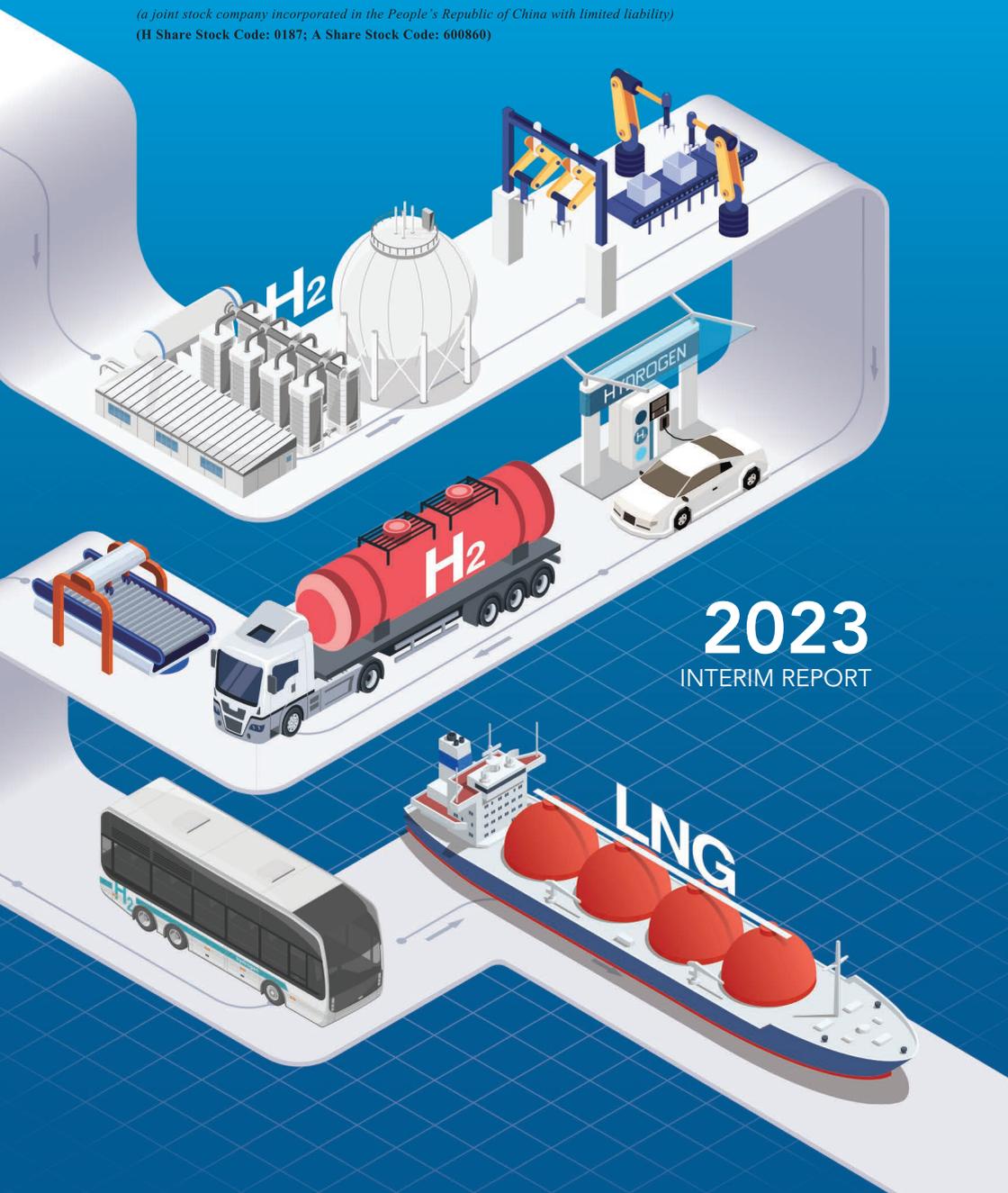


北京京城機電股份有限公司

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)



2023

INTERIM REPORT

IMPORTANT NOTES

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 2023 Interim Report has not been audited.
4. Mr. Li Junjie, 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 authenticity, 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 passed 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 and other related parties 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 NOTES

10. IMPORTANT RISK WARNINGS

1. Notes on Matters Relating to the Non-public Issuance of Shares for 2022 of the Company

The Company held the nineteenth extraordinary meeting of the tenth session of the Board and the twenty-seventh meeting of the tenth session of the Supervisory Committee on 16 November 2022, at which the “Resolution in relation to the Proposal for the Company’s Non-public Issuance of A Shares”, the “Resolution in relation to the Company’s Proposal for Non-public Issuance of A Shares”, the “Resolution in relation to the Feasibility Analysis Report on the Use of Proceeds Raised From the Non-public Issuance of A Shares for 2022 of Beijing Jingcheng Machinery Electric Company Limited” and other resolutions were considered and passed.

On 24 July 2023, the Company held the third extraordinary meeting of the eleventh session of the Board and the fourth meeting of the eleventh session of the Supervisory Committee, at which it considered and passed the “Resolution in relation to the Termination of 2022 Proposed Non-public Issuance of A Shares of the Company” (《關於公司終止2022年度非公開發行股票事項的議案》). The Company and Beijing Jingcheng Machinery Electric Holding Co., Ltd. had friendly consultations and unanimously decided to sign the “Subscription Termination Agreement to Terminate the Share Subscription Agreement” (《股份認購協議之終止協議》) and the “Acquisition Termination Agreement to Terminate the Asset Acquisition Framework Agreement by Cash Payment” (《支付現金購買資產框架協議之終止協議》). The Board of the Company will fulfil its information disclosure obligations in a timely manner according to the subsequent progress. Investors are advised to pay attention to the relevant announcements of the Company and be aware of the investment risks.

2. Note on the 2023 Restricted Share Incentive Scheme of the Company

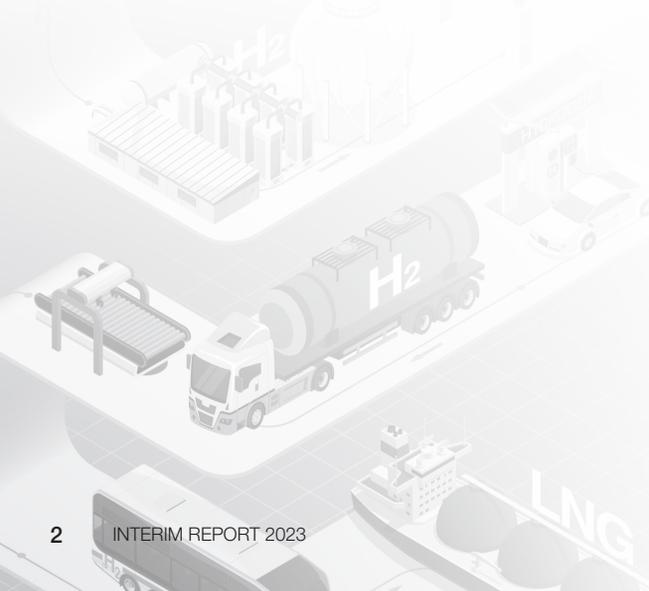
For the purpose of further establishing and improving the long-term incentive mechanism, attracting and retaining outstanding talents, fully mobilising the enthusiasm of the core personnel of the Company, and effectively integrating the interests of the Shareholders with that of the Company and its employees, the Company convened the twenty-second extraordinary meeting of the tenth session of the Board and the twenty-ninth meeting of the tenth session of the Supervisory Committee on 24 March 2023, at which resolutions in relation to the share incentive scheme, including the ‘Resolution in relation to the 2023 Restricted Share Incentive Scheme (Draft) of the Company and its Abstract’, were considered and passed.

The Company disclosed on 26 June 2023 that it has received from the State-owned Assets Supervision and Administration Commission of Beijing Municipal Government (“Beijing SASAC”) the “Approval for the Implementation of the Share Incentive Scheme by Beijing Jingcheng Machinery Electric Company Limited” (《關於北京京城機電股份有限公司實施股權激勵計劃的批覆》). The Beijing SASAC has agreed in principle to the implementation of the Share Incentive Scheme by the Company.

The Company held the second meeting of the eleventh Supervisory Committee on 28 June 2023 and considered and passed the “Resolution in relation to Verification of the List of Participants for the Initial Grant of the 2023 Restricted Share Incentive Scheme of the Company” (《關於核實公司2023年限制性股票激勵計劃首次授予激勵對象名單的議案》). The Board of the Company will expeditiously handle the subsequent relevant matters in relation to the Share Incentive Scheme and fulfil its information disclosure obligations in a timely manner according to the progress of implementation. Investors are advised to pay attention to the relevant announcements of the Company and be aware of the investment risks.

11. Others

Applicable Not Applicable



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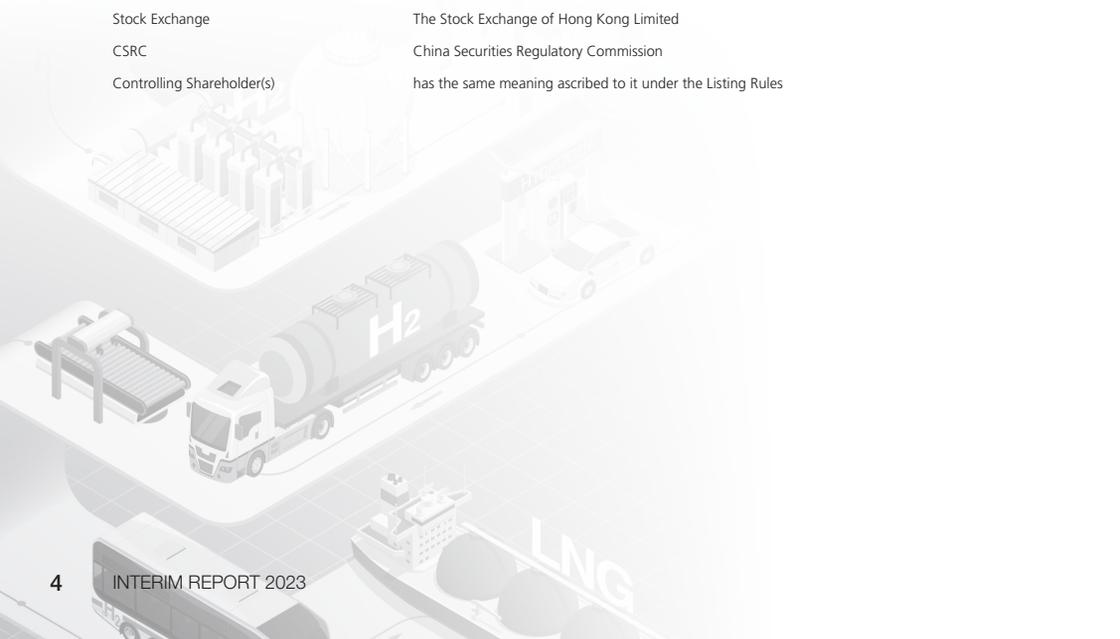
- Documents available for inspection
1. Original copy of the 2023 interim report, which has been signed by the chairman.
 2. Original copy of the auditor's financial report signed and chopped by the Company's legal representative, the person in charge of accounting and the person in charge of the accounting 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 the context otherwise requires, the following terms should have the following meanings in this report:

Definition of frequently used terms

Company or JINGCHENG MAC	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 SSE
Beiren Holdings	Beiren Printing Machinery Holdings Limited (the former name of the Company)
Group	the Company and its subsidiaries
Jingcheng Machinery Electric (controlling shareholder and actual controller)	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 45.32% equity interest in the Company
Beiren Group	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Machinery Electric, and was the former controlling shareholder of the Company
Tianhai Industrial or BTIC	Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a subsidiary of the Company
BYTQ	Qingdao BYTQ United Digital Intelligence Co., Ltd., a subsidiary of the Company
Jingcheng HK	Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company
Tianjin Tianhai	Tianjin Tianhai High Pressure Container Co., Ltd, an indirect subsidiary of the Company
Board	the board of directors of the Company
Supervisory Committee	the supervisory committee of the Company
Director(s)	the director(s) of the Company
Supervisor(s)	the supervisor(s) of the Company
Shareholder(s)	the holder(s) of the Company's shares
Connected person(s)	has the same meaning ascribed to it under the Listing Rules
Share(s) of the Company	unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
Reporting Period	the period from 1 January 2023 to 30 June 2023
SSE	the Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
CSRC	China Securities Regulatory Commission
Controlling Shareholder(s)	has the same meaning ascribed to it under the Listing Rules



SECTION 1 DEFINITION

Listing Rules	the Rules Governing the Listing of Securities on the SSE and the Rules Governing the Listing of Securities on the Stock Exchange
PRC Accounting Standards for Business Enterprises	PRC Accounting Standards for Business Enterprises
RMB	Renminbi, the lawful currency of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
USD	United States dollars, the lawful currency of the United States of America
LNG	abbreviation of liquefied natural gas
CNG	abbreviation of compressed natural gas
Station, filling station	the station where automobiles are filled with LNG or CNG
Industrial gas cylinder	collective name for the cylinders that are filled with industrial gas
Type IV Cylinders	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	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	the issue of shares and payment of cash in consideration of acquiring certain equity interests in BYTQ and fund raising
Jingcheng Haitong	Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.* (北京京城海通科技文化發展有限公司)
Beiren Equipment	Beijing Beiren Printing Equipment Co., Ltd.* (北京北人印刷設備有限公司)
Asset Company	Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.* (a wholly owned subsidiary of Jingcheng Machinery Electric (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
CSDC	China Securities Depository and Clearing Corporation Limited
Minghui Tianhai	Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.* (北京明暉天海氣罐儲運裝備銷售有限公司)
Tianhai Cryogenic	Beijing Tianhai Cryogenic Equipment Co., Ltd.* (北京天海低溫設備有限公司)
Tianjin Tianhai	Tianjin Tianhai High Pressure Container Co., Ltd.* (天津天海高壓容器有限責任公司)
Shanghai Tianhai	Shanghai Tianhai Composite Cylinders Co., Ltd.* (上海天海複合氣瓶有限公司)
Kuancheng Tianhai	Kuancheng Tianhai Pressure Container Co., Ltd.* (寬城天海壓力容器有限公司)
Tianhai Hydrogen	Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.* (北京天海氫能裝備有限公司)
Jiangsu Tianhai	Jiangsu Tianhai Special Equipment Co., Ltd.* (江蘇天海特種裝備有限公司)
Beijing Nengtong	Beijing Nengtong Lease Company* (北京能通租賃公司)
Qingdao Eternal	Qingdao Eternal Economic Information Consulting Co., Ltd.* (青島艾特諾經濟信息諮詢有限公司)

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	Mr. Li Junjie

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: No. 44, Guangqu Road South, Chaoyang District, Beijing, China; Registered office from 7 January 2004 to 31 October 2013: No. 6 Rongchang East Street, Beijing Economic and Technological Development Area, Beijing, China; Changed to the Company's current registered address on 1 November 2013
Office address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the office address of the Company	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing 101109
Company's website	www.jingchenggf.com.cn
E-mail	jcgf@btic.com.cn
Index to changes during the Reporting Period	For details, please refer to the Announcement in relation to the Proposed Amendments to the "Articles of Association" and the Announcement in relation to the Resignation and Election of Chairman of the Board, and Resignation and Appointment of General Manager of the Company published on the website of the Shanghai Stock Exchange at www.sse.com.cn and the HKEXnews website at www.hkexnews.hk on 30 March 2023 and 28 April 2023, respectively.

IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of newspaper 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 (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 Kangda Law Firm
	Office address	8/F, 9/F, 11/F, Emperor Group Centre, No. 12D, Jianwai Avenue, Chaoyang District, Beijing
The overseas legal adviser engaged by the Company	Name	Woo Kwan Lee & Lo
	Office address	26/F, Jardine House, Central, Hong Kong
Sponsor performing continuous supervision duties during the Reporting Period	Name	CSC Financial Co., Ltd.
	Office address	Tower B & E, Metro World Centre, Dongcheng District, Beijing
	Names of signing sponsor representatives	Li Xiaoyan, Lu Xingyu
	Period of continuous supervision	Until the fund raised is used up
Financial adviser performing continuous supervision duties during the Reporting Period	Name	CSC Financial Co., Ltd. (中信建投證券股份有限公司)
	Office address	Tower B & E, Metro World Centre, Dongcheng District, Beijing
	Names of signing organizer of financial adviser	He Chengda, Hou Shun
	Period of continuous supervision	From the date of completion of the reorganisation of assets to 2023
Other basic information of the Company	Reception of shareholders' enquiries: 10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturdays and Sundays) 9:00 a.m. to 11:00 a.m. and 2:00 p.m. to 4:00 p.m.	

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Major accounting data

Unit: Yuan Currency: RMB

Principal Accounting Data	For the Reporting Period (January – June 2023)	For the same period last year	Increase/Decrease comparing the Reporting Period with the same period last year (%)
	Operating income	625,983,732.52	637,677,016.77
Net profit attributable to shareholders of the listed company	-29,690,936.02	10,576,997.42	-
Net profit attributable to shareholders of the listed company after extraordinary items	-31,831,469.28	7,256,597.49	-
Net cash flow from operating activities	-6,466,898.65	-18,915,591.19	-
	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	1,048,730,607.94	1,075,757,552.12	-2.51
Total assets	2,731,445,014.25	2,496,004,308.13	9.43

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(2) Key financial indicators

Currency: RMB

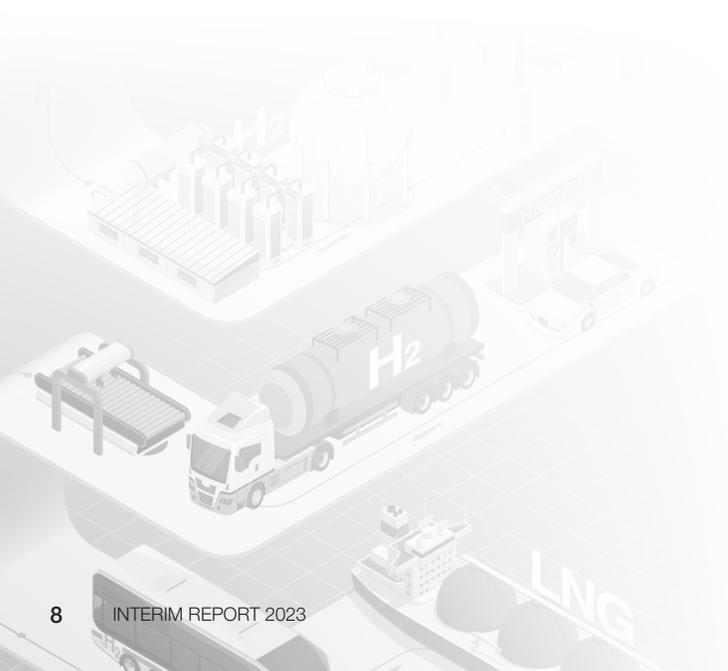
Key financial indicators	For the Reporting Period (January – June 2023)	For the same period last year	Increase/Decrease comparing the Reporting Period with the Reporting Period last year (%)
Basic earnings per share (RMB/share)	-0.05	0.02	–
Diluted earnings per share (RMB/share)	-0.05	0.02	–
Basic earnings per share after extraordinary items (RMB/share)	-0.06	0.02	–
Return on net assets on weighted average basis (%)	-2.80	1.54	Decreased by 4.34 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-3.00	1.06	Decreased by 4.06 percentage points

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

Applicable Not Applicable

VIII. ACCOUNTING DATA DIFFERENCES UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

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	55,422.47	
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	1,453,416.60	
Capital appropriation fee received from non-financial entities included in current profit or loss		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or asset under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Gain or loss on transactions with obviously unfair transaction price which exceeds fair value		
Net gain or loss of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are closely related to the Company's normal operation		
Reversal of the impairment provision for receivables and contract assets which are tested individually for impairment	280,000.00	
Gain or loss on entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss	103,889.12	
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	985,962.04	
Other gain or loss items falling within the definition of extraordinary items		
Less: Effect of income tax	131,509.83	
Effect of minority interest(after-tax)	606,647.14	
Total	2,140,533.26	

For the non-recurring profit and loss items defined by the Company according to the definition of "Explanatory Announcement No. 1 on Information Disclosure by Public Issuers – Non-recurring 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》), as well as the categorization as recurring profit and loss items of the non-recurring profit and loss items of the non-recurring profit and loss items listed in "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》), the reasons should be explained.

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; manufacturing of general equipment (excluding special equipment); manufacturing of special equipment (excluding manufacturing of licensed professional equipment); research and development of machinery and equipment; sales of machinery and equipment; manufacturing of intelligent basic manufacturing equipment; research and development of intelligent robotics; manufacturing of industrial robotics; sales of intelligent robotics; sales of industrial robotics; installation and maintenance of industrial robotics; manufacturing of servo control units; sales of artificial intelligent hardware; manufacturing of industrial automatic control system devices; sales of industrial automatic control system devices; sales of intelligent storage equipment; manufacturing of ocean engineering equipment; sales of ocean engineering equipment; manufacturing of oil drilling and production equipment; sales of oil drilling and production equipment; installation services of general machinery and equipment; information system integration services; software development; sales of software; information technology consultation services; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; industrial internet information services; import and export of commodities; import and export of technology; manufacturing of metallic products; sales of metallic products. (Other than the items subject to approval according to laws, operating activities shall be operated by itself based on the business license and in accordance with laws) Permitted items: electrical installation services. (For items subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant authorities, and the specific business items are subject to the approval documents or licenses issued by relevant authorities).

2. Main products and applications

(1) Gas Storage and Transportation Segment:

Main products include liquidified natural gas (LNG) cylinders for vehicles, compressed natural gas (CNG) cylinders for vehicles, seamless steel gas cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders, ISO tank containers, cryogenic tanks, aluminum carbon fiber full-winding compound gas cylinders for fuel cells, plastic carbon fiber full-winding compound gas cylinders as well as filling station equipment.

(2) Intelligent Manufacturing Segment

Main products include ground conveyance and assembly system products, suspension chain air conveyance system products, integrated robotic applications and stamping lines products, non-standard automation machine products, etc.

3. Business model

Gas Storage and Transportation Segment:

The Company's business model comprises the processes of product research and 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 automated special equipment and the development of information-based industrial software systems 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

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

(1) Industrial gas industry

In recent years, the national and local governments have successively rolled out a series of policies to encourage the development of industrial gas industry. New energy, new materials, electronics, semiconductors, environmental protection, biopharmaceuticals and other emerging industries have a growing demand for industrial gases, which further expand the room for development of the industrial gas industry, and the development prospects of China's industrial gas industry continues to show a positive sign. China's gas industry will develop in the direction of specialisation, socialisation, intensification, liquefaction, piping and synthesis. However, because domestic industrial gas suppliers are mostly small and medium-sized production enterprises, which lack core competitiveness in terms of capital, technology, energy, etc., and are lagging behind foreign countries on the skill level of the design and manufacturing of the air separation equipment in gas manufacturing, their space for survival and profit margins continue to be compressed, and the local industry faces a huge challenge in the future market competition.

(2) Fire services industry

The "14th Five-Year National Fire Services Work Plan" issued by the Work Safety Committee of the State Council pointed out that by 2025, the fire safety risk prevention and control system and the fire rescue force system with Chinese characteristics will be basically established, and by 2035, a fire services governance system with Chinese characteristics will be established to match with the basic realization of modernization. Under the continuous promotion of national policies, governments at all levels attach high importance to fire services work and continuously promote the rapid development of the fire services industry, the future demand for fire protection products will continue to expand, and the fire services industry will continue to show a growth trend.

(3) Natural gas industry

The favourable economic situation in the first half of the year led to an increase in demand for gas for industrial and commercial use, transport and power generation. Supported by favourable factors such as the rebound of the national economy, China's natural gas market recovered and returned to rationality, with both supply of and demand for natural gas achieving growth. However, the relatively slow pace of economic recovery limited the growth in demand to a certain extent. In the second half of the year, with the seasonal increase in demand for natural gas in winter, natural gas consumption is expected to rise further.

(4) Hydrogen and fuel cell industry

The medium- and long-term plan for the development of the national hydrogen energy industry and the "14th Five-Year Plan" for the development of hydrogen energy in each province and city have made it clear that the hydrogen energy industry will play an important role in the national energy system in the future. Against the background of dual-carbon, hydrogen filling stations, along with hydrogen energy, have received national attention and support. According to the "Energy Saving and New Energy Vehicle Technology Roadmap 2.0" plan, by 2025, the construction target of China's hydrogen filling station will be at least 1,000, and the number of hydrogen and fuel cell vehicles in use will reach 1 million, the market outlook is very positive.

According to the statistics released by the China Association of Automobile Manufacturers on 11 July 2023, the national hydrogen fuel cell vehicle production and sales data in the first half of 2023 were 2,495 and 2,410 vehicles, which increased by 38.4% and 73.5% year-on-year, although it is far from the expected scale, the upward trend of hydrogen fuel cell vehicle production and sales is obvious. If the problems of high core technology barriers, high costs, infrastructure limitations, and long payback period can be overcome as quickly as possible, the hydrogen and fuel cell industry is poised for a rapid development phase.

(5) Intelligent manufacturing industry

In 2022, the global installation of industrial robots grew rapidly, and China's installation of industrial robots ranked first in the world. The making of technological breakthroughs in core components of industrial robots has accelerated, covering processes such as transport, welding, cutting, assembly, grinding and spraying.

With the aging of the population, decreasing labour supply and rising labour costs, the demand for industry-wide automation upgrades has accelerated, and the market scale of the intelligent manufacturing industry will continue to expand.

The full relaxation of COVID-19 control in many regions of the country, the accelerated recovery of the world economy, the resumption of international trade flows and the gradual smoothing of the supply chain of the industrial robot industrial chain will drive the growth of the integrated application business of industrial robots. The room for market development of the intelligent manufacturing industry will be very huge.

(6) Home appliances industry

As the country continues to increase its efforts to revitalize the countryside, promoting rural consumption will be an important part of the intelligent home appliances market. This will effectively activate the intelligent home appliance consumption in the lower-tier market, satisfy the demand for upgrading home appliance consumption in the lower-tier market, and at the same time promote the innovation and development of green intelligent home appliances industry, which not only can comprehensively promote the revitalization of the countryside, but can also help strengthen the endogenous impetus for the development of the intelligent home appliances industry. On the other hand, as consumers continue to increase their quality and functional requirements of intelligent home appliances, mid to high-end intelligent home appliances will meet greater market demand. This will prompt enterprises to increase investment in research and development, improve product performance and brand image, and develop more competitive and influential intelligent home appliances products.

The integration of home furnishings and home appliances industry accelerates the development of the front market, and forms new growth opportunities. The intensified competition for existing customers in the home appliances industry, severe differentiation between the high and low end markets, and increasing fragmentation of products require enterprises to optimize the industrial structure, reduce costs and increase efficiency, and further stimulate the demand of enterprises for upgrading intelligent, digital and flexible manufacturing.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable □ Not Applicable

(I) Analysis of Core Competitiveness of Gas Storage and Transportation Segment

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

1. Scale and Brand Advantages

The Company is a group company consisted of eight production bases for the manufacture of professional gas storage and transportation equipment and a company located in the United States. With more than 20 years of operation and development, the Company has established a corporate image of fine technology foundation and product stability and reliability in the industry; and the Tianhai brand has become one of the well-known brands in the industry.

2. Technology Advantages

With continuous technology research and development, the Company 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 and specifications 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), plastic carbon fiber full-winding compound gas cylinders, cryogenic tanks and filling stations, etc. Products of the Company are widely applied in automotive, chemical, fire-fighting, medical, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

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

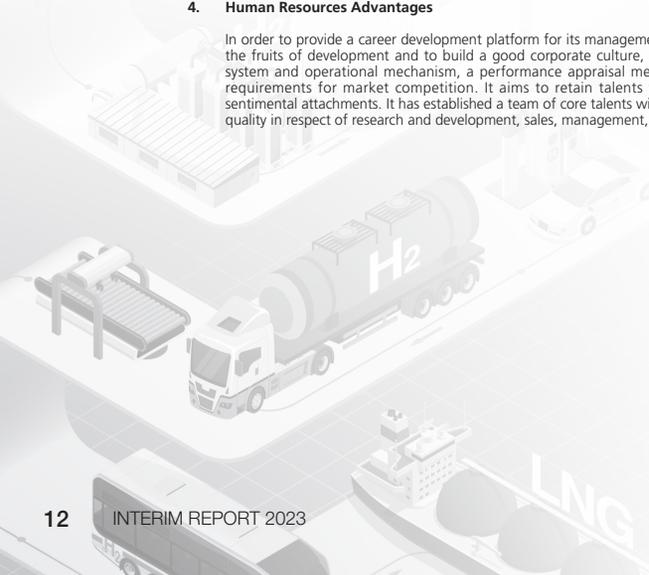
3. Sales Network Advantages

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

4. Human Resources Advantages

In order to provide a career development platform for its management and employees to grow with the enterprise and share the fruits of development and to build a good corporate culture, the Company has established an internal organizational system and operational mechanism, a performance appraisal mechanism and a salary and welfare system meeting the requirements for market competition. It aims to retain talents with strong prospects, competitive remuneration and sentimental attachments. It has established a team of core 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) Analysis of Core Competitiveness of Intelligent Manufacturing Segment

Qingdao BYTQ United Digital Intelligence Co., Ltd. (“BYTQ”) will rely on the Group’s strategic co-operation in the future to plough into the field of home appliance business and gradually diversify its business customers, so as to ensure that the company’s business grows steadily in the long term.

1. Technology Advantages

The company focuses on the industrial automation field and deeply engages in the home appliances industry. With the enterprise information technology business segment as the driving core and customized intelligent manufacturing equipment as the base, the company has the ability to provide industrial automation, digitalization, networking and intelligent products and services to customers by connecting the equipment with the control system, operation and decision making.

2. Sales Advantages

The company has established a strong sales team which focuses on core customers, understands customers’ needs in depth, fully releases the vitality of the team, and can quickly adjust the marketing model in response to market changes. With advanced technology, reliable quality and excellent sales management team, the company has targeted at the sub-markets of the home appliances business and steadily expanded its market share.

3. Human Resources Advantages

The company has set up an efficient and professional team of staff, established a performance appraisal and salary and welfare system to fully mobilize the employees’ innovation initiatives, and provided a platform for employees to grow together with the enterprise. The company cultivates excellent talents with high professional quality in core positions such as technology, production, sales, management and operation.

III. MANAGEMENT DISCUSSION AND ANALYSIS

The year 2023 is a critical year for the “14th Five-Year Plan”. In the first half of the year, the Company, centering on the strategic objectives and annual budget, has resolutely implemented the various deployments of the work conference held at the beginning of the year, and has solidly promoted market development, technological innovation, cost reduction and efficiency enhancement, etc. Despite facing certain operational difficulties, positive progress was made in a number of key areas of work. The Company has made certain achievements in strategic product innovation, optimization of industrial layout, improvement of governance system, consolidation of its position in the domestic and overseas markets, and enhancement of refined management.

1. Unwavering market development and keeping operation stable

Gas Storage and Transportation Segment:

Facing up to the challenges in the international market, the Company actively visited customers and invited customers for site visits, paid close attention to the development of new products and new customers, and secured orders to stabilize the downward trend of the export business. Asian markets achieved growth; sales to multinational gas companies also increased. Domestic market development has also made positive progress. Domestic sales resources were integrated for the traditional seamless steel gas cylinders market, a perfect sales model was built, incentive mechanisms were established, resulting in a growth of sales revenue in the first half of the year. Breakthroughs have been made consecutively in the high value-added markets such as those of Type III and Type IV cylinders, and the Type IV cylinder CNG system has been loaded on a complete set for trial operation, with obvious advantages in weight reduction and market response has been favorable.

Intelligent Manufacturing Segment:

Relying on its own 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 Company’s main products continue to expand into the home appliance industry in both depth and breadth. As for the ground conveyance and assembly system, the Company has won a number of orders, capitalizing on its advantages in the overall planning of the construction of intelligent factories. As for stamping lines, with years of project experience and breakthroughs in design and research and development, the Company has further expanded its stamping lines into the area of stamping automation for a number of parts in the pre-processing of water heaters, refrigerators, etc. In terms of suspension chains, the Company has continued to expand into new applications and establish a flow production model for refrigerator doors from door shell stamping to door body foaming to door body installation and distribution, solving the problems of flexible production of “door shell, door lining and door body” and intelligent distribution.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Unwavering strategic leadership and active promotion of various tasks and measures

The Company effectively launched the mid-term evaluation of its strategy. The Company actively promoted the reform and adjustment of Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (“**Tianhai Hydrogen**”), carried out the integration of business and asset transfer; completed the acceptance of the industrialization projects such as Phase II of Type IV cylinders; promoted Phase III of the industrialization project of hydrogen energy in an orderly manner.

The Company relied on the Group’s industrial deployment, focusing on the key aspects of home appliance manufacturing in connection with the intelligentization of key processes, substitution of key positions by robots, intelligent optimization and control of the production process, optimization of the supply chain, etc. Cooperation was launched in the integration innovation and industrial application of a new generation of information technology and manufacturing equipment, and upgrading of manufacturing equipment and construction of intelligent factories were promoted.

3. Unwavering innovation and development, system construction and planned progression of research projects

The Company increased the investment in research and development, and orderly promoted the research and development of Type IV cylinders product series and liquid hydrogen products; hydrogen refuelling station development has been equipped with 70MPa hydrogen refuelling station integration capacity; Shanghai Tianhai Composite Cylinders Co., Ltd. (“**Shanghai Tianhai**”) was awarded the title of “Specialized and Sophisticated Enterprise Producing New and Unique Products” and “Innovative Small and Medium-sized Enterprise” by Shanghai Municipality, and Beijing Tianhai Industry Co., Ltd. (“**Tianhai Industry**”) has incubated a total of 5 specialized and new enterprises. The Company introduced robots and digital equipment, optimizing production processes, deeply integrating automation and information technology, and upgrading manufacturing standards, realizing staff reduction and increase in efficiency.

Through understanding the demand for orders and the industry’s replicative demand for equipment, the Company made breakthroughs in technological research and development to provide technical support for obtaining orders: the core unit of the stamping line – the changing cart was successfully developed on its own and marketed for application, which significantly reduced the overall cost of stamping line products and improved the market competitiveness of the product. As for friction bar and suspension chain, the research and development of large load friction driven trolley has successfully allowed the product to be applied to the field of transportation of large air-conditioning parts with a high load. Successful product development and application has further improved the profitability of the Company.

4. Unwavering lean management and steady strengthening of internal management

The Company continuously realizes technological cost reduction through design improvement, domestic procurement of materials, substitution of parts and components, technological transformation and skill refinement. At the same time, the Company has continued to promote the construction of systems and processes, insisting on legal compliance in audits, audit supervision, internal control compliance evaluation and other work as a means of timely detection of incomplete and inadequate implementation of systems and processes, and stepping up rectification efforts.

In the second half of 2023, the Company will, based on its own technical characteristics, follow the industry dynamics, grasp the trend of market demand, continue the research and development of high-quality products, extend and expand the field of application, and enhance its core competitiveness in the market. Efforts will be put to improve the incentive mechanism, stimulate the innovation of the research team, and continue the recruitment of excellent talents. The Company will also enhance the research and development of core technologies in specialized fields and promote the implementation and transformation of research results to provide strong support for the quality improvement of the Company. Through continuous promotion of lean management, reducing costs and increasing efficiency, quality and efficiency will be further improved. The Company will continue to strengthen the construction of internal control compliance, and enhance its risk management and control capabilities.

1. Focusing on comprehensive budgeting and seizing new opportunities in market development

The Company will increase the depth and breadth of overseas market visits and actively explore emerging markets, enhance product competitiveness by optimizing product structure, upgrading product quality, improving delivery time and cost control. The Company will consolidate its existing market share while seeking new incremental market growth.

2. Focusing on platform construction and stimulating new momentum by innovation drive

Adhering to the principle of science and technology as the prime engine for productivity, talent as the prime resource, and innovation as the prime driving force, the Company will implement the strategy of innovation-driven development in depth, and continue to shape new driving forces and new advantages for development. The Company will continue to improve the innovation system and mechanism, and integrate core talent management methods to fully motivate technicians to innovate. The Company will accelerate the transformation and upgrading of digitalized intelligent manufacturing, strengthen the construction of core business systems and deepen its applications, and innovate management model to achieve quality and efficiency enhancement. The Company will continue to promote the optimization and upgrading of existing products, optimize product design and skills in a market-oriented manner, and enhance the competitiveness of conventional products.



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

For the intelligent manufacturing segment, the Company plans to recruit talents in visibility technology development to expand the application of visibility technology so as to further expand its business in robot integration and applicaton segment and non-standard equipment segment, develop in depth and breadth, and obtain relevant equipment development project orders in new areas to expand the Company's business scope. The Company will make breakthroughs in technological research and development in response to new demands for industrial automation projects, integration of information technology software systems, and research and development of suspension conveyor systems, so as to develop better foresight for downstream demands, respond rapidly and maintain continuous development capability.

3. Focusing on strategic leadership and opening a new chapter in reform and adjustment

The Company will implement the requirements of the mid-term strategic evaluation, optimize strategic initiatives, refine its implementation plan, carry out publicity work and strengthen execution supervision. The Company will systematically review the results of the three-year phased reform of state-owned enterprises, summarize the experience and make improvement on the shortcomings, so as to lay the foundation for a new round of state-owned enterprise reform. The Company will continue to deepen reform and foster innovation and development.

4. Focusing on lean management and achieving new breakthroughs in quality and efficiency improvement

Based on the core indicators of "One Profit and Five Ratios", the Company will analyze in-depth the driving factors affecting the level of the indicators, launch a comprehensive value diagnosis, look for shortcomings and weaknesses, define the work objectives and priorities, and formulate improvement measures to continuously strengthen the construction of the enterprise's value creation capability and comprehensively enhance the level of value creation. The Company will continue to promote cost reduction and efficiency enhancement and consolidate the results of the "three cuttings, one reduction and one improvement" special action. The Company will focus on product structure adjustment, optimize product profitability, and increase the share of high value-added products in the middle- and high-end markets.

5. Focusing on compliance building to elevate the risk control system to a new level

The Company will strengthen the implementation of systems and processes, enhancing internal control compliance evaluation and audit supervision, and promoting system improvement and effective implementation. The Company will step up on legal compliance audits, promotion of in-depth integration of audits and business, improvement of audit quality, firm control of the bottom line and efficiency in support of the Company's development. The Company will enhance financial compliance management and risk control, strengthen the Group's financial control functions, and continue to promote the mechanism of assigning financial officers. The Company will enhance the cultivation of financial teams, and upgrade the professional quality of financial staff through training on finance and tax laws and regulations.

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	625,983,732.52	637,677,016.77	-1.83
Operating cost	546,091,446.53	553,123,507.27	-1.27
Sales expense	17,906,764.13	15,841,866.48	13.03
Management expense	47,814,777.88	38,334,532.86	24.73
Financial expense	6,290,198.97	2,940,495.83	113.92
R&D expenditure	28,174,206.18	21,615,500.91	30.34
Net cash flows from operating activities	-6,466,898.65	-18,915,591.19	-
Net cash flows from investing activities	-48,948,528.84	-8,990,156.01	-
Net cash flows from financing activities	195,759,584.01	62,543,584.45	213.00

Reasons for the change in operating income: decreased by 1.83% as compared with the corresponding period of last year, basically remained unchanged as compared with the same period of the last year;

Reasons for the change in operating cost: decreased by 1.27% as compared with the corresponding period of last year, mainly due to lower costs as a result of lower operating income;

Reasons for the change in sales expense: increased by 13.03% as compared with the corresponding period of last year, mainly due to the impact from the inclusion of BYTQ in the scope of the consolidated financial statements;

Reasons for the change in management expense: increased by 24.73% as compared with the corresponding period of last year, mainly due to the impact from the inclusion of BYTQ and Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. ("Jingcheng Haitong") in the scope of consolidation financial statements;

Reasons for the change in financial expense: increased by 113.92% as compared with the corresponding period of last year, mainly due to the increase in unrecognized finance costs as a result of the inclusion of Jingcheng Haitong in the scope of the consolidated financial statements during the current period, which was affected by the new leasing standards;

Reasons for the change in R&D expenditure: increased by 30.34% as compared with the corresponding period of last year, mainly due to increased research and development efforts during the current period;

Reasons for the change in net cash flows from operating activities: increased by approximately RMB12.4487 million as compared with the corresponding period of last year, mainly due to the decrease in cash flows from purchases of goods and provision of labor during the current period;

Reasons for the change in net cash flows from investing activities: decreased by RMB39.9584 million as compared with the corresponding period of last year, mainly due to net cash received from subsidiaries and other operating units acquired in the last period;

Reasons for the change in net cash flows from financing activities: increased by RMB133.216 million as compared with the corresponding period of last year, mainly due to the receipt of special funds for the Hydrogen Energy Frontier Technology Industry Development Project during the current period.

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

Applicable Not Applicable

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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 as a percentage of total assets (%)	Balance at the end of the corresponding period last year	Balance at the end of last year as a percentage of total assets (%)	Change in amount at the end of current period over last year (%)	Description
Monetary funds	467,202,377.56	17.10	336,627,993.24	13.49	38.79	Mainly due to the acquisition of specific payables by subsidiaries during the current period
Notes receivable	2,575,614.68	0.09	8,603,853.52	0.34	-70.06	Mainly due to the transfer of undue acceptance bills
Receivables financing	10,354,186.85	0.38	29,790,417.72	1.19	-65.24	Mainly due to the transfer of undue acceptance bills
Other current assets	39,365,754.78	1.44	10,221,016.45	0.41	285.15	Mainly due to the increase in value-added tax retained by subsidiaries
Construction in progress	28,431,780.91	1.04	59,457,140.18	2.38	-52.18	Mainly due to the transfer to fixed assets
Other non-current assets	37,589,050.02	1.38	26,835,176.42	1.08	40.07	Mainly due to the increase in prepayment for equipment purchased by subsidiaries during the current period
Short-term borrowings	170,000,000.00	6.22	100,000,000.00	4.01	70.00	Mainly due to the increase in bank borrowings of subsidiaries during the current period
Employee compensation payable	15,933,973.13	0.58	25,714,018.81	1.03	-38.03	Mainly due to the payment of prior year's remuneration during the current period
Taxes payable	6,472,438.43	0.24	21,834,560.15	0.87	-70.36	Mainly due to the payment of unpaid tax at the end of previous year during the current period
Long-term payables	253,207,700.00	9.27	113,207,700.00	4.54	123.67	Mainly due to the acquisition of specific payables by subsidiaries during the current period
Deferred incomes	9,720,315.08	0.36	358,604.17	0.01	2,610.60	Mainly due to the receipt of special R&D funding by subsidiaries during the current period
Other comprehensive income	4,248,157.27	0.16	2,128,736.81	0.09	99.56	Mainly due to the impact of exchange differences arising from translation of foreign currency statement
Other description						
Nil						

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Overseas assets

Applicable Not Applicable

(1) Size of assets

Including: overseas assets of 89,278,654.87 (Unit: Yuan Currency: RMB), accounting for 3.27% of the total assets.

(2) Details of overseas assets

Applicable Not Applicable

Other information

Nil

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	18,540,393.82 43,474,454.29 2,926.79	L/C guarantee deposit Deposits of bank acceptance bill Bond for letter of guarantee
Total	62,017,774.90	-

4. Other descriptions

Applicable Not Applicable

(IV) Analysis of investments

1. General analysis of external equity investments

Applicable Not Applicable

(1) Material equity investments

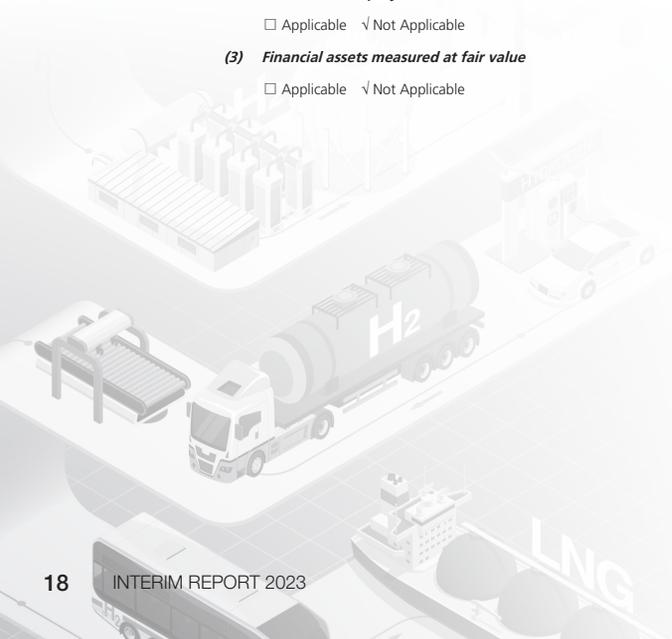
Applicable Not Applicable

(2) Material non-equity investments

Applicable Not Applicable

(3) Financial assets measured at fair value

Applicable Not Applicable



SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(4) Securities investment

Applicable Not Applicable

Explanation on securities investment

Applicable Not Applicable

Private fund investment

Applicable Not Applicable

Derivatives investment

Applicable Not Applicable

(V) Material disposal of assets and equity interest

Applicable Not Applicable

(VI) Analysis of major subsidiaries and associates

Applicable Not Applicable

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc.	RMB548,759,761.19	RMB2,174,116,917.97	RMB551,985,950.88	-RMB40,681,875.03
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$ 1,000	RMB161,602,587.04	RMB149,836,570.06	RMB2,097,879.23
Qingdao BYTQ United Digital Intelligence Co., Ltd.	Production	Robots and automation equipment etc.	RMB21,418,633	RMB348,719,109.98	RMB244,185,051.06	-RMB646,469.51

(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

(I) Gas Storage and Transportation Segment

1. Risk of deterioration of the international situation

Uncertainties in international trade and market demand have increased, and the risks of overseas trade have intensified.

Firstly, in 2023, the risk of global economic recession will rise, inflation is expected to continue, geopolitical conflicts will escalate and threaten the recovery of global trade, developed economies will raise their demand for security in the industrial chain, the game between major countries in key areas will intensify, and the export market as a whole will face greater downward pressure. Secondly, in the past five years, the United States through tariff barriers, import restrictions and subsidies, etc., prompted U.S. companies to shift their imports from China to other countries or regions. Thirdly, the Russia-Ukraine conflict has led to irreversible changes in the energy structure of Europe, with the energy structure changing from natural gas to electrification in the long term. There will be major changes in the LNG market, resulting in a reduction in demand for LNG storage and transportation equipment.

2. Risk of intensified market competition

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

3. Risk of developing new businesses and new markets

Hydrogen energy and fuel cells are currently dominated by commercial vehicles in China, mainly used in logistics, public transportation and large buses, and are still at the stage of gaining momentum. Due to national and local policies and other sources of uncertainty, the Company has encountered unexpected risks in the development of new businesses and new markets. The Company will continue to drive the development of hydrogen energy business and enhance core technologies to improve the core competitiveness of its products.

(II) Intelligent Manufacturing Segment

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 huge and diversified market demand. The current national policy actively supports the intelligent manufacturing industry and it is predicted that the policy of encouraging the research and development and application of industrial robotics and promoting the innovative development of industries such as industrial robotics will remain unchanged in the short term. In terms of traditional industrial technology transformation, factory automation and enterprise informatization, the market demand for industrial automation will continue to increase. If China's economic development is restricted by the macroeconomic trend, the downstream industries, account for a larger proportion of the industry demand, will be affected by the cycle, leading to a reduction in its new fixed asset investment and an adverse impact on the production and operation of the Company. The Company will keep abreast of the macroeconomic situation, pay attention to upstream and downstream development, broaden product application areas, while strengthening core technology development and expanding new product markets to keep industry policy risk factors to a minimum level and reduce the impact on the Company.

The Company's intelligent equipment manufacturing market mainly concentrates on the home appliance industry. Market development of products gradually shifts to the direction of medicine, electronics, automobiles, etc. The market for new products may change in the future, which will bring certain uncertainties and impacts to the Company's operation and development. The Company will continue to enhance the ability to innovate, research and develop new products, gradually expanding its market share in other industries with the home appliances industry as its foundation.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Other disclosures

√ Applicable Not Applicable

1. Financial position analysis

By implementing prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a sound capital structure and solid financing channels. The Company has kept its loan scale under strict control such that it can satisfy the capital need of operating activities while minimizing its financial costs and preventing 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	49.57%	43.38%
(2) Quick ratio	122.14%	121.39%
(3) Liquidity ratio	169.93%	171.54%

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 RMB170,000,000, representing an increase of 70% as compared with the beginning of the year.

3. Foreign exchange risk management

The Company is mainly exposed to foreign exchange risk relating to USD and Euro. The group's main operation is settled by RMB, except Beijing Tianhai, BTIC America Corporation and Jingcheng Holding (Hong Kong) Company Limited, the Group, which use US dollars 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 RMB559,048,100, while cash outflow amounted to RMB565,515,000. Net cash flow during the reporting period from operating activities amounted to -RMB6,466,900.

2. Cash flows from investing activities

The Company's cash inflow from investing activities during the reporting period amounted to RMB141,600, which was mainly due to net cash recovered from disposal of fixed assets, intangible assets and other long-term assets during the period. Cash outflow from investing activities amounted to RMB49,090,100, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investing activities for the reporting period amounted to -RMB48,948,500.

3. Cash flows from financing activities

Cash inflows from financing activities for the reporting period amounted to RMB210,000,000, which was mainly derived from bank loans, special funds for research and development allocated by the controlling shareholder. Cash outflows from financing activities during the reporting period amounted to RMB14,240,400, which were mainly due to the repayment of interest and payment of rentals for leased operations. Net cash flows from financing activities for the reporting period amounted to RMB195,759,600.

During the reporting period, net cash flows from operating activities increased by approximately RMB12,448,700 as compared to the corresponding period of last year, mainly due to the decrease in cash flows from purchases of goods and provision of services during the current period. Net cash flows generated from investing activities decreased by approximately RMB39,958,400 as compared to the corresponding period of last year, mainly due to the net cash received from the acquisition of subsidiaries and other business units during the previous period. Net cash flows generated from financing activities increased by approximately RMB133,216,000 as compared to the corresponding period of last year, mainly due to the special funds the Company received for the development of the Hydrogen Energy Frontier Technology Industry Development Project.

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 RMB1,377,407,300, of which, minority shareholders' interests amounted to RMB328,676,700, and total liabilities amounted to RMB1,354,037,700. Total assets amounted to RMB2,731,445,000. As at the end of the reporting period, the Company's gearing ratio was 49.57%.

Capital structure by liquidity

Total current liabilities	RMB752,146,400	Accounting for 27.54% of assets
Total equity interest		
attributable to shareholders	RMB1,377,407,300	Accounting for 50.43% of assets
Of which: minority shareholders' interests	RMB328,676,700	Accounting for 12.03% of assets

6. Contingent liabilities

As at the end of the reporting period, the group had 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	18,540,393.82	L/C guarantee deposit
	43,474,454.29	Deposits of bank acceptance bill
	2,926.79	Bond for letter of guarantee
Total	62,017,774.90	–

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 1,346.

(2) Remunerations

Remunerations for employees during the Reporting Period were RMB86,480,900.

(3) Remuneration policy

The Company implemented a diversified salaries system based on the performance of positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of 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 fairness of salaries level. On this basis, the remuneration policy is to be implemented subject to different personnel and different nature of work to build a tiered and diversified salaries system such as the implementation of skills-based compensation and technological innovation incentives for technicians; the implementation of the sales commission approach for marketing staff; the implementation of the piecework wage system for production workers and the implementation of the annual salary system for the senior management.

(4) Training plan

According to the "2023 Annual Training Plan", a total of 17,041 training hours were completed with 4,843 training attendances, and the number of training hours per employee reached 14.19 hours. According to the annual training plan, the Company has organized and completed a total of 117 training programs, including "Compliance and Internal Control Management Manual", "Position Core Competency Enhancement Training", "Thematic Learning of the 20th Party Congress", "Non-destructive Testing Level 2 Re-examination Training", "Discipline and Inspection Cadre Business Competency Enhancement Training", and "The Spirit of the 2023 National People's Congress Program Series", etc.

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 powers and responsibilities, allowing them to maintain checks and balances, coordinate with each other and 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 complies with relevant requirements.

10. Others

- (1) The Company's applicable enterprise income tax rate for the Reporting Period was 25%.
- (2) The unaudited 2023 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 a code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix 10 to the Listing Rules of the Stock Exchange. After making specific enquiries with 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 2023.
- (5) During the Reporting Period, pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in the disclosure of information by the Directors of the Company as required under paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.
- (6) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
- (7) There was no change in the 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 meeting	Index for details on website designated for publishing resolutions	Date of disclosure of the resolutions	Resolutions
The Annual General Meeting of 2022	16 June 2023	Website of SSE http://www.sse.com.cn ; HKEXnews website of the Stock Exchange http://www.hkexnews.hk	16 June 2023	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 2022; the 2022 work report of the Board of the Company; the 2022 work report of the supervisory committee of the Company; the 2022 audited financial reports of the Company; the internal control audit report in the financial report of the Company for the year 2022; the 2022 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 2023 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 reappointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor for the Company's 2023 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 2022; the resolution in relation to the granting of general mandate to the Board to issue H shares by the Company; the resolution in relation to the proposed amendments to the "Articles of Association"; the resolution on the remuneration of and the entering into of the written contracts with the directors of the eleventh session of the Board of the Company; the resolution on the remuneration of and the entering into of the written contracts with the supervisors of the eleventh session of the supervisory committee of the Company; the resolutions on the election of directors; the resolutions on the election of independent non-executive directors; the resolutions on the election of supervisors.

Request by shareholders of preferred shares whose voting rights are restored to convene an extraordinary general meeting of shareholders

Applicable Not Applicable

Description of the general meeting of shareholders

Applicable Not Applicable



SECTION 4 CORPORATE GOVERNANCE

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

√ Applicable □ Not Applicable

Name	Position	Change
Li Junjie	Chairman, Non-executive Director	Election
Zhang Jiheng	Executive Director, General Manager	Election
Wu Yanzhang	Non-executive Director	Election
Zhou Yongjun	Non-executive Director	Election
Cheng Lei	Non-executive Director	Election
Man Huiyong	Non-executive Director	Election
Li Chunzhi	Non-executive Director	Election
Xiong Jianhui	Independent non-executive Director	Election
Zhao Xuguang	Independent non-executive Director	Election
Liu Jingtai	Independent non-executive Director	Election
Luan Dalong	Independent non-executive Director	Election
Tian Dongqiang	Chairman of Supervisory Committee	Election
Li Zhe	Supervisor	Election
Wen Jinhua	Supervisor	Election
Luan Jie	Secretary to the Board	Appointment
Feng Yongmei	Chief accountant (the financial controller)	Appointment
Shi Fengwen	Chief engineer	Appointment
Li Xianzhe	General counsel	Appointment
Wang Jun	Chairman	Retirement
Xia Zhonghua	Non-executive Director	Retirement

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

√ Applicable □ Not Applicable

- On 28 April 2023, the Board received the written resignation applications from Mr. Wang Jun, chairman of the Board, and Mr. Li Junjie, general manager of the Company. Due to job changes, Mr. Wang Jun tendered his resignation from the positions of executive director and chairman of the Board of the Company, member and chairman of the Strategy Committee of the Board, member of the Remuneration and Monitoring Committee of the Board, and he will not take up any positions of the Company after his resignation. Mr. Li Junjie tendered his resignation from the positions of general manager of the Company and member of the Nomination Committee due to job changes. The Board fully respects the decisions of Mr. Wang Jun and Mr. Li Junjie, and has accepted their resignations which took effect from 28 April 2023.

The twelfth meeting of the tenth session of the Board of the Company was convened on 28 April 2023, and the “Resolution on the Change of Chairman of the Board of the Company” and the “Resolution on the Appointment of the General Manager by the Company” were considered and approved, at which the Board of the Company elected Mr. Li Junjie as the chairman of the tenth session of the Board of the Company and appointed Mr. Zhang Jiheng as the general manager of the Company, and unanimously elected Mr. Li Junjie as the chairman of the Strategy Committee and a member of the Remuneration and Monitoring Committee of the tenth session of the Board, and Mr. Zhang Jiheng to serve as a member of the Nomination Committee. All these appointments are for a term of office commencing from 28 April 2023 and until the 2022 annual general meeting.

- The Company held the annual general meeting of 2022 on 16 June 2023, at which the “Resolution in relation to Election of Directors” was considered and approved, and Zhang Jiheng was elected as an executive director of the eleventh session of the Board of the Company, Li Junjie, Wu Yanzhang, Zhou Yongjun, Cheng Lei, Man Huiyong and Li Chunzhi were elected as non-executive directors of the eleventh session of the Board of the Company; and the “Resolution in relation to Election of Independent Non-executive Directors” was considered and approved, and Xiong Jianhui, Zhao Xuguang, Liu Jingtai and Luan Dalong were elected as independent non-executive directors of the eleventh session of the Board of the Company.

The “Resolution in relation to Election of Supervisors” was considered and approved, and Tian Dongqiang and Li Zhe were elected as supervisors of the eleventh session of the supervisory committee of the Company.

The term of office of the above-mentioned personnel is three years commencing from 16 June 2023 until the 2025 annual general meeting.

- The Company convened meeting for all employees on 16 June 2023, at which the election of Ms. Wen Jinhua as the employee supervisor of the eleventh session of the supervisory committee of the Company was considered and approved, with the term of office commencing from 16 June 2023 until the 2025 annual general meeting.

- The Company convened the first extraordinary meeting of the eleventh session of the Board on 19 June 2023, at which Mr. Li Junjie was elected as the chairman of the eleventh session of the Board of the Company, with the term of office of three years commencing from 19 June 2023 until the 2025 annual general meeting.

The resolution on the “Appointment of General Manager of the Company and the Secretary to the Board as Nominated by the Chairman” was considered and approved, and Mr. Zhang Jiheng was appointed as the general manager of the Company, Mr. Luan Jie as the secretary to the Board of the Company. The term of office of the general manager and of the secretary to the Board are three years commencing from 19 June 2023 until the 2025 annual general meeting.

The resolution on the “Appointment of Chief Accountant, Chief Engineer and General Counsel Nominated by the General Manager of the Company” was considered and approved, and Ms. Feng Yongmei was appointed as the chief accountant (financial controller), Mr. Shi Fengwen as the chief engineer and Mr. Li Xianzhe as the general counsel. The term of office of the above-mentioned personnel is three years commencing from 19 June 2023 until the 2025 annual general meeting.

SECTION 4 CORPORATE GOVERNANCE

5. The Company convened the first meeting of the eleventh session of the Supervisory Committee on 19 June 2023, at which the resolution in relation to the “Election of the Chairman of the Eleventh Session of the Supervisory Committee” was considered and approved and Mr. Tian Dongqiang was elected as the chairman of the eleventh session of the supervisory committee of the Company, with the term of office of three years commencing from 19 June 2023 until the 2025 annual general meeting.

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

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

Whether to distribute profit or capitalise capital reserve	No
Number of shares to be distributed for every ten shares (share)	
Amount to be distributed for every ten shares (RMB) (tax inclusive)	
Number of shares to be capitalised into share capital for every ten shares (share)	
Relevant explanation on profit distribution plan or plan to capitalise 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 provisional announcements without progress or change in the follow-up implementation

Applicable Not Applicable

Summary of matter

Index for enquiry

At the twenty-second extraordinary meeting of the tenth session of the Board and the twenty-ninth meeting of the tenth session of the supervisory committee of the Company convened on 24 March 2023, the Board considered and approved resolutions in relation to the share incentive scheme such as the “Resolution in relation to the 2023 Restricted Share Incentive Scheme (Draft) and its Abstract”.

For details, please refer to the “Announcement on the Resolutions Passed at the Twenty-Second Extraordinary Meeting of the Tenth Session of the Board” and “Announcement on the Resolutions Passed at the Twenty-Ninth Meeting of the Tenth Session of the Supervisory Committee” published by the Company on the Shanghai Securities News and the website of the SSE (www.sse.com.cn) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk) on 24 March 2023.

The Company disclosed on 26 June 2023 that it had received the “Approval from the State-owned Assets Supervision and Administration Commission of Beijing Municipal Government (“Beijing SASAC”) on the implementation of the Share Incentive Scheme by Beijing Jingcheng Machinery Electric Company Limited.” The Beijing SASAC has agreed in principle to the implementation of the Share Incentive Scheme by the Company.

For details, please refer to the “Announcement on the Restricted Share Incentive Scheme being approved by the State-owned Assets Supervision and Administration Commission of Beijing Municipal Government” published by the Company on the Shanghai Securities News and the website of the SSE (www.sse.com.cn) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk) on 26 June 2023.

At the second meeting of the eleventh session of the supervisory committee of the Company convened on 28 June 2023, the “Resolution in relation to the Verification of the List of Subjects for the First Award of the Company’s 2023 Restricted Share Incentive Scheme” was considered and approved.

For details, please refer to the “Announcement on the Resolutions Passed at the Second Meeting of the Eleventh Session of the Supervisory Committee” published by the Company on the Shanghai Securities News and the website of the SSE (www.sse.com.cn) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk) on 28 June 2023.

(II) Incentive conditions not disclosed in provisional 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 environmental protection initiatives of the Company and its major subsidiaries falling under key sewage emission entities announced by the environmental 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 2023.

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 at the bonded area of Tianjin Port. Pollution factors include PH value, suspended solids, chemical oxygen demand, petroleum, biochemical oxygen demand, ammonia nitrogen, etc.

In the first half of 2023, the wastewater underwent 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 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) in the first half of 2023	Emission pattern	Emission flow	
Regular pollutants	PH value	6-9	7.85	Stable and continuous disposal	Sewage treatment plant at the bonded area of Tianjin Port
	chemical oxygen demand	500	56		
	ammonia nitrogen	45	1.435		
	suspended solids	400	7		
	total nitrogen	70	9.57		
Characteristic pollutants	total phosphorous	8	0.255		
	petroleum	15	0.03		

Statistics of total emission volume of water pollutants

Table 1-2

Unit: tons

Pollutants	Data source	The first half of 2023		
		Production volume	Disposal volume	
Total disposal volume of wastewater	Statistical method	48,525	48,525	
Regular pollutants	chemical oxygen demand	Third-party testing	2.717	2.717
	ammonia nitrogen	Third-party testing	0.07	0.07
	suspended solids	Third-party testing	0.034	0.034
	total nitrogen	Third-party testing	0.464	0.464
	total phosphorous	Third-party testing	0.012	0.012
Characteristic pollutants	petroleum	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 soot, smoke blackness, sulfur dioxide, nitrogen oxides, benzene, toluene, xylene and VOCs. 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 2023, the exhaust gas underwent sampling and monitoring through Tianjin Guona Product Testing Technology Service Co., Ltd., the results were in compliance with the requirements under "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 ³)	Annual average of emission concentration monitoring data (mg/m ³) in the first half of 2023	Maximum allowable emission rate (kg/h)	Actual emission rate (kg/h) in the first half of 2023
Natural gas combustion exhaust gas port				
Regular pollutants	sulfur dioxide	50	3.375	Nil
	nitrogen oxides	150	7.93	Nil
	particulates	20	0.9	Nil

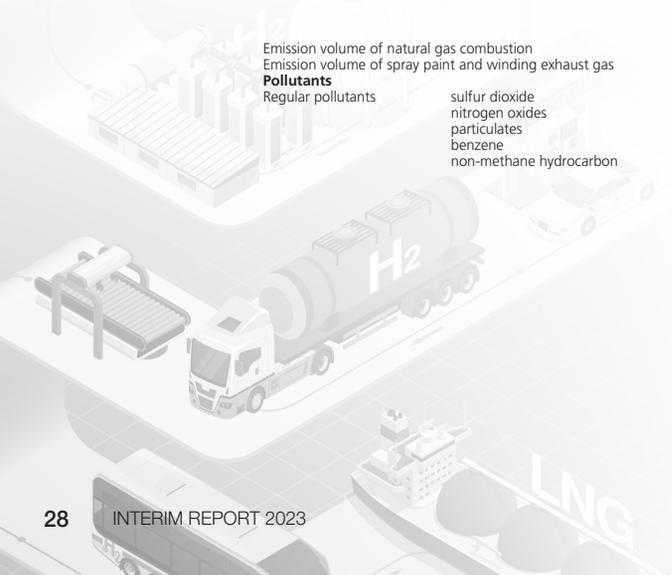
Table 2-2 Statistical table of emission concentration monitoring of air pollutants

Pollutants	Maximum allowable emission concentration (mg/m ³)	Annual average of emission concentration monitoring data (mg/m ³) in the first half of 2023	Maximum allowable emission rate (kg/h)	Annual average of emission rate monitoring data (kg/h) in the first half of 2023
Spray paint exhaust gas port				
Characteristic pollutants	benzene	1	0.01	0.2
	non-methane hydrocarbon	40	1.91	0.75

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

Unit: tons/year

Emission volume of natural gas combustion	102,209,129m ³	
Emission volume of spray paint and winding exhaust gas	144,228,591m ³	
Pollutants	Source	The first half of 2023 Emission volume (tons)
Regular pollutants	Third-party testing	0.811
	Third-party testing	0.345
	Third-party testing	0.13
	Third-party testing	0.001
	Third-party testing	0.276



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/year

Number	Waste categories	Major harmful substance	Form (solid, liquid, gas)	Source of generation	Generation volume per year (disposal volume) in the first half of 2023	Disposal method
1	HW13	Resin	Solid	Production process	4.99	Third party disposal
2	HW49	Adhesive	Solid	Production process	0.37	
Total					5.36	

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

Year	Name of solid waste	Generation volume	Comprehensive utilization	Disposal volume	Storage volume	Emission volume	Emission flow
2023	Short tube head	94.91	94.91	0	0	0	Recycled for utilization
	Small pot head	254.29	254.29	0	0	0	Recycled for utilization
	Oxide scale	70.06	70.06	0	0	0	Recycled for utilization
	Steel ring	137.02	137.02	0	0	0	Recycled for utilization
	Steel scrap	211.15	211.15	0	0	0	Recycled for utilization
	Waste cylinder	19.882	19.882	0	0	0	Recycled for utilization
Total (tons)		747.312					

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 2023	Around the plant area	Production equipment	Mechanical noise	65	58	–	–

2. Construction and operation of pollution prevention and 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 and 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 operated normally and effectively.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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 the bonded area, potential environmental risks and possible environmental pollution incidents of Tianjin Tianhai were analyzed and evaluated. On 10 January 2023, the emergency plan for unexpected environmental pollution accidents of Tianjin Tianhai was refined and filed.

5. Environmental self-monitoring scheme

Applicable Not Applicable

In the first half of 2023, Tianjin Tianhai entrusted Tianjin Guona Product Testing Technology Service Co., Ltd. to test the discharge ports in accordance with the requirements of the monitoring plan. The test results all met the requirements 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	

2. Implementation standard and limit of discharge of gaseous waste

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

3. The noise level at the boundaries of the plants complies with classes 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 environmental 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

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

1. Some of the raw materials of food purchased by the canteen of the Company were from the target poverty alleviation areas. The total purchase of poverty alleviation products by the canteen in the first half of 2023 amounted to approximately RMB609,830.11, of which poverty alleviation products amounted to RMB190,238.51, while non-poverty alleviation products amounted to RMB419,591.6. The proportion of poverty alleviation products was 31%.
2. The labour union of the Company distributed festive gifts, which were purchased from target poverty alleviation areas, to employees for major festivals. The purchase of poverty alleviation products by the labour union in the first half of 2023 amounted to approximately RMB275,300, of 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 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 Company or any of the companies under its control to any improper obligations by way of any connected transactions with the Company or any of the companies under its control. We will indemnify the 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 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 will 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 Company in order to avoid direct or indirect competition with the operation of business of the Company. In addition, if unfair impact may be made to the 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 Company. The company undertakes that starting from the date of issue of this Letter of Undertaking, it will compensate the Company for any losses suffered or expenses incurred by the 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 Company legally and validly subsists and the company is the controlling shareholder (or actual controller) of the Company.	Long term	Yes	Yes		
	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 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 actual controller) of the Company. If Jingcheng Machinery Electric is in violation of the above undertaking and causes economic losses to the Company, Jingcheng Machinery Electric will compensate the Company.	Long term	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
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 will be responsible for 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 needs to be relocated due to problem concerning defects of the lease, the company will fully compensate in cash the Company after the completion of this transaction for all the losses of Tianhai Industrial caused by the relocating process.	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 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		

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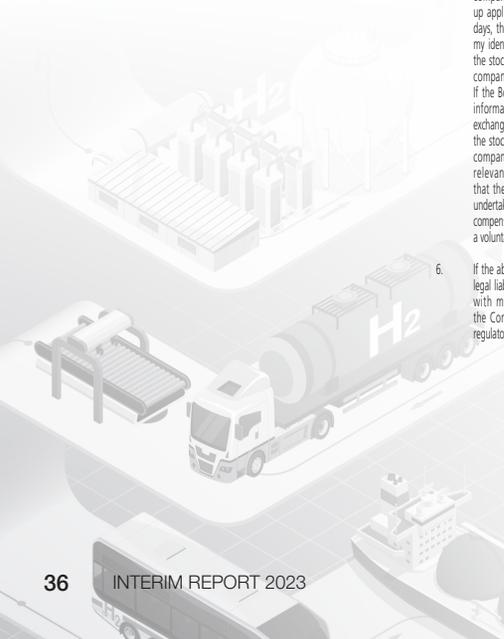
Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	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 arisen from the benchmark date to the delivery date) was not obtained, Beiren Group shall bear all relevant obligations, responsibilities and expenses if such creditors declare rights to Beiren Holdings; Beiren Group shall make full compensation to Beiren Holdings if Beiren Holdings bears any liabilities or incurs any losses due to such liabilities recourse. The company undertakes; the company will be jointly liable for the compensation obligations of Beiren Group.	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 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	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 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		

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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
Other undertaking	Shares subject to trading moratorium	Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan)	<p>Undertaking in relation to share lock-up</p> <p>The Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan) undertake:</p> <p>1. I shall not transfer shares of the 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 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> <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 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>	From the date of acquisition of shares in the 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
			3.	I undertake that the shares of the 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.				
			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 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 Company in writing regarding the relevant pledge later than the date of signing of the pledge agreement.				
			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 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.				
			6.	If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Company with my own funds for any damage caused to the Company or for any administrative penalty or regulatory measures suffered by the Company.				



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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
	Shares subject to trading moratorium	Counterparty of Reorganisation (Qingdao Eternal)	<p>Undertaking in relation to share lock-up</p> <p>The Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <p>1. The company shall not transfer shares of the 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 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 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;</p> <p>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;</p> <p>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;</p> <p>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.</p> <p>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.</p>	From the date of acquisition of shares in the Company until the expiry of the lock-up period	Yes	Yes		

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			<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 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 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 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 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 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>					

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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
	Shares subject to trading moratorium	Counterparties of Reorganisation (Yang Ping, Xiao Zhonghai, Xia Tao, Wong Huadong, Xiu Jun, Fu Dun and Chen Zhengyan)	<p>6. If the above undertakings are violated, the company shall bear all legal liabilities. The company shall fully compensate the Company with the company's own funds for any damage caused to the Company or for any administrative penalty or regulatory measures suffered by the Company.</p> <p>Undertaking in relation to share lock-up</p> <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"> 1. The shares of the Company acquired by me in the Transactions shall not be transferred within 12 months from the Issuance Completion date of the Reorganisation. 2. During the above-mentioned share lock-up period, the additional Company's shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the 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. 3. If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Company with my own funds for any damage caused to the Company or for any administrative penalty or regulatory measures suffered by the Company. 	From the date of acquisition of shares in the Company until the expiry of the lock-up period	Yes	Yes		
Others		Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan)	<p>Undertaking in relation to the Pledge of the Consideration Shares</p> <p>The Counterparties of Reorganisation (Li Hong, Zhao Qing, Wang Xiaohui, Qian Yuyan) undertake:</p> <ol style="list-style-type: none"> 1. 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 Company acquired in the Transaction. 2. The additional shares of the Company acquired by me through the Transaction will be subject to 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. 3. For the Consideration Shares acquired by 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. 	From the date of acquisition of shares in the 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
	Others	Counterparty of Reorganisation (Qingdao Eternal)	<p>Undertaking in relation to the Pledge of the Consideration Shares</p> <p>The Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <ol style="list-style-type: none"> 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 Company acquired in the Transaction. The additional shares of the 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. 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. 	From the date of acquisition of shares in the Company until the expiry of the lock-up period	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Undertaking for maintaining the independence of the Company</p> <p>Jingcheng Machinery Electric undertakes:</p> <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、五獨立) 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		



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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
	Others	Counterparties of Reorganisation (17 natural persons including Li Hong)	<p>Undertaking not to seek control of the Company</p> <p>The Counterparties of Reorganisation (17 natural persons including Li Hong) undertake:</p> <p>1. 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 Company. I will not seek to increase my shareholding in the Company directly or indirectly, or seek control of the Company individually or jointly with my shareholding in the Company, nor will I influence or seek control of the 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 Company, nor do I have any specific plan to adjust the composition of the board of directors and senior management of the Company after the completion of the Reorganisation.</p>	Long term	No	Yes		
		Counterparty of Reorganisation (Qingdao Eternal)	<p>Undertaking not to seek control of the Company</p> <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, has exercised my voting rights independently and has not acted in concert with other shareholders of BYTQ in respect of their shareholdings in BYTQ, nor has 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 Company. The company will not seek to increase its shareholding in the Company directly or indirectly, or seek control of the Company individually or jointly with its shareholding in the Company, nor will the company influence or seek control of the 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 Company, nor does the company have any specific plan to adjust the composition of the board of directors and senior management of the Company after the completion of the Reorganisation.</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
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Undertaking for replenishing the diluted immediate return</p> <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		
		Directors and senior management of the Company	<p>Undertaking for replenishing the diluted immediate return</p> <p>Directors and senior management of the Company undertake:</p> <p>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. 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, 1. 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.</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
	Others	Counterparties of Reorganisation (17 natural persons including Li Hong)	<p>Undertaking regarding avoidance of funds appropriation</p> <p>Counterparties of Reorganisation (17 natural persons including Li Hong) undertake:</p> <p>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 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 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 Company and its subsidiaries. Other companies under my control (if any) will not appropriate the 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 to or from the 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.</p>	Long term	No	Yes		
		Huang Xiaofeng	<p>Undertaking regarding avoidance of funds appropriation</p> <p>Huang Xiaofeng undertakes:</p> <p>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 to or from 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.</p>	Long term	No	Yes		

SECTION 6 IMPORTANT MATTERS

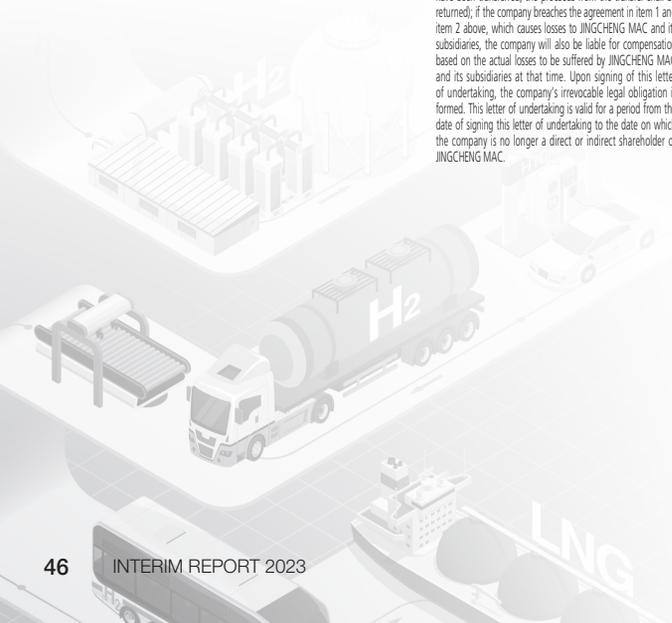
Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
		Counterparty of Reorganisation (Qingdao Eternal)	<p>Undertaking regarding avoidance of funds appropriation</p> <p>Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <p>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 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 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 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 to or from the BYTQ not related to normal business operations, the 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 to or from the 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.</p>	Long term	No	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	<p>Undertaking regarding avoidance of peer competition</p> <p>Jingcheng Machinery Electric undertakes:</p> <p>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.</p> <p>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.</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
		Counterparties of Reorganisation (Huang Xiaofeng, Li Hong, Qian Yuyan, Tao Feng, Wang Xiaohui, Zhao Qing)	<p>Undertaking regarding avoidance of peer competition</p> <p>Counterparties of Reorganisation (Huang Xiaofeng, Li Hong, Qian Yuyan, Tao Feng, Wang Xiaohui, Zhao Qing) undertake:</p> <p>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 Company and BYTQ in terms of business.</p> <p>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.</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
		Counterparty of Reorganisation (Qingdao Eternal)	Undertaking regarding avoidance of peer competition Counterparty of Reorganisation (Qingdao Eternal) undertakes: 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 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.	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
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder	Undertaking regarding reduction and regulation of related party transactions Jingcheng Machinery Electric undertakes: 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.	Long term	No	Yes		
Directors, supervisors and senior management of the Company			Undertaking regarding reduction and regulation of related party transactions Directors, supervisors and senior management of the Company undertake: 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.	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
		Counterparties of Reorganisation (Huang Xiaofeng, Li Hong)	<p>Undertaking regarding reduction and regulation of related party transactions</p> <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 incur 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		



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	Huang Xiaofeng, Li Hong, Xu Binglei, Yang Lunsheng, Ying Rucui	<p>Undertaking regarding reduction and regulation of related party transactions</p> <p>Huang Xiaofeng, Li Hong, Xu Binglei, Yang Lunsheng, Ying Rucui undertake:</p> <p>Unless otherwise agreed in writing by the Company, Huang Xiaofeng, Xu Binglei, Yang Lunsheng and Ying Rucui shall continue to work for the Target Company or the Company and perform their due diligence obligations during the performance undertaking period (i.e. the five accounting years of 2020, 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 Company before the expiry of the term of office, or if I am dismissed by the Target Company or the 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 Company, the 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 Company in accordance with the law due to misconduct or malpractice or other acts prejudicial to the interests of the Target Company or the Company, then Huang Xiaofeng and Li Hong shall compensate the Company for 100% of the consideration received through the transaction. 2. If Huang Xiaofeng's employment is terminated by the Target Company or the 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 Company, resulting in his term of office being less than one year from the date of expiry of the performance pledge period, Huang Xiaofeng and Li Hong shall compensate the 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 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 Company, resulting in his term of office being over 1 year but less than 2 years after the expiry date of the performance undertaking, Huang Xiaofeng and Li Hong shall compensate the Company at 20% of the consideration received through the transaction. (II) Term of employment requirements of Xu Binglei, Yang Lunsheng and Ying Rucui and related undertakings 1. If Xu Binglei, Yang Lunsheng or Ying Rucui leave the Target Company or 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 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 Company, they shall compensate the Company for 100% of the consideration received through the Transaction. 2. If Xu Binglei, Yang Lunsheng or Ying Rucui resign on their own initiative or are dismissed by the Target Company or the Company in accordance with the law due to misconduct or malpractice or other acts detrimental to the interests of the Target Company or the 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 Company at 40% of the consideration received through the Transaction. 3. If Xu Binglei, Yang Lunsheng and Ying Rucui leave their positions on their own initiative, or are dismissed by the Target Company or the 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 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 Company for 20% of the consideration received through the Transaction. If Huang Xiaofeng, Xu Binglei, Yang Lunsheng and Ying Rucui have caused serious losses to the Target Company or the Company as a result of malpractice or other acts intentionally prejudicial to the interests of the Target Company or the 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
	Others	Counterparties of Reorganisation (17 natural persons including Li Hong), Huang Xiaofeng, Tao Feng	<p>Undertaking in respect of the Second Cash Consideration Offset for Company</p> <p>Counterparties of Reorganisation (17 natural persons including Li Hong), Huang Xiaofeng, Tao Feng undertake:</p> <p>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 Company, I will perform such cash compensation/compensation obligations to the Company in strict accordance with the terms of the Transaction Agreement and the deadline required by the Company; Secondly, the Second Cash Consideration of RMB20 million of the 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 Company during the Performance Pledge Period, the second instalment of the cash consideration of RMB20 million of the 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 Company, the 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 Counterparties and Huang Xiaofeng and Tao Feng shall continue to perform their compensation/compensation obligations as agreed.</p>	From the date of the Undertaking until the expiry of the Performance Pledge Period and the fulfilment of the compensation obligations	Yes	Yes		
	Others	Counterparty of Reorganisation (Qingdao Eternal)	<p>Undertaking in respect of the Second Cash Consideration Offset for Company</p> <p>Counterparty of Reorganisation (Qingdao Eternal) undertakes:</p> <p>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 Company, the company will perform such cash compensation/compensation obligations to the Company in strict accordance with the terms of the Transaction Agreement and the deadline required by the Company; Secondly, the Second Cash Consideration of RMB20 million of the 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 Company during the Performance Pledge Period, the second instalment of the cash consideration of RMB20 million of the 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 Company, the 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.</p>	From the date of the Undertaking until the expiry of the Performance Pledge Period and the fulfilment 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 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, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD

Applicable Not Applicable

During the Reporting Period, the Company and its controlling shareholders had 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
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

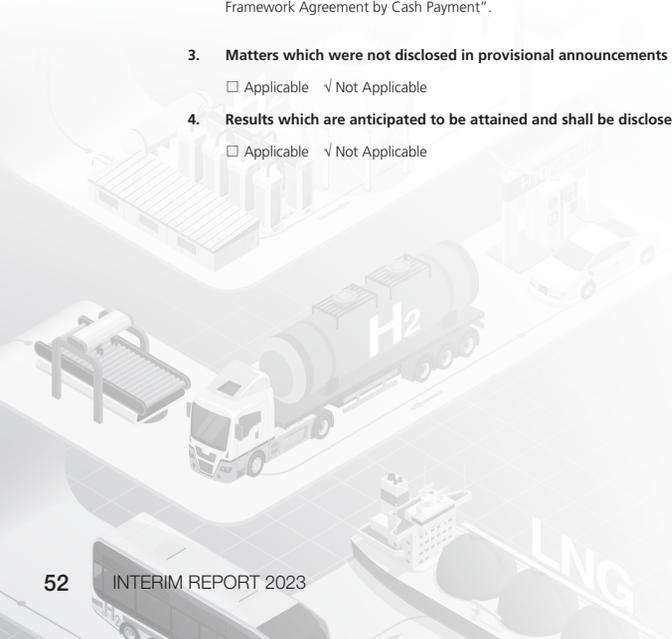
1. **Matters disclosed in provisional announcements without progress or change in the follow-up implementation**
 Applicable Not Applicable
2. **Matters disclosed in provisional announcements with progress or change in the follow-up implementation**
 Applicable Not Applicable

The Company held the nineteenth extraordinary meeting of the tenth session of the Board and the twenty-seventh meeting of the tenth session of the Supervisory Committee on 16 November 2022, at which it considered and passed the "Resolution in relation to the Proposal for the Company's Non-public Issuance of A Shares", the "Resolution in relation to the Company's Proposal for Non-public Issuance of A Shares", the "Resolution in relation to the Feasibility Analysis Report on the Use of Proceeds Raised From the Non-public Issuance of A Shares for 2022 of Beijing Jingcheng Machinery Electric Company Limited" and other resolutions. The non-public issuance of A Shares constitutes connected transaction.

On 16 November 2022, the Company and Jingcheng Machinery Electric entered into the "Conditional Share Subscription Agreement between Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. in relation to the Non-public Issuance of Shares of Beijing Jingcheng Machinery Electric Company Limited". The Company intended to raise proceeds of not exceeding RMB1,172 million (inclusive) in total from the non-public issuance of A Shares to not more than 35 specific investors, who meet the conditions prescribed by the CSRC, including Jingcheng Machinery Electric.

On 24 July 2023, the Company held the third extraordinary meeting of the eleventh session of the Board and the fourth meeting of the eleventh session of the Supervisory Committee and considered and passed the "Resolution in relation to the Termination of 2022 Proposed Non-public Issuance of A Shares of the Company". The Company and Jingcheng Machinery Electric had friendly consultations and unanimously decided to sign the "Subscription Termination Agreement to Terminate the Share Subscription Agreement" and the "Acquisition Termination Agreement to Terminate the Asset Acquisition Framework Agreement by Cash Payment".

3. **Matters which were not disclosed in provisional announcements**
 Applicable Not Applicable
4. **Results which are anticipated to be attained and shall be disclosed for the Reporting Period**
 Applicable Not Applicable



SECTION 6 IMPORTANT MATTERS

(III) Material connected transactions relating to common external investments

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

(IV) Related creditors' rights and debt transactions

- Matters disclosed in provisional announcements without progress or change in the follow-up implementation**
 Applicable Not Applicable
- Matters disclosed in provisional announcements with progress or change in the follow-up implementation**
 Applicable Not Applicable
- 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 the Company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Jiangsu Tianhai Special Equipment Co., Ltd.*	Joint Venture	2,906,763.89	-2,869,816.21	36,947.68	6,994,228.43	6,784,146.82	13,778,375.25
Beijing Jingcheng Industrial Logistics Co., Ltd.*	Subsidiary of Shareholders				902,227.27	-902,227.27	-
Beijing Jingcheng Machinery Electric Holding Co., Ltd.*	Controlling Shareholders				772,751.39	894,142.54	1,666,893.93
Beijing Lantian Vehicle Clean Fuel Technology Co., Ltd.*	Others	3,803,812.43	764,362.46	4,568,174.89	11,609,601.75	-	11,609,601.75
Beijing No. 1 Machine Tool Plant*	Subsidiary of Shareholders				7,359.09	-	7,359.09
Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd.*	Others	649,698.50		649,698.50			
Tianjin Seamless Investment Co. Ltd.*	Others				4,526,405.14	-950,461.48	3,575,943.66
Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.*	Joint Venture				7,000,000.00	-	7,000,000.00
Beijing Jingcheng Zitong Robot Technology Co., Ltd.*	Others				312,500.00		312,500.00
Li Hong	Others				10,860,433.38	-	10,860,433.38
Total		7,360,274.82	-2,105,453.75	5,254,821.07	42,985,506.45	5,825,600.61	48,811,107.06
Reasons for occurrence of related creditor's right and debt transactions		Normal operation					
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company		Nil					

SECTION 6 IMPORTANT MATTERS

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

Applicable Not Applicable

(VI) Other major connected transactions

Applicable Not Applicable

(VII) Others

Applicable Not Applicable

As at 30 June 2023, the Group has entered into connected transactions with the following entities which are regarded as connected persons of the Company according to the Listing Rules.

- (1) Jingcheng Machinery Electric is the Controlling Shareholder of the Company, holding 45.32% of the equity interest in the Company. As such, Jingcheng Machinery Electric is a connected person of the Company.
- (2) Asset Company is a wholly-owned subsidiary of Jingcheng Machinery Electric, the Controlling Shareholder of the Company. As such, the Asset Company is a connected person of the Company.
- (3) Beiren Equipment is a wholly-owned subsidiary of Jingcheng Machinery Electric, the Controlling Shareholder of the Company. As such, Beiren Equipment is a connected person of the Company.

As at 30 June 2023, details of the connected transactions and continuing connected transactions for the first half year of the Company were set out below:

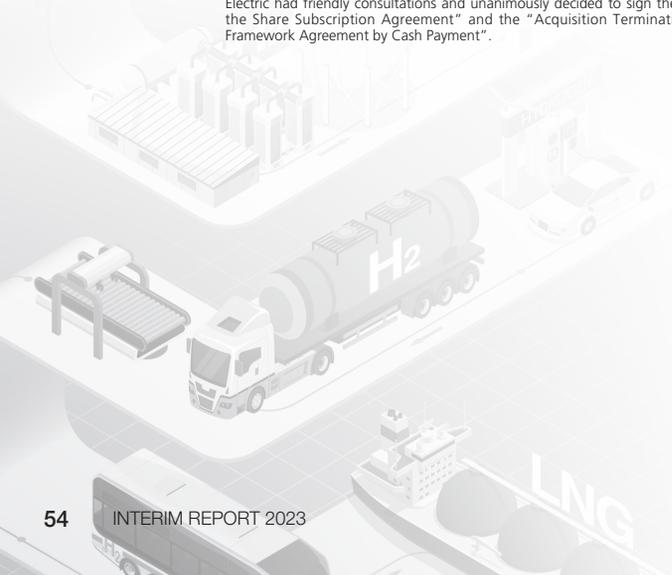
Connected Transactions

1. The implementation of the Non-public Issuance of A Shares which constitutes connected transaction

On 16 November 2022, the nineteenth extraordinary meeting of the tenth session of the Board of the Company considered and approved the “Resolution in relation to the Proposal for the Company’s Non-public Issuance of A Shares” and other resolutions, pursuant to the relevant requirements of the “Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Administrative Measures for the Issuance of Securities by Listed Companies”, “Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies” and other laws and regulations, the Company proposed a plan for the non-public issuance of A shares.

On 16 November 2022, the Company and Jingcheng Machinery Electric entered into the “Conditional Share Subscription Agreement between Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. in relation to the Non-public Issuance of Shares of Beijing Jingcheng Machinery Electric Company Limited”. The Company intended to raise proceeds of not exceeding RMB1,172 million (inclusive) in total from the non-public issuance of A Shares to not more than 35 specific investors, who meet the conditions prescribed by the CSRC, including Jingcheng Machinery Electric.

On 24 July 2023, the Company held the third extraordinary meeting of the eleventh session of the Board and the fourth meeting of the eleventh session of the Supervisory Committee and considered and passed the “Resolution in relation to the Termination of 2022 Proposed Non-public Issuance of A Shares of the Company”. The Company and Jingcheng Machinery Electric had friendly consultations and unanimously decided to sign the “Subscription Termination Agreement to Terminate the Share Subscription Agreement” and the “Acquisition Termination Agreement to Terminate the Asset Acquisition Framework Agreement by Cash Payment”.



SECTION 6 IMPORTANT MATTERS

Continuing connected transactions

- Continuing connected transaction relating to lease of Beiren Equipment's property for office use

The Company intends to lease the property of Beiren Equipment, its connected person, located at Yichuang Park Area, Yizhuang, Beijing (the "Property") for office use to satisfy the Company's office needs. The Property has a gross floor area of 1,102 sq. m. and the lease term is three years. Rental for the first year is RMB2.55/sq. m. of GFA per day, and from the second year onwards, rental will be increased by 2% per year; Beiren Equipment will also provide property services at a property fee of RMB264,480 per year.

- Continuing connected transaction with the property leasing of Jingcheng Haitong

Beijing Tianhai and Jingcheng Haitong entered into the "Lease Agreement" on 4 September 2018 with a lease term of 18 years. While transferring the property, Beijing Tianhai, Asset Company and Jingcheng Haitong will sign an "Agreement on the Change of Party of the Lease" which will transfer all rights and obligations of Beijing Tianhai under the "Lease Agreement" to Asset Company in general. On 6 July 2022, the Company issued the "Announcement of Completion of the Project of Acquisition of 2% Equity Interest of Jingcheng Haitong by a Subsidiary of the Company Beijing Tianhai Industry Co., Ltd.". 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, as Jingcheng Machinery Electric is the controlling shareholder of the Company, Asset Company is a connected person of the Company. Accordingly, the transaction contemplated under the lease agreement became a continuing connected transaction of the Company upon completion of the acquisition.

XI. MATERIAL CONTRACTS AND THEIR EXECUTION

1. Trust, contracting and lease matters

Applicable Not Applicable

(1) Trust

Applicable Not Applicable

(2) Contracting

Applicable Not Applicable

(3) Lease

Applicable Not Applicable

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount involved in lease of assets	Starting date of lease	Ending date of lease	Lease revenue	Determining basis for lease revenue	Effect of lease revenue on the Company	Is it a connected transaction	Relationship
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	Shenzhen Tenglong Holdings Co., Ltd.	The leased area is 45,043.62 sq.m	1,100,925,887.91	21 February 2021	18 October 2036	25,696,876.30	Lease Agreement	Major operating revenue	No	
Beijing Jingcheng Machinery Electric Asset Management Co., Ltd.	Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	The leased area is 45,143.62 sq.m	445,013,628.70	1 May 2020	18 October 2036	-11,184,219.00	Lease Agreement	Major operating revenue	Yes	Sister Company of the Group

Explanation on leases

Nil

SECTION 6 IMPORTANT MATTERS

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



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

During the Reporting Period, there was no change in the total number of shares and share capital structure of the Company.

2. Explanation on the changes in shares

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(2) Changes in shares subject to selling restrictions

Applicable Not Applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase in number of restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for sale restriction	Release date
Nanhua Fund Management Co., Ltd.	678,426	678,426	0	0	Sale restriction on raising of supporting funds	20 February 2023
Caitong Fund Management Co., Ltd.	4,016,282	4,016,282	0	0	Sale restriction on raising of supporting funds	20 February 2023
Nuode Asset Management Co., Ltd.	4,274,084	4,274,084	0	0	Sale restriction on raising of supporting funds	20 February 2023
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	1,815,882	1,815,882	0	0	Sale restriction on raising of supporting funds	20 February 2023
Li Hong	19,099,566	11,459,740	0	7,639,826	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Zhao Qing	6,540,785	3,924,471	0	2,616,314	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Yang Ping	5,405,865	5,405,865	0	0	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Qingdao Eternal Economic Information Consulting Co., Ltd.	4,686,960	2,812,176	0	1,874,784	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Wang Xiaohui	4,039,404	2,423,642	0	1,615,762	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Xia Tao	2,015,123	2,015,123	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Wang Huadong	2,015,123	2,015,123	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Qian Yuyan	806,048	483,629	0	322,419	Sale restriction on the acquisition and reorganization	Unlock the first two phases on 28 June 2023
Xiao Zhonghai	589,423	589,423	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Xiu Jun	526,269	526,269	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Fu Dun	378,913	378,913	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Chen Zhengyan	377,835	377,835	0	0	Sale restriction on the acquisition and reorganization	Unlock on 28 June 2023
Total	57,265,988	43,196,883	0	14,069,105	/	/

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	53,474
Total number of shareholders of preference shares with restored voting right as at the end of the Reporting Period	0

(2) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to selling restrictions) as at 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	45.32	63,000,000	Nil		State-owned legal person
HKSCC NOMINEES LIMITED	-4,000	99,415,027	18.33	0	Unknown		Unknown
Li Hong	-913,800	18,185,766	3.35	7,639,826	Unknown		Domestic natural person
Zhao Qing	0	6,540,785	1.21	2,616,314	Unknown		Domestic natural person
Qingdao Eternal Economic Information Consulting Co., Ltd.	0	4,686,960	0.86	1,874,784	Unknown		Domestic non-state-owned legal person
Wang Xiaohui	-100,000	3,939,404	0.73	1,615,762	Unknown		Domestic natural person
Yang Ping	-1,710,800	3,695,065	0.68	0	Unknown		Domestic natural person
Wang Huadong	0	2,015,123	0.37	0	Unknown		Domestic natural person
Hong Kong Securities Clearing Company Limited	1,312,965	1,780,188	0.33	0	Unknown		Unknown
Guotai Junan Securities Co., Ltd.	1,551,601	1,551,601	0.29	0	Unknown		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	Type and number of shares		Number
		Type		
Beijing Jingcheng Machinery Electric Holding Co., Ltd	182,735,052	Ordinary shares denominated in RMB		182,735,052
HKSCC NOMINEES LIMITED	99,419,027	Overseas listed foreign shares		99,419,027
Li Hong	10,545,940	Ordinary shares denominated in RMB		10,545,940
Zhao Qing	3,924,471	Ordinary shares denominated in RMB		3,924,471
Yang Ping	3,695,065	Ordinary shares denominated in RMB		3,695,065
Qingdao Eternal Economic Information Consulting Co., Ltd.	2,812,176	Ordinary shares denominated in RMB		2,812,176
Wang Xiaohui	2,323,642	Ordinary shares denominated in RMB		2,323,642
Wang Huadong	2,015,123	Ordinary shares denominated in RMB		2,015,123
Hong Kong Securities Clearing Company Limited	1,780,188	Ordinary shares denominated in RMB		1,780,188
Guotai Junan Securities Co., Ltd.	1,551,601	Ordinary shares denominated in RMB		1,551,601
Description of special account for repurchase among the top ten Shareholders	N/A			
Explanations on the entrustment of voting right, entrusted voting right and waive of voting right of the aforesaid Shareholders	N/A			
Explanation on the connected relationship of the Shareholders and action in concert among the aforesaid Shareholders	The Company was not aware of any connected relationship among the aforesaid Shareholders, nor was 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 have been resumed and their shareholdings	N/A			

SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

Notes:

- (1) Jingcheng Machinery Electric is the substantial shareholder of the Company, no share of which are being pledged or frozen.
- (2) 63,000,000 A Shares held by Jingcheng Machinery Electric have been listed and circulated on 10 July 2023. For details, please refer to the "Announcement on the Listing and Circulation of 2020 Non-public Issuance of Restricted Shares" (《2020年非公开发行限售股上市流通的公告》) published by the Company on "Shanghai Securities News", the website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk) on 3 July 2023.
- (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 2023, Mr. Cheng Lei's spouse held 5,700 A Shares in the Company. Save as disclosed above, as at 30 June 2023, so far as was known to the Directors, the supervisors and chief executive of the Company or their respective associates did not have any interest or short position 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange.
- (5) Save as disclosed above, as at 30 June 2023, 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 2023, 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		Conditions for selling restrictions
			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	10 July 2023	63,000,000	The lock-up period is 36 months from the delivery date of new shares
2	Li Hong	7,639,826	24 June 2024	3,819,913	He/She 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 from the Reorganisation, less the number of shares (if any); compensated for the year shall be unlocked;
3	Zhao Qing	2,616,314	24 June 2024	1,308,157	He/She 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 from the Reorganisation, less the number of shares (if any); compensated for the year shall be unlocked;
4	Qingdao Eternal Economic Information Consulting Co., Ltd.	1,874,784	24 June 2024	937,392	It 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 from the Reorganisation, less the number of shares (if any) compensated for the year shall be unlocked;
5	Wang Xiaohui	1,615,762	24 June 2024	807,881	He/She 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 from the Reorganisation, less the number of shares (if any) compensated for the year shall be unlocked;
6	Qian Yuyan	322,419	24 June 2024	161,210	He/She 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 from the Reorganisation, less the number of shares (if any) compensated for the year shall be unlocked.

Explanation on connected relationship or acting in concert among the aforesaid Shareholder

The Company was not aware of any connected relationship among the aforesaid shareholders, nor was the Company aware of any parties acting in concert as defined in the "Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders".

Remarks:

- 63,000,000 A Shares held by Jingcheng Machinery have been listed and circulated on 10 July 2023. For details, please refer to the "Announcement on the Listing and Circulation of 2020 Non-public Issuance Restricted Shares" (《2020年非公開發行限售股上市流通的公告》) published by the Company on Shanghai Securities News, the website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) on 3 July 2023.

SECTION 7 CHANGE IN SHARES AND INFORMATION OF SHAREHOLDERS

- (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) **Changes in shareholding of current and resigned directors, supervisors and senior management during the Reporting Period**

Applicable Not Applicable

Other information

Applicable Not Applicable

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

Applicable Not Applicable

- (3) **Other information**

Applicable Not Applicable

IV. CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable Not Applicable



SECTION 8 INFORMATION ABOUT PREFERENCE SHARES

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

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

Unit: Yuan Currency: RMB

Item	Notes	2023.6.30	2022.12.31
Current assets:			
Cash at bank and on hand	VI. 1	467,202,377.56	336,627,993.24
Settlement reserves			
Placements from banks and other financial institutions			
Financial assets held for trading		-	-
Derivative financial assets			
Notes receivable	VI. 2	2,575,614.68	8,603,853.52
Accounts receivable	VI. 3	349,071,295.07	315,652,015.26
Receivables financing	VI. 4	10,354,186.85	29,790,417.72
Advances to suppliers	VI. 5	45,997,328.51	46,525,117.75
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VI. 6	4,103,406.46	4,809,858.44
Including: interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI. 7	359,424,331.64	310,798,445.44
Contract assets		-	-
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VI. 8	39,365,754.78	10,221,016.45
Total current assets		1,278,094,295.55	1,063,028,717.82
Non-current assets:			
Disbursement of loans and advances to customers			
Debt instruments at amortised cost			
Debt instruments at fair value through other comprehensive income			
Long-term receivables			
Long-term equity investment	VI. 9	88,425,698.97	83,828,193.76
Equity instruments at fair value through other comprehensive income			
Other non-current financial assets			
Investment properties			
Fixed assets	VI. 10	646,254,526.84	594,584,383.38
Construction in progress	VI. 11	28,431,780.91	59,457,140.18
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI. 12	211,468,853.54	220,518,068.16
Intangible assets	VI. 13	187,545,724.76	192,378,307.38
Development expenditures			
Goodwill	VI. 14	168,996,039.10	168,996,039.10
Long-term deferred expenses	VI. 15	15,310,522.87	16,622,473.45
Deferred income tax assets	VI. 16	69,328,521.69	69,755,808.48
Other non-current assets	VI. 17	37,589,050.02	26,835,176.42
Total non-current assets		1,453,350,718.70	1,432,975,590.31
Total assets		2,731,445,014.25	2,496,004,308.13

SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

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

Unit: Yuan Currency: RMB

Item	Notes	2023.6.30	2022.12.31
Current liabilities:			
Short-term borrowings	VI. 18	170,000,000.00	100,000,000.00
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	VI. 19	95,927,453.58	77,497,454.43
Accounts payable	VI. 20	284,146,129.87	242,600,960.24
Advances from customers			
Contract liabilities	VI. 21	74,532,255.04	60,289,757.30
Financial assets sold under agreements to repurchase			
Customer bank deposits and due to banks and other financial institutions			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee compensation payable	VI. 22	15,933,973.13	25,714,018.81
Taxes payable	VI. 23	6,472,438.43	21,834,560.15
Other payables	VI. 24	76,617,572.36	63,942,916.44
Including: interests payable			
Dividends payable			
Handling charges and commission payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	VI. 25	21,491,889.73	21,127,930.84
Other current liabilities	VI. 26	7,024,715.60	6,677,447.44
Total current liabilities		752,146,427.74	619,685,045.65
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities	VI. 27	240,552,018.75	248,801,063.86
Long-term payables	VI. 28	253,207,700.00	113,207,700.00
Long-term employee compensation payable	VI. 29	31,127,711.39	30,779,454.07
Provision	VI. 30	7,981,101.32	8,020,131.96
Deferred income	VI. 31	9,720,315.08	358,604.17
Deferred income tax liabilities	VI. 16	59,302,455.66	61,991,575.69
Other non-current liabilities			
Total non-current liabilities		601,891,302.20	463,158,529.75
Total liabilities		1,354,037,729.94	1,082,843,575.40

SECTION 10 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

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

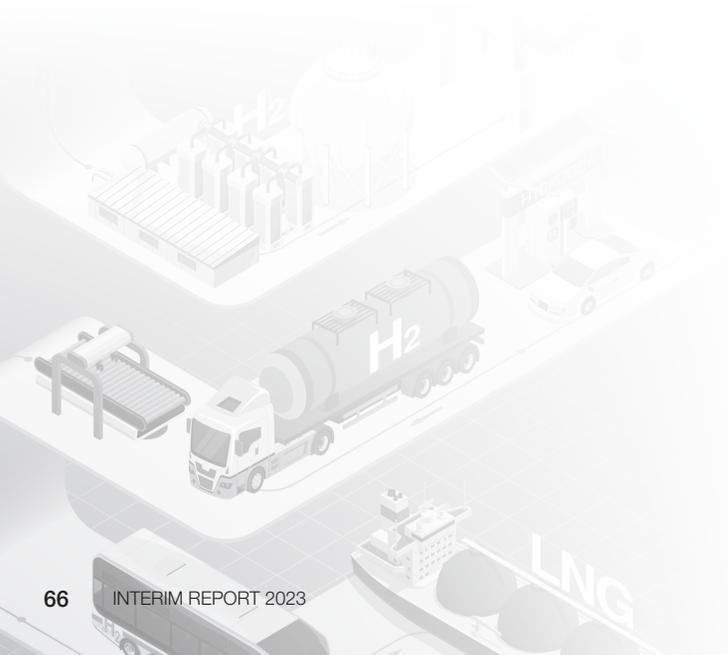
Unit: Yuan Currency: RMB

Item	Notes	2023.6.30	2022.12.31
Shareholders' equity:			
Share capital	VI. 32	542,265,988.00	542,265,988.00
Other equity instruments Including: preferred stock Perpetual bonds			
Capital reserves	VI. 33	1,151,111,016.32	1,151,111,016.32
Less: treasury shares	VI. 34	4,248,157.27	2,128,736.81
Other comprehensive income	VI. 35	669,531.59	124,960.21
Special reserves	VI. 36	45,665,647.68	45,665,647.68
Surplus reserves			
General risk provision			
Retained earnings	VI. 37	-695,229,732.92	-665,538,796.90
Total shareholders' equity attributable to parent company		1,048,730,607.94	1,075,757,552.12
Minority shareholders' equity		328,676,676.37	337,403,180.61
Total shareholders' equity		1,377,407,284.31	1,413,160,732.73
Total liabilities and shareholders' equity		2,731,445,014.25	2,496,004,308.13

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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



SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF THE PARENT COMPANY

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

Unit: Yuan Currency: RMB

Item	Notes	2023.6.30	2022.12.31
Current assets:			
Cash at bank and on hand		25,248,639.30	53,043,574.83
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII.1	64,960,685.13	51,455,610.49
Receivables financing			
Advances to suppliers			
Other receivables	XVII.2	400,105,579.98	382,107,891.53
Including: interest receivable		32,918,353.69	37,918,353.69
Dividends receivable			
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		147,943.54	
Total current assets		490,462,847.95	486,607,076.85
Non-current assets:			
Debt instruments at amortised cost			
Debt instruments at fair value through other comprehensive income			
Long-term receivables			
Long-term equity investment	XVII.3	1,377,330,040.36	1,239,348,125.05
Equity instruments at fair value through other comprehensive income			
Other non-current financial assets			
Investment properties			
Fixed assets		125,028.96	139,583.28
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		1,665,295.14	2,119,466.54
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses		1,020,449.32	1,298,753.68
Deferred income tax assets		350,697.09	460,670.43
Other non-current assets			
Total non-current assets		1,380,491,510.87	1,243,366,598.98
Total assets		1,870,954,358.82	1,729,973,675.83

SECTION 10 FINANCIAL REPORT

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

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

Unit: Yuan Currency: RMB

Item	Notes	2023.6.30	2022.12.31
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		50,012,861.73	53,462,653.20
Advances from customers			
Contract liabilities		19,242,477.91	1,274,336.28
Employee compensation payable		115,948.37	2,655,500.86
Taxes payable		7,173.09	614,941.03
Other payables		21,636,492.00	23,710,531.21
Including: interests payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		920,715.35	889,946.63
Other current liabilities		-	165,663.72
Total current liabilities		91,935,668.45	82,773,572.93
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities		482,073.01	952,735.10
Long-term payables			
Long-term employee compensation payable			
Provision			
Deferred income			
Deferred income tax liabilities		416,323.79	529,866.64
Other non-current liabilities			
Total non-current liabilities		898,396.80	1,482,601.74
Total liabilities		92,834,065.25	84,256,174.67
Shareholders' equity:			
Share capital		542,265,988.00	542,265,988.00
Other equity instruments			
Including: preferred stock			
Perpetual bonds			
Capital reserves		1,261,798,659.48	1,123,816,744.17
Less: treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		38,071,282.24	38,071,282.24
Retained earnings		-64,015,636.15	-58,436,513.25
Total shareholders' equity		1,778,120,293.57	1,645,717,501.16
Total liabilities and shareholders' equity		1,870,954,358.82	1,729,973,675.83

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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

SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
I. Total revenue		625,983,732.52	637,677,016.77
Including: operating revenue	VI. 38	625,983,732.52	637,677,016.77
Interest income			
Earned premiums			
Handling charges and commission income			
II. Total operating cost		649,492,960.84	635,491,143.05
Including: operating cost	VI. 38	546,091,446.53	553,123,507.27
Interest expenditure			
Expenses of fees and commissions			
Surrender value			
Net payments for insurance claims			
Net provision for insurance liability reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VI. 39	3,215,567.15	3,635,239.70
Selling expenses	VI. 40	17,906,764.13	15,841,866.48
Administrative expenses	VI. 41	47,814,777.88	38,334,532.86
R&D expenses	VI. 42	28,174,206.18	21,615,500.91
Financial Expenses	VI. 43	6,290,198.97	2,940,495.83
Including: interest expenses		8,830,075.36	2,882,848.89
Interest income		2,177,647.04	222,568.30
Add: other incomes	VI. 44	1,562,792.50	1,834,312.92
Investment income (loss to be listed with "-")	VI. 45	4,568,847.96	13,545,545.90
Including: investment income from associates and joint ventures		4,568,847.96	12,254,352.49
Revenue 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 "+,-")		-	-5,952.01
Credit impairment loss (loss to be listed with "-")	VI. 46	-3,252,605.18	-861,311.24
Asset impairment loss (loss to be listed with "-")	VI. 47	-12,595,858.77	-4,631,897.06
Income of assets disposal (loss to be listed with "-")	VI. 48	55,422.47	
III. Operating profit (loss to be listed with "-")		-33,170,629.34	12,066,572.23
Add: non-operating revenue	VI. 49	1,243,897.98	722,359.80
Less: non-operating expenses	VI. 50	257,935.94	1,066,190.71
IV. Total profit (total loss to be listed with "-")		-32,184,667.30	11,722,741.32
Less: income tax expenses	VI. 51	6,574,895.30	3,034,715.00
V. Net profit (net loss to be listed with "-")		-38,759,562.60	8,688,026.32
(I) Classified by continuity of operation		-38,759,562.60	8,688,026.32
1. Net profit from going concern			
(net losses to be listed with "-")		-38,759,562.60	8,688,026.32
2. Net profit from discontinued operations			
(net losses to be listed with "-")			
(II) Classification by ownership		-38,759,562.60	8,688,026.32
1. Net profit attributable to owners of the parent company			
(net losses to be listed with "-")		-29,690,936.02	10,576,997.42
2. Non-controlling interests (net losses indicated by "-")		-9,068,626.58	-1,888,971.10

SECTION 10 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
VI. Net after-tax amount of other comprehensive income		2,332,083.51	1,966,372.71
Net after-tax amount of other comprehensive income attributable to the owner of the parent company	VI. 52	2,119,420.46	1,783,243.77
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be converted to profit or loss 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 reclassified into profit or loss		2,119,420.46	1,783,243.77
1. Other comprehensive income that can be transferred to profit or loss under the equity method		28,657.25	3,496.18
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in 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 the financial statements of foreign currency		2,090,763.21	1,779,747.59
7. Others			
Net of tax of other comprehensive income attributable to minority shareholders	VI. 52	212,663.05	183,128.94
VII. Total comprehensive income		-36,427,479.09	10,654,399.03
Total comprehensive incomes attributable to shareholders of the parent company		-27,571,515.56	12,360,241.19
Total consolidated income attributable to minority shareholders		-8,855,963.53	-1,705,842.16
VIII. Earnings per share:			
(I) Basic earnings per share (yuan/share)		-0.05	0.02
(II) Diluted earnings per share (yuan/share)		-0.05	0.02

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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

SECTION 10 FINANCIAL REPORT

INCOME STATEMENT OF THE PARENT COMPANY

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
I. Operating revenues	<i>XVII.4</i>	454,601.78	212,991.15
Less: operating costs	<i>XVII.4</i>	-	-
Taxes and surcharges		70,915.50	8,486.10
Selling expenses			
Administrative expenses		4,702,981.80	5,606,374.66
R&D expenses			
Financial Expenses		-31,440.02	-15,754.99
Including: interest expenses			
Interest income		74,372.90	17,801.26
Add: other incomes			
Investment income (loss to be listed with "-")			
Including: investment income from associates and joint ventures			
Revenue 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 "-")		-1,294,836.91	-154,997.92
Asset impairment loss (loss to be listed with "-")			
Income of assets disposal (loss to be listed with "-")			
II. Operating profit (loss to be listed with "-")		-5,582,692.41	-5,541,112.54
Add: non-operating revenue			
Less: non-operating expenses			
III. Total profit (total loss to be listed with "-")		-5,582,692.41	-5,541,112.54
Less: income tax expenses		-3,569.51	
IV. Net profit (net loss to be listed with "-")		-5,579,122.90	-5,541,112.54
(I) Net profit from continuing operations (net loss to be listed with "-")		-5,579,122.90	-5,541,112.54
(II) Net profit from discontinued operations (net loss to be listed with "-")			
V. Net amount of other comprehensive incomes after tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be converted to profit or loss 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 reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of debt instruments at FVTOCI			
3. The amount of financial assets reclassified into other comprehensive incomes			
4. Provision for impairment of credit in 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 the financial statements of foreign currency			
7. Others			
VI. Total comprehensive incomes		-5,579,122.90	-5,541,112.54

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		525,026,772.39	570,729,387.64
Net increase in deposits from customers and placements from banks and other 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 interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase from repurchasing business funds			
Net cash received from securities brokering			
Refund of taxes and surcharge		1,677.44	35,643,452.41
Other cash received relating to operating activities	VI. 53	34,019,617.07	5,996,611.01
Subtotal of cash inflows from operating activities		559,048,066.90	612,369,451.06
Cash paid for goods and services		353,942,773.34	480,168,219.02
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 interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		121,606,211.63	103,795,626.52
Payments of taxes and surcharges		47,464,385.67	19,100,844.38
Cash paid for other operating activities	VI. 53	42,501,594.90	28,220,352.33
Subtotal of cash outflows from operating activities		565,514,965.54	631,285,042.25
Net cash flows from operating activities	VI. 53	-6,466,898.65	-18,915,591.19
II. Cash flows from investing activities:			
Cash received from the return of investment			
Cash received from acquirement of investment income			297,877.25
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		141,620.00	7,937.52
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	VI. 53		36,233,354.22
Subtotal of cash inflows from investing activities		141,620.00	36,539,168.99
Cash paid to purchase fixed assets, intangible assets, and other long-term assets		49,090,148.84	45,298,459.00
Cash paid to acquire investments			230,866.00
Net increase in pledge loans			
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities			
Subtotal of cash outflows from investing activities		49,090,148.84	45,529,325.00
Net cash flows from investing activities		-48,948,528.84	-8,990,156.01

SECTION 10 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings			
Other cash received relating to financing activities			
	VI. 53	70,000,000.00	75,679,600.00
		140,000,000.00	23,207,700.00
Subtotal of cash inflows from financing activities		210,000,000.00	98,887,300.00
Cash paid for repayment of debts			
Cash paid for the distribution of dividends, profits or interests			
Including: dividends and profits paid by subsidiaries to minority shareholders			
Other cash paid relating to financing activities			
	VI. 53	1,971,666.67	34,382,160.00
		12,268,749.32	1,961,555.55
Subtotal of cash outflows from financing activities		14,240,415.99	36,343,715.55
Net cash flows from financing activities		195,759,584.01	62,543,584.45
IV. Effects from the change of exchange rate on cash and cash equivalents			
		1,038,246.16	1,256,935.38
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		VI. 53	141,382,402.68
		VI. 53	263,802,199.98
			35,894,772.63
			79,891,833.74
VI. Closing balance of cash and cash equivalents			
		VI. 53	405,184,602.66
			115,786,606.37

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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



SECTION 10 FINANCIAL REPORT

CASH FLOW STATEMENT OF THE PARENT COMPANY

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

Unit: Yuan Currency: RMB

Item	Notes	January to June, 2023	January to June, 2022
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		58,876,400.00	29,332,800.00
Refund of taxes and surcharge			
Other cash received relating to operating activities		288,572.95	9,632,123.36
Subtotal of cash inflows from operating activities		59,164,972.95	38,964,923.36
Cash paid for goods and services		56,782,598.40	19,869,300.00
Cash paid to and for employees		5,210,114.33	5,724,274.48
Payments of taxes and surcharges		698,619.29	628,177.41
Cash paid for other operating activities		4,203,576.50	4,478,584.56
Subtotal of cash outflows from operating activities		66,894,908.52	30,700,336.45
Net cash flows from operating activities		-7,729,935.57	8,264,586.91
II. Cash flows from investing activities:			
Cash received from the return of investment			
Cash received from acquirement of investment income			
Net cash received from the sale of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		5,000,000.00	
Subtotal of cash inflows from investing activities		5,000,000.00	
Cash paid to purchase fixed assets, intangible assets, and other long-term assets		65,000.00	
Cash paid to acquire investments		140,000,000.00	
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash paid relating to investment activities		25,000,000.00	
Subtotal of cash outflows from investing activities		165,065,000.00	
Net cash flows from investing activities		-160,065,000.00	
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings			
Other cash received relating to financing activities		140,000,000.00	23,207,700.00
Subtotal of cash inflows from financing activities		140,000,000.00	23,207,700.00
Cash paid for repayment of debts			
Cash paid for distribution of dividends, profits or interest repayment			
Other cash paid relating to financing activities			23,207,700.00
Subtotal of cash outflows from financing activities			23,207,700.00
Net cash flows from financing activities		140,000,000.00	
IV. Effects from the change of exchange rate on cash and cash equivalents		0.04	
V. Net increase in cash and cash equivalents		-27,794,935.53	8,264,586.91
Add: Opening balance of cash and cash equivalents		53,043,574.83	1,639,496.85
VI. Closing balance of cash and cash equivalents		25,248,639.30	9,904,083.76

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

Unit: Yuan Currency: RMB

Item	Shareholders' equity attributable to the parent company										Total shareholders' equity				
	Other equity instruments					Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risks provision		Retained earnings	Others	Subtotal	Minority shareholders' equity
	Share capital	Preferred stock	Perpetual bonds	Capital reserves	Other										
I. Ending balance of the previous year	50,235,980.00			1,151,110,053.20	2,128,736.81	124,960.21	45,565,647.88	469,091,286.39	3,492,489.49	1,072,655,862.83	394,716,944.18	1,466,461,466.81	6,973,625.92		
Add: changes in accounting policies															
Changes in error corrections															
Others															
II. Beginning balance of the current year	50,235,980.00			1,151,110,053.20	2,128,736.81	124,960.21	45,565,647.88	469,091,286.39	3,492,489.49	1,072,655,862.83	394,716,944.18	1,466,461,466.81	6,973,625.92		
III. Movements in the Current Year (please see to be listed with "+")															
(I) Total comprehensive income					2,119,402.06	544,571.38		-29,690,936.02		-27,063,944.18	-3,782,504.24	-35,733,448.42			
(II) Capital increase (decrease) shareholders					2,119,402.06					-27,063,944.18					
1. Common shares increase shareholders															
2. Capital contribution (redemption of treasury) instruments															
3. Amount of stock-based payment in cash															
4. Others															
(III) Profit distribution															
1. Appropriation to surplus reserves															
2. Appropriation to general risk reserve															
3. Distribution to shareholders															
4. Others															
(IV) Merit payover to shareholders' equity															
1. Capital surplus transferred to share capital															
2. Surplus reserves transferred to share capital															
3. Surplus reserves to cover losses															
4. Retained earnings carried forward from the previous year															
5. Retained earnings carried forward from the previous year															
6. Others															
(V) Special reserves															
1. Appropriation in current year															
2. Use in current year															
(VI) Others															
IV. Ending balance of the current year	50,235,980.00			1,151,110,053.20	4,248,137.27	669,531.59	45,565,647.88	439,399,350.37	3,492,489.49	1,048,731,697.94	398,066,979.57	1,377,407,284.21	6,973,625.92		

SECTION 10 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

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

Unit: Yuan Currency: RMB

Item	January to June, 2022														
	Shareholders' equity attributable to the parent company														
	Share capital	Preferred stock	Residual bonds	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risks provision	Retained earnings	Others	Subtotal	Minority shareholders' equity	Total shareholders' equity
I. Ending balance of the previous year	485,000,000.00				835,552,861.68		-1,030,194.20		45,665,647.68		-487,333,702.32		677,655,614.84	283,756,631.50	961,412,246.34
Add: Changes in accounting policies															
Business merger under common control															
Others															
II. Beginning balance of the current year	485,000,000.00				835,552,861.68		-1,030,194.20		45,665,647.68		-487,333,702.32		677,655,614.84	283,756,631.50	961,412,246.34
III. Movements in the Current Year (Increase or decrease with "+")	46,481,314.00				176,564,413.63		1,782,243.77		10,576,897.42		10,576,897.42		235,425,736.82	32,845,148.07	268,270,884.89
(I) Total comprehensive income							1,782,243.77				10,576,897.42				
(II) Capital increases (decrease) by shareholders	46,481,314.00				176,564,413.63										
1. Common shares increase by shareholders	46,481,314.00														
2. Capital contribution by holders of the equity instruments					176,564,413.63										
3. Amount of stock-based payment in cash															
4. Others															
(III) Profit distribution															
1. Appropriation to surplus reserves															
2. Appropriation to general risk reserve															
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 reserves transferred to other losses															
4. Transfer earnings carried forward from charges															
5. Transfer earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserves															
1. Appropriation in current year															
2. Use in current year															
(VI) Others															
IV. Ending balance of the current year	531,481,314.00				1,012,117,275.31		752,949.57		56,242,545.10		-476,756,804.90		919,061,413.66	316,601,880.57	1,235,663,294.23

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

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

SECTION 10 FINANCIAL REPORT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

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

Unit: Yuan Currency: RMB

Item	January to June, 2023											
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred stock	Perpetual bonds	Others								
I. Ending balance of the previous year	542,265,988.00				1,123,816,744.17				38,071,282.24	-58,367,317.04		1,645,786,697.37
Add: changes in accounting policies										-69,196.21		-69,196.21
Correction of prior period errors												
Others												
II. Beginning balance of the current year	542,265,988.00				1,123,816,744.17				38,071,282.24	-58,436,513.25		1,645,717,501.16
III. Movements in the Current Year (decrease to be listed with "-")					137,981,915.31					-5,579,122.90		132,402,792.41
(I) Total comprehensive incomes										-5,579,122.90		-5,579,122.90
(II) Capital invested and decreased by shareholders												
1. Common shares invested by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in shareholder's equity												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Distribution to shareholders												
3. Others												
(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 losses												
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												
IV. Ending balance of the current year	542,265,988.00				1,261,798,659.48				38,071,282.24	-64,015,636.15		1,778,120,293.57

SECTION 10 FINANCIAL REPORT

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

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

Unit: Yuan Currency: RMB

Item	January to June, 2022											
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred stock	Perpetual bonds	Others								
I. Ending balance of the previous year	485,000,000.00				811,365,185.81				38,071,282.24	-54,534,968.50		1,279,901,499.55
Add: changes in accounting policies												
Correction of prior period errors												
Others												
II. Beginning balance of the current year	485,000,000.00				811,365,185.81				38,071,282.24	-54,534,968.50		1,279,901,499.55
III. Movements in the Current Year (decrease to be listed with "*")	46,481,314.00				173,284,801.59					-5,541,112.54		214,225,003.05
(I) Total comprehensive incomes										-5,541,112.54		-5,541,112.54
(II) Capital invested and decreased by shareholders	46,481,314.00				173,284,801.59							219,766,115.59
1. Common shares invested by shareholders	46,481,314.00				173,284,801.59							219,766,115.59
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in shareholder's equity												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserves												
2. Distribution to shareholders												
3. Others												
(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 losses												
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												
IV. Ending balance of the current year	531,481,314.00				984,649,987.40				38,071,282.24	-60,076,081.04		1,494,126,522.60

Person in charge of the Company:
Mr. Li Junjie

Person in charge of accounting:
Ms. Feng Yongmei

Person in charge of the accounting firm:
Mr. 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 on 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 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 Municipality, the Company's sole non-tradable shares shareholder-Beiren Group Corporation paid the original 27,360,000 state-owned legal person shares to the Company's circulating A-share shareholders 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 tradable 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 tradable 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 tradable 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." (ZJXK [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 tradable 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 tradable 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 private placement, 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 tradable 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 of the General Meeting of Shareholders on 9 February 2021, and the receipt of the “Reply on Approving the Offering by Beijing Jingcheng Machinery Electric Co., Ltd. of Shares to Li Hong, etc. for Purchasing Assets and Raising Supporting Funds” (ZJXK [2022] No. 586) from the China Securities Regulatory Commission (“CSRC”), the Company completed the acquisition of 80% equity interest in Qingdao BYTQ United Digital Intelligence Co., Ltd. (“BYTQ”) on 17 June 2022 by offering 46,481,314 restricted shares, accounting for 8.75% of the total share capital of the Company. After the offering, the Company had 531,481,314 issued shares. 32,412,209 A shares of such restricted shares were released from the restriction on 28 June 2023 and listed on the market.

The Company made a non-public offering of 10,784,674 restricted A-shares to specified investors, including Nanhua Fund Management Co., Ltd., Caitong Fund Management Co., Ltd., Lord Abbett China Asset Management Co., Ltd and JPMorgan Chase Bank, National Association. After the offering, the total share capital of the Company increased to 542,265,988 issued shares. On 4 August 2022, the Company had received the proceeds from the above offerings. All the restricted shares in such offering were released from restriction on 20 February 2023 and listed on the market.

The above proceeds have been verified by ShineWing Certified Public Accountants LLP (Special General Partnership), and the Capital Contribution Verification Report (XYZH/2022BJAA31027) was issued on 5 August 2022.

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, Huoxiannan Third Street, Huoxian Town, Tongzhou District, Beijing.

The Company’s business scope: general freight; specialty-related contracting; 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 beneficial controller of the Company.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company’s consolidated financial statements cover Jingcheng Holding (Hong Kong) Co., Ltd., Qingdao BYTQ United Digital Intelligence 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 and Transportation Equipment Sales Co., Ltd., Kuancheng Tianhai Pressure Container Co., Ltd., BTIC AMERICA CORPORATION, and Beijing Jingcheng Haitong Technology and Culture Development 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 2023 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 of 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. Operating cycle

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

SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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

The assets and liabilities acquired by the Group, as the combining party, from the business combinations 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 reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combinations 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. on the acquisition date 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 "minority shareholders' equity, non-controlling interests, other comprehensive income equity attributed to minority shareholders and total comprehensive income equity attributed 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 period shall be adjusted. It shall be deemed that the reporting entity formed after the combination has existed since the beginning of 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 period and current profits and losses during the period of the comparative statement.

As for subsidiaries acquired by business combinations 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.

SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation methods of consolidated financial statements (Continued)

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.

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 shareholding proportion 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 translation difference that is attributed to 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. 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 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 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 contract 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 transfer of an entire financial asset qualifies for derecognition, the difference between the carrying amount of the transferred financial asset at the date of derecognition and the sum of the consideration received for such transfer and the amount of cumulative changes in fair value allocated to the derecognized part which had been directly recognized in other comprehensive income (the financial asset involved in the transfer shall meet the following conditions: ① The objective of the Group's business model for managing the financial asset is to both collect contractual cash flows and sell the financial asset; ② the contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.) shall be recognized in current profit or loss.

If the transfer of a part of a financial asset qualifies for derecognition, the book amount of the transferred financial asset shall be allocated between the part derecognized and the part not derecognized on the basis of the relative fair values of these parts, and the difference between the book amount allocated to the part derecognized and the sum of the consideration received for such transfer and the amount of cumulative changes in fair value allocated to the derecognized part which had been recognized in other comprehensive income (the financial asset involved in the transfer shall meet the following conditions: ① The objective of the Group's business model for managing the financial asset is to both collect contractual cash flows and sell the financial asset; ② the contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.) shall be recognized in current profit or loss.

(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 contract 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 contract 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 at the very end. 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, or the range of possible estimates of fair value is wide 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 contract obligation by delivering cash or other financial assets, the contract obligation satisfies the definition of financial liability. Some financial instruments which do not explicitly contain terms and conditions for the obligation to deliver cash or other financial assets may indirectly give rise to contract obligations indirectly through other terms and conditions; 2) If a financial instrument must or may be settled with the Group's own equity instruments, whether the Group's own equity instruments used to settle such instrument is used as a substitute for cash or other financial assets or to entitle the holder of such instrument to the residual interest in the assets of the issuer after deducting all of its liabilities. 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 contract rights or contract 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 contract 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. Expected credit loss refers to the weighted average of credit losses of financial instruments 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 the 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. Expected credit loss refers to the weighted average of credit losses of financial instruments 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 the 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
Ageing 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

Receivables 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 contractual 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
Ageing 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. Inventory

Inventories of the Group mainly include raw materials, products in progress, finished goods, goods shipped, 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 assets.

(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. Account receivables".

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 other Accounting Standards for Business 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 other relevant Accounting Standards of Business Enterprises; and then, according to the difference between the book value and the shortfall between remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, 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. Account receivables".

19. Long-term equity investment

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 reserve. If the capital reserve 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 investment (Continued)

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment 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 attributed 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 long-term equity investment calculated by the equity method, the related other comprehensive income previously calculated by the equity method should be accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method. The owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution should be transferred in full to current investment income upon the termination of the equity method.

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 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. Other comprehensive income recognized on the former equity investment due to the adoption of the equity method of accounting is treated on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting and carried forward proportionately. Owners' equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution should be transferred proportionately to current investment income.

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 a 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 investment of the corresponding disposed equity 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 properties

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 and 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:

Category	Depreciation life (Years)	Estimated residual rate (%)	Annual depreciation rate (%)
Land use right	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:

Category	Depreciable life (year)	Estimated residual rate (%)	Annual depreciation rate (%)
Plant and buildings	40	5	2.375
Machinery equipment	10	5-10	9-9.5
Electrical equipment	5-10	5-10	9-19
Transportation equipment	5	5-10	18-19
Office equipment and others	3-5	5-10	18-30

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. Projects under construction

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-of-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-of-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-of-use asset, i.e. the right-of-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-of-use asset shall be adjusted accordingly.

(3) Depreciation of right-of-use assets

Starting from the commencement of the lease term, the Group will depreciate the right-of-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-of-use asset, the Group makes a decision based on the expected consumption mode of economic benefits related to the right-of-use asset, and depreciates the right-of-use asset by the straight-line method.

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

25. Intangible assets

The intangible assets of the Group include land use right, patented technology, software, trademark right, 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, software, and trademark right 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) It is technically feasible to complete the intangible assets so that it will be available for use or sale;
- (2) Where the management is intended to finish and use or sell the intangible assets;
- (3) There are methods for completing 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) There is enough support of technical, financial 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. Impairment provisions of assets shall be calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable value of the single assets, the recoverable value shall be recognized as per the asset portfolio to which the single asset belongs. The asset group refers to the minimum combination of assets that can independently generate cash inflow.

Goodwill separately 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 recognized according to the amount received or receivable when the customer actually makes the payment and when payment is due.

SECTION 10 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee compensation

Employee compensation of the Group includes short-term compensation, post-employment 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 ZGC 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 ZGC GROUP cannot unilaterally withdraw the dismissal benefits provided by the ZGC GROUP as a result of the termination of the labor relations plan or the retirement benefits offered by the redundancy proposals and when the ZGC 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 period, the Group recognizes employee payroll cost generated from other long-term employee welfares as the following components: service cost; net interest amount of net liabilities or assets of other long-term employee welfares; changes generated from the rereasurement 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.

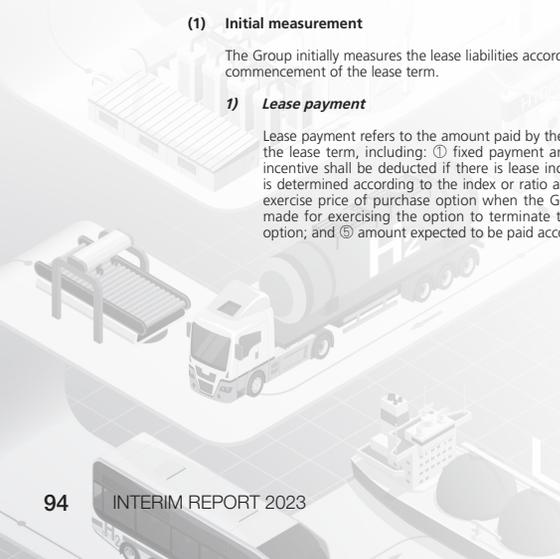
30. Lease liabilities

(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.



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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-of-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-of-use asset accordingly. If the book value of the right-of-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. Provision

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 provisions 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 provisions 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 reserve 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 cancelled 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 cancelling vested equity instrument.

33. Revenue recognition principles and measuring methods

The Group's operating revenue mainly include revenue from the sales of seamless steel gas cylinders, wrapped cylinders, low-temperature cylinders, low-temperature storage and transportation equipment, materials, and integrated systems for automated manufacturing equipment, building rental fees, and site rental fees.

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 at the end of the period, 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 tax assets and deferred 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

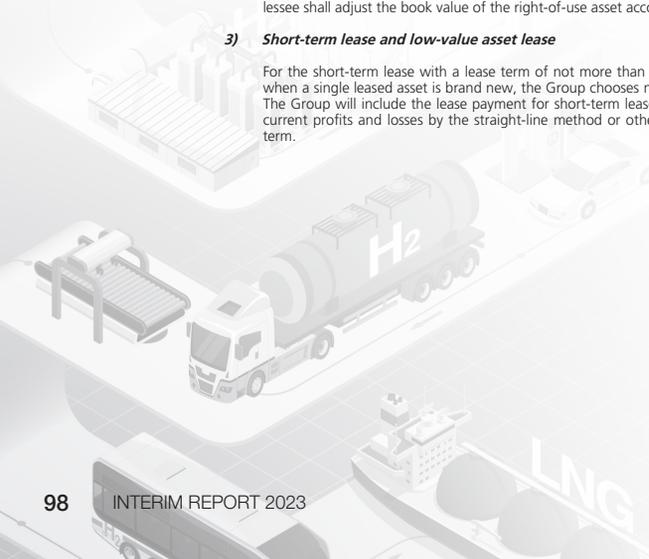
Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. The effective date 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-of-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-of-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-of-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 the balance of the deducted rental income will be apportioned 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.
- (8) 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.

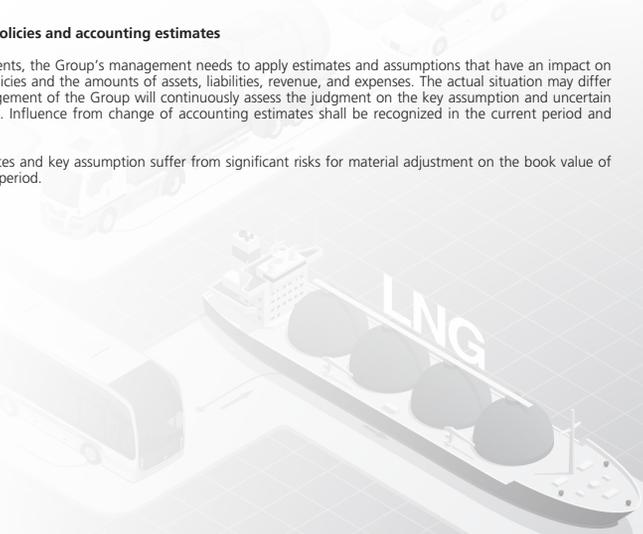
38. Discontinued operations

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 impairment provision 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

In December 2021, the Ministry of Finance issued "Interpretation No. 15 of the Accounting Standards for Business Enterprises" (CK [2021] No. 35) (hereinafter referred to as "Interpretation No. 15"). In November 2022, the Ministry of Finance issued "Interpretation No. 16 of the Accounting Standards for Business Enterprises" (CK [2022] No. 31) (hereinafter referred to as "Interpretation No. 16"). Interpretation No. 15 did not have a significant impact on the Group's financial position and operating performance. Interpretation No. 16 "Accounting treatment of exemption from initial recognition is not applicable to deferred income tax related to assets and liabilities arising from individual transactions" shall be implemented from 1 January, 2023. The Group has implemented relevant accounting treatment from 1 January, 2023 and handled it in accordance with relevant connection regulations. The implementation of Interpretation No. 16 has no significant impact on the Group's profits. The implementation of Interpretation No. 16 has no significant impact on the Group's profits for first half year 2022.

- 1) The amount affected by the implementation of Interpretation No. 16 on the relevant items in the Group's consolidated statements and balance sheet as of December 31, 2022 is as follows:

Unit: Yuan Currency: RMB

Item	Before change	Amount affected	After change
Total assets	2,434,589,099.53	61,415,208.60	2,496,004,308.13
Total non-current assets	1,371,560,381.71	61,415,208.60	1,432,975,590.31
Deferred income tax assets	8,340,599.88	61,415,208.60	69,755,808.48
Total liabilities	1,028,107,632.72	54,735,942.68	1,082,843,575.40
Total non-current liabilities	408,422,587.07	54,735,942.68	463,158,529.75
Deferred income tax liabilities	7,255,633.01	54,735,942.68	61,991,575.69
Total shareholders' equity	1,406,481,466.81	6,679,265.92	1,413,160,732.73
Retained earnings	-669,031,286.39	3,492,489.49	-665,538,796.90
Minority shareholders' equity	334,216,404.18	3,186,776.43	337,403,180.61

- 2) The amount affected by the implementation of Interpretation No. 16 on the relevant items in the parent company's balance sheet as of December 31, 2022 is as follows:

Unit: Yuan Currency: RMB

Item	Before change	Amount affected	After change
Total assets	1,729,513,005.40	460,670.43	1,729,973,675.83
Deferred income tax assets	0.00	460,670.43	460,670.43
Total liabilities	83,726,308.03	529,866.64	84,256,174.67
Total non-current liabilities	952,735.10	529,866.64	1,482,601.74
Deferred income tax liabilities	0.00	529,866.64	529,866.64
Total shareholders' equity	1,645,786,697.37	-69,196.21	1,645,717,501.16
Retained earnings	-58,367,317.04	-69,196.21	-58,436,513.25

(2) Changes in significant accounting estimates

None.

SECTION 10 FINANCIAL REPORT

V. TAXES

1. Main taxes and tax rates

Tax category	Taxation basis	Tax rate
VAT	Taxable amount of added value	13, 9, 6 and 5
Urban maintenance and construction tax	VAT payable	7%, 5%
Educational surcharges	VAT payable	3%
Local education surcharges	VAT payable	2%
Real estate tax	70%-80% of the original house property value and income from house property leasing	1.2% and 12%
Enterprise 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 different tax rates of corporate income taxes:

Name of taxpayer	Income tax rate
The Company	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Cylinders Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage and Transportation 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%
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	25%

2. Tax preference

On 1 December 2022, Tianhai Industrial, a subsidiary of the Company, obtained a high-tech enterprise certificate with certificate number GR202211004332 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, Beijing Municipal 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 22 November 2022, Kuancheng Tianhai, a subsidiary of the Company, obtained a high-tech enterprise certificate with certificate number GR202213003894 jointly issued by Hebei Provincial Department of Science and Technology, 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 certificate number GR202012007641 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, and Beijing Municipal 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 14 November 2021, BYTQ, a subsidiary of the Company, received a high-tech enterprise certificate with certificate number GR202137100429 from Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, and Qingdao Tax Service, State Taxation Administration, with a validity period of 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.

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

Unless otherwise stated, among the following disclosed data in the financial statements, the “beginning balance” refers to the balance on 01 January 2023, the “ending balance” refers to the balance on 30 June 2023, the “current period” refers to the period from January to June 2023, the “previous period” refers to the period from January to June 2022, and the monetary unit is yuan.

1. Monetary funds

(1) Balance of cash at bank and on hand

<i>Unit: Yuan Currency: RMB</i>		
Item	Ending balance	Beginning balance
Cash on hand	125,582.44	132,679.87
Cash at bank	405,059,020.22	267,295,167.34
Other cash at bank and on hand	62,017,774.90	69,200,146.03
Total	467,202,377.56	336,627,993.24
Including: total amount deposited abroad	10,586,363.36	8,781,364.11
Deposits in financial companies	0.00	0.00

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

<i>Unit: Yuan Currency: RMB</i>		
Item	Ending balance	Beginning balance
L/C guarantee deposits	18,540,393.82	22,374,406.22
Margin for bank acceptance bill	43,474,454.29	46,822,813.02
Litigation freezing	0.00	3,625,647.23
Bond for letter of guarantee	2,926.79	2,926.79
Total	62,017,774.90	72,825,793.26

2. Notes receivable

(1) Notes receivable listed by category

<i>Unit: Yuan Currency: RMB</i>		
Item	Ending balance	Beginning balance
Bank acceptance bill	2,575,614.68	8,537,056.96
Commercial acceptance bill	0.00	66,796.56
Total	2,575,614.68	8,603,853.52

(2) No notes receivable that have been pledged at the end of the period.

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

<i>Unit: Yuan Currency: RMB</i>		
Item	Derecognition amount at the end of the period	Non-derecognition amount at the end of the period
Bank acceptance bill	139,154,597.87	0.00

(4) No notes which were converted to accounts receivable due to the drawer's failure of performance at the end of the period.

SECTION 10 FINANCIAL REPORT

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

3. Accounts receivable

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

Unit: Yuan Currency: RMB

Category	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Provision for bad debts made on an individual basis	31,259,057.16	7.53	31,259,057.16	100.00	0.00
Provision for bad debts made by portfolio	384,120,397.41	92.47	35,049,102.34	-	349,071,295.07
Including: Ageing portfolio	384,120,397.41	92.47	35,049,102.34	9.12	349,071,295.07
Total	415,379,454.57	100.00	66,308,159.50	15.96	349,071,295.07

(Continued)

Category	Book balance		Beginning balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Provision for bad debts made on an individual basis	31,539,057.16	8.32	31,539,057.16	100.00	0.00
Provision for bad debts made by portfolio	347,397,618.28	91.68	31,745,603.02	-	315,652,015.26
Including: Ageing portfolio	347,397,618.28	91.68	31,745,603.02	9.14	315,652,015.26
Total	378,936,675.44	100.00	63,284,660.18	16.70	315,652,015.26



SECTION 10 FINANCIAL REPORT

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

3. Accounts receivable (Continued)

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

1) Bad debt provision of accounts receivable made individually

Unit: Yuan Currency: RMB

Enterprise name	Ending balance		Provision proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Tianjin Mingcheng Gas Sales 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 Auto 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	
Linfen Jinbaifeng New Energy Technology Co., Ltd.	2,363,220.00	2,363,220.00	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Lyuliang Dongsen Gas Energy Co., Ltd.	1,870,000.00	1,870,000.00	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 Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	1,444,415.49	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,301,929.77	1,301,929.77	100.00	
Zhangjiakou Xiahuyuan Jinhong Fuel Gas Co., Ltd.	814,000.00	814,000.00	100.00	
Shanghai Qigao Industry & Trade Co., Ltd.	748,726.88	748,726.88	100.00	
Guijiang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Xinjiang Jiguan 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	
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.	44,000.00	44,000.00	100.00	
Total	31,259,057.16	31,259,057.16	-	

SECTION 10 FINANCIAL REPORT

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

3. Accounts receivable (Continued)

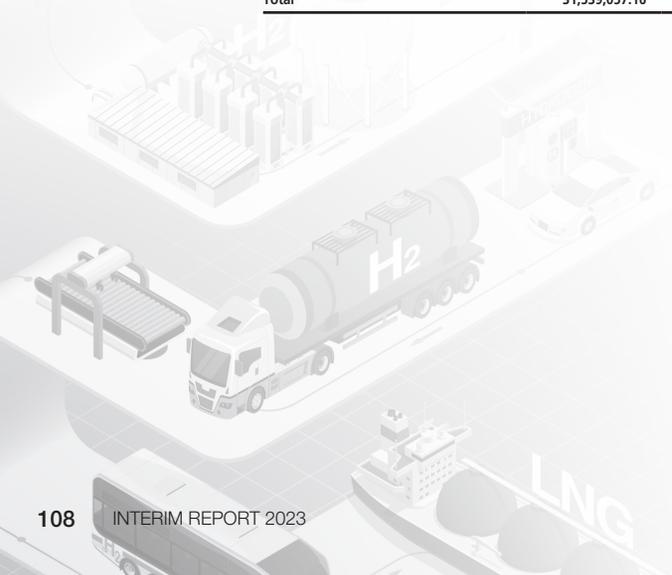
(1) Classified presentation of accounts receivable by bad debt accrual method (Continued)

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

(Continued)

Unit: Yuan Currency: RMB

Enterprise name	Beginning balance		Provision proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Tianjin Mingcheng Gas Sales 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 Auto 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	
Linfen Jinbaifeng New Energy Technology Co., Ltd.	2,583,220.00	2,583,220.00	100.00	
Baotou Ruiming Chemical Technology Co., Ltd.	2,395,213.90	2,395,213.90	100.00	
Lyuliang Dongsen Gas Energy Co., Ltd.	1,930,000.00	1,930,000.00	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 Xintianhai Electromechanical Equipment Co., Ltd.	1,444,415.49	1,444,415.49	100.00	
Xuzhou Zhongxin Electromechanical Equipment Co., Ltd.	1,301,929.77	1,301,929.77	100.00	
Zhangjiakou Xiahuyuan Jinhong Fuel Gas Co., Ltd.	814,000.00	814,000.00	100.00	
Shanghai Qigao Industry & Trade Co., Ltd.	748,726.88	748,726.88	100.00	
Guiyang Shengqing Trading Co., Ltd.	613,598.66	613,598.66	100.00	
Xinjiang Jinguan 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	
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.	44,000.00	44,000.00	100.00	
Total	31,539,057.16	31,539,057.16	-	



SECTION 10 FINANCIAL REPORT

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

3. Accounts receivable (Continued)

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

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

Unit: Yuan Currency: RMB

Ageing	Ending balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	296,834,874.89	2,332,993.90	0.79
1-2 years	52,107,822.30	7,741,267.34	14.86
2-3 years	9,880,911.48	2,843,599.65	28.78
3-4 years	5,948,824.68	3,087,732.76	51.90
4-5 years	943,462.56	639,007.19	67.73
Over 5 years	18,404,501.50	18,404,501.50	100.00
Total	384,120,397.41	35,049,102.34	-

(Continued)

Ageing	Beginning balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	277,297,992.49	2,462,372.72	0.89
1-2 years	35,245,620.99	4,988,881.67	14.15
2-3 years	10,731,439.87	2,668,342.99	24.86
3-4 years	5,670,419.80	3,222,036.16	56.82
4-5 years	178,282.24	130,106.59	72.98
Over 5 years	18,273,862.89	18,273,862.89	100.00
Total	347,397,618.28	31,745,603.02	-

(2) Accounts receivable listed by age

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	296,834,874.89	277,297,992.49
1-2 years	52,107,822.30	35,964,140.99
2-3 years	10,599,431.48	10,731,439.87
Over 3 years	55,837,325.90	54,943,102.09
Including: 3-4 years	5,948,824.68	5,870,419.80
4-5 years	1,143,462.56	1,423,032.24
Over 5 years	48,745,038.66	47,649,650.05
Total	415,379,454.57	378,936,675.44

SECTION 10 FINANCIAL REPORT

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

3. Accounts receivable (Continued)

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

Unit: Yuan Currency: RMB

Category	Beginning balance	Provision	Change of amount in the current period				Ending balance
			Increase attributable to M&A	Recovered or transferred back	Charged or written off	Others	
Provision for bad debts of accounts receivable	63,284,660.18	3,300,425.58	0.00	280,000.00	0.00	3,073.74	66,308,159.50

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

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

Unit: Yuan Currency: RMB

Name of debtor	Reversed or collected amount	Method	Reasons for withdrawal or reversal
Linfen Jinbaifeng New Energy Technology Co. Ltd.	220,000.00	Remittance	Return amount received
Lyuliang Dongsen Gas Energy Co., Ltd.	60,000.00	Remittance	Return amount received
Total	280,000.00	–	–

(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

Unit: Yuan Currency: RMB

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
Shenzhen Tenglong Holding Co., Ltd.	46,796,216.17	Within 1 year	11.27	224,621.84
Qingdao AUCMA Wisdom Cold Chain Co., Ltd.	26,072,792.39	Within 2 years	6.28	3,642,351.79
Foshan Feichi Automobile Technology Co., Ltd.	23,079,151.00	Within 1 year	5.56	110,779.92
Qingdao Haier Special Refrigeration Appliances Co., Ltd.	19,588,000.00	Within 1 year	4.72	315,366.80
Shanghai Sunwise New Energy System Co., Ltd.	18,048,730.55	Within 1 year	4.35	86,633.91
Total	133,584,890.11	–	32.18	4,379,754.26

SECTION 10 FINANCIAL REPORT

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

4. Receivables financing

(1) Classification

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Notes receivable	10,354,186.85	29,790,417.72

(2) Notes receivable which have been endorsed or discounted and within the period of date of balance sheet at the end of the period

Unit: Yuan Currency: RMB

Category	Derecognition amount at the end of the period	Non-derecognition amount at the end of the period
Bank acceptance bill	42,433,592.52	0.00

5. Advances to suppliers

(1) Ageing of advances to suppliers

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	36,515,748.61	79.39	40,520,316.86	87.09
1-2 years	6,032,870.72	13.12	3,556,548.54	7.64
2-3 years	1,211,482.24	2.63	2,160,992.68	4.64
Over 3 years	2,237,226.94	4.86	287,259.67	0.63
Total	45,997,328.51	100.00	46,525,117.75	100.00

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Ageing	Proportion in total ending balance of advances to suppliers (%)
Yangzhou Forging Machine Tool Co., Ltd.	5,532,743.32	Within 1 year	12.03
Shandong Quansheng Materials Co., Ltd.	3,036,104.32	Within 1 year	6.60
Beijing Primetals Technology Co., Ltd.	2,711,580.00	Within 2 years	5.90
Beijing Tengyue Tongda Stainless Steel Co., Ltd.	1,918,423.58	Within 1 year	4.17
Tianjin TEDA Binhai Clean Energy Group Co., Ltd.	1,644,016.94	Within 1 year	3.57
Total	14,842,868.16	-	32.27

SECTION 10 FINANCIAL REPORT

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

6. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	4,103,406.46	4,809,858.44
Total	4,103,406.46	4,809,858.44

Other receivables

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

Unit: Yuan Currency: RMB

Category	Ending balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts made by portfolio	6,907,105.75	100.00	2,803,699.29	–	4,103,406.46
Including: Ageing portfolio	6,907,105.75	100.00	2,803,699.29	40.59	4,103,406.46

(Continued)

Category	Beginning balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debts made by portfolio	7,381,378.13	100.00	2,571,519.69	–	4,809,858.44
Including: Ageing portfolio	7,381,378.13	100.00	2,571,519.69	34.84	4,809,858.44



SECTION 10 FINANCIAL REPORT

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

6. Other receivables (Continued)

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

Unit: Yuan Currency: RMB

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	1,360,016.05	15,376.52	1.13
1-2 years	1,026,226.75	101,970.73	9.94
2-3 years	1,145,722.48	195,622.70	17.07
3-4 years	982,556.88	292,662.41	29.79
4-5 years	401,196.42	206,679.76	51.52
Over 5 years	1,991,387.17	1,991,387.17	100.00
Total	6,907,105.75	2,803,699.29	-

(Continued)

Ageing	Beginning balance		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	1,920,989.88	21,942.75	1.14
1-2 years	1,542,190.73	145,180.30	9.41
2-3 years	1,012,324.50	151,887.02	15.00
3-4 years	993,910.97	437,368.48	44.00
4-5 years	203,704.83	106,883.92	52.47
Over 5 years	1,708,257.22	1,708,257.22	100.00
Total	7,381,378.13	2,571,519.69	-

(3) Classification of other receivables by nature

Unit: Yuan Currency: RMB

Nature	Ending balance	Beginning balance
Deposit, security, etc.	2,056,328.40	2,414,540.14
Reserve	1,685,241.37	2,317,006.63
Advances to suppliers of more than five years	1,684,914.83	1,573,939.71
Transactions	1,480,621.15	1,075,891.65
Total	6,907,105.75	7,381,378.13

SECTION 10 FINANCIAL REPORT

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

6. Other receivables (Continued)

(4) Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Provision for bad debts	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 2023	0.00	2,571,519.69	0.00	2,571,519.69
Book balance of other receivables on 1 January 2023 in the current period	–	–	–	–
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	0.00	232,179.60	0.00	232,179.60
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
Verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at 30 June 2023	0.00	2,803,699.29	0.00	2,803,699.29

(5) Other receivables listed as per ageing

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	1,360,016.05	1,920,989.88
1-2 years	1,026,226.75	1,542,190.73
2-3 years	1,145,722.48	1,012,324.50
Over 3 years	3,375,140.47	2,905,873.02
Including: 3-4 years	982,556.88	993,910.97
4-5 years	401,196.42	203,704.83
Over 5 years	1,991,387.17	1,708,257.22
Total	6,907,105.75	7,381,378.13

(6) Other receivables – bad debt provision

Unit: Yuan Currency: RMB

Category	Beginning balance	Change of amount in the current period				Ending balance
		Provision	Increase attributable to M&A	Recovered or transferred back	Charged or written off	
Bad debt provision of other receivables	2,571,519.69	232,179.60	0.00	0.00	0.00	2,803,699.29

(7) There were no other receivables actually written off in the current period.

SECTION 10 FINANCIAL REPORT

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

6. Other receivables (Continued)

(8) Other receivables of top five borrowers by ending balance

Unit: Yuan Currency: RMB

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
ShanXi Jinneng Mobile Energy Co., Ltd.	Security	510,380.00	3-5 years	7.39	240,021.79
Baotou Steel Union Sales Co., Ltd.	Advances to suppliers more than 5 years	400,648.84	Over 5 years	5.80	400,648.84
Taiyuan Heavy Industry Co., Ltd.	Advances to suppliers more than 5 years	350,000.00	Over 5 years	5.07	350,000.00
Qingdao Hisense Hitachi Air-conditioning Systems Co., Ltd.	Security	430,000.00	Within 1 year, 2-3 years	6.23	20,739.00
Qingdao Hisense HVAC Equipment Co., Ltd.	Security	220,000.00	3-4 years	3.19	21,280.00
Total	–	1,911,028.84	–	27.68	1,032,689.63

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

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

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

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

7. Inventories

(1) Category of inventories

Unit: Yuan Currency: RMB

Item	Ending balance		
	Book balance	Provision for price declining of inventories	Book value
Raw materials	103,729,974.15	5,366,901.93	98,363,072.22
Goods in process	162,805,015.74	35,349,229.41	127,455,786.33
Goods on hand	139,609,277.42	8,380,555.06	131,228,722.36
Goods in transit	2,376,750.73	0.00	2,376,750.73
Total	408,521,018.04	49,096,686.40	359,424,331.64

(Continued)

Item	Beginning balance		
	Book balance	Provision for price declining of inventories	Book value
Raw materials	86,915,857.52	9,463,588.60	77,452,268.92
Goods in process	162,420,940.74	31,452,575.33	130,968,365.41
Goods on hand	106,029,535.48	8,362,633.06	97,666,902.42
Goods in transit	4,710,908.69	0.00	4,710,908.69
Total	360,077,242.43	49,278,796.99	310,798,445.44

SECTION 10 FINANCIAL REPORT

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

7. Inventories (Continued)

(2) Provision for price declining of inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Written-off	Others	
Raw materials	9,463,588.60	656,624.84	0.00	4,753,311.51	0.00	5,366,901.93
Goods in process	31,452,575.33	8,333,925.09	0.00	4,437,271.01	0.00	35,349,229.41
Goods on hand	8,362,633.06	3,605,308.84	0.00	3,587,386.84	0.00	8,380,555.06
Total	49,278,796.99	12,595,858.77	0.00	12,777,969.36	0.00	49,096,686.40

(3) The ending balance of inventories had no capitalized borrowing costs included in the current period.

(4) There were no contract performance costs in the current period.

(5) Refer to Note "IV.15 Inventories" for the provision method of inventory falling price reserves.

8. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax retained	39,108,947.57	8,850,656.79
Prepaid enterprise income tax	47,721.43	1,207,698.27
VAT not deducted	162,661.39	162,661.39
Other prepaid taxes	46,424.39	0.00
Total	39,365,754.78	10,221,016.45

9. Long-term equity investment

(1) Classification of long-term equity investments

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Investments in joint ventures	0.00	0.00	0.00	0.00
Investment in associates	83,828,193.76	4,597,505.21	0.00	88,425,698.97
Subtotal	83,828,193.76	4,597,505.21	0.00	88,425,698.97
Less: impairment provision of long-term equity investments	0.00	0.00	0.00	0.00
Total	83,828,193.76	4,597,505.21	0.00	88,425,698.97

SECTION 10 FINANCIAL REPORT

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

9. Long-term equity investment (Continued)

(2) Details of long-term equity investment

Unit: Yuan Currency: RMB

Investees	Beginning balance (Book value)	Increase in investment	Reduction of investment	Changes in the current period					Ending balance (Book value)	Ending balance of impairment provision	
				Investment profit or loss recognized by equity method	Other comprehensive income adjustments	Other changes in equity	Declaring cash dividends or profits	Accrual of provision for impairment			Others
Associated enterprise											
Jiangsu Tianhai Special Equipment Co., Ltd.	50,478,354.85	0.00	0.00	5,089,171.77	0.00	0.00	0.00	0.00	0.00	55,571,526.62	0.00
Beijing Boken Energy Technology Inc.	23,509,423.85	0.00	0.00	-351,050.57	28,657.25	0.00	0.00	0.00	0.00	23,187,030.53	0.00
Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.	9,840,415.06	0.00	0.00	-173,273.24	0.00	0.00	0.00	0.00	0.00	9,667,141.82	0.00
Total	83,828,193.76	0.00	0.00	4,568,847.96	28,657.25	0.00	0.00	0.00	0.00	88,425,698.97	0.00

(3) Analysis of long-term equity investments

Unit: Yuan Currency: RMB

Item	Ending amount	Beginning amount
Listed	-	-
China's mainland	23,187,030.53	23,509,423.85
Hong Kong, China	0.00	0.00
Other regions	0.00	0.00
Subtotal	23,187,030.53	23,509,423.85
Unlisted	65,238,668.44	60,318,769.91
Total	88,425,698.97	83,828,193.76



SECTION 10 FINANCIAL REPORT

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

10. Fixed assets

Unit: Yuan Currency: RMB

Item	Ending book value	Beginning book value
Fixed assets	646,254,526.84	594,584,383.38
Disposal of fixed assets	0.00	0.00
Total	646,254,526.84	594,584,383.38

Fixed assets

(1) Details of fixed assets

Unit: Yuan Currency: RMB

Item	Plant and buildings	Machinery Equipment	Transportation equipment	Office equipment	Electrical equipment	Total
I. Book value						
1. Beginning balance	486,381,095.03	686,246,547.08	18,394,427.76	11,601,114.31	14,552,871.80	1,217,176,055.98
2. Increase in the current period	2,558,343.78	74,452,328.22	380,941.43	320,755.15	625,155.89	78,337,524.47
(1) Purchase	0.00	3,841,579.39	214,386.04	293,431.16	0.00	4,349,396.59
(2) Transfer from construction in progress	2,558,343.78	70,610,748.83	166,555.39	13,412.39	625,155.89	73,974,216.28
(3) Effect of foreign currency translation	0.00	0.00	0.00	13,911.60	0.00	13,911.60
3. Decrease in the current period	0.00	3,925,444.67	1,012,994.00	16,111.11	37,179.49	4,991,729.27
Disposal or scrapping	0.00	3,925,444.67	1,012,994.00	16,111.11	37,179.49	4,991,729.27
4. Ending balance	488,939,438.81	756,773,430.63	17,762,375.19	11,905,758.35	15,140,848.20	1,290,521,851.18
II. Cumulative depreciation						
1. Beginning balance	122,699,057.85	457,840,992.31	12,479,673.42	7,760,569.99	3,573,792.67	604,354,086.24
2. Increase in the current period	5,713,440.52	18,263,759.01	1,114,942.96	456,916.34	603,299.94	26,152,358.77
(1) Provision	5,713,440.52	18,263,759.01	1,114,942.96	444,876.38	603,299.94	26,140,318.81
(2) Effect of foreign currency translation	0.00	0.00	0.00	12,039.96	0.00	12,039.96
3. Decrease in the current period	0.00	3,517,050.89	911,694.60	14,500.00	33,461.54	4,476,707.03
Disposal or scrapping	0.00	3,517,050.89	911,694.60	14,500.00	33,461.54	4,476,707.03
4. Ending balance	128,412,498.37	472,587,700.43	12,682,921.78	8,202,986.33	4,143,631.07	626,029,737.98
III. Provision for impairment						
1. Beginning balance	0.00	17,723,034.52	187,348.48	207,055.70	120,147.66	18,237,586.36
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	17,723,034.52	187,348.48	207,055.70	120,147.66	18,237,586.36
IV. Book value						
1. Ending book value	360,526,940.44	266,462,695.68	4,892,104.93	3,495,716.32	10,877,069.47	646,254,526.84
2. Beginning book value	363,682,037.18	210,682,520.25	5,727,405.86	3,633,488.62	10,858,931.47	594,584,383.38

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

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

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

(5) The gain from sale of fixed assets in the current period was 55,422.47 yuan.

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

Unit: Yuan Currency: RMB

Item	Ending amount	Beginning amount
Within China	360,526,940.44	363,682,037.18
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	360,526,940.44	363,682,037.18
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	360,526,940.44	363,682,037.18

SECTION 10 FINANCIAL REPORT

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

11. Construction in progress

Unit: Yuan Currency: RMB

Item	Ending amount	Beginning amount
Construction in progress	28,431,780.91	59,457,140.18
Engineering materials	0.00	0.00
Total	28,431,780.91	59,457,140.18

Construction in progress

Item	Ending balance		
	Book balance	Provision for Impairment	Book value
Construction in progress 1	28,431,780.91	0.00	28,431,780.91

(Continued)

Item	Beginning balance		
	Book balance	Provision for Impairment	Book value
Construction in progress 1	24,240,935.69	0.00	24,240,935.69
Construction in progress 2	20,934,638.03	0.00	20,934,638.03
Construction in progress 3	7,805,796.25	0.00	7,805,796.25
Construction in progress 4	6,475,770.21	0.00	6,475,770.21
Total	59,457,140.18	0.00	59,457,140.18

Changes of major 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	
Construction in progress 2	20,934,638.03	20,127,976.12	41,062,614.15	0.00	0.00
Construction in progress 3	7,805,796.25	790,370.17	8,596,166.42	0.00	0.00
Construction in progress 4	6,475,770.21	1,481,069.54	7,956,839.75	0.00	0.00
Total	35,216,204.49	22,399,415.83	57,615,620.32	0.00	0.00

(Continued)

Project name	Budget (10,000 yuan)	Ratio of accumulative investment to budget (%)	Project progress	Accumulated capitalization of interest Amount	Including: Amount of capitalized interest in current period	Capitalization rate of interest in current period (%)	Source of funds
Construction in progress 2	4,900.00	96.64	100.00	0.00	0.00	-	Self-raised/State-allocated funds
Construction in progress 3	978.00	99.60	100.00	0.00	0.00	-	Self-raised/State-allocated funds
Construction in progress 4	960.00	68.95	100.00	0.00	0.00	-	Self-raised/State-allocated funds
Total	6,838.00	-	-	-	-	-	-

SECTION 10 FINANCIAL REPORT

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

12. Right-of-use assets

Unit: Yuan Currency: RMB

Item	Plant and buildings
I. Book value	
1. Beginning balance	256,095,256.83
2. Increase in the current period	0.00
3. Decrease in the current period	0.00
4. Ending balance	256,095,256.83
II. Cumulative depreciation	
1. Beginning balance	35,577,188.67
2. Increase in the current period	9,049,214.62
Provision	9,049,214.62
3. Decrease in the current period	0.00
4. Ending balance	44,626,403.29
III. Provision for impairment	
1. Beginning balance	0.00
2. Increase in the current period	0.00
3. Decrease in the current period	0.00
4. Ending balance	0.00
IV. Book value	
1. Ending book value	211,468,853.54
2. Beginning book value	220,518,068.16

13. Intangible assets

(1) List of intangible assets

Unit: Yuan Currency: RMB

Item	Land use right	Patent rights	Soft	Trademark right	Total
I. Book value					
1. Beginning balance	173,223,352.06	11,803,050.00	22,895,032.86	34,024,963.16	241,946,398.08
2. Increase in the current period	0.00	0.00	450,295.12	0.00	450,295.12
Purchase	0.00	0.00	450,295.12	0.00	450,295.12
3. Decrease in the current period	0.00	72,640.92	0.00	0.00	72,640.92
4. Ending balance	173,223,352.06	11,730,409.08	23,345,327.98	34,024,963.16	242,324,052.28
II. Cumulative amortization					
1. Beginning balance	30,754,305.64	11,784,650.97	5,329,990.99	1,699,143.10	49,568,090.70
2. Increase in the current period	1,798,297.38	1,600.02	1,781,053.69	1,701,478.99	5,282,430.08
Provision	1,798,297.38	1,600.02	1,781,053.69	1,701,478.99	5,282,430.08
3. Decrease in the current period	0.00	72,193.26	0.00	0.00	72,193.26
4. Ending balance	32,552,603.02	11,714,057.73	7,111,044.68	3,400,622.09	54,778,327.52
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	140,670,749.04	16,351.35	16,234,283.30	30,624,341.07	187,545,724.76
2. Beginning book value	142,469,046.42	18,399.03	17,565,041.87	32,325,820.06	192,378,307.38

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

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

SECTION 10 FINANCIAL REPORT

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

13. Intangible assets (Continued)

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

Unit: Yuan Currency: RMB

Item	Ending amount	Beginning amount
Within China	140,670,749.04	142,469,046.42
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	140,670,749.04	142,469,046.42
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (more than 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	140,670,749.04	142,469,046.42

14. Goodwill

(1) Original value of goodwill

Unit: Yuan Currency: RMB

Name of 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.	168,996,039.10	0.00	0.00	0.00	0.00	168,996,039.10
Total	175,558,383.16	0.00	0.00	0.00	0.00	175,558,383.16

(2) Provision for impairment of goodwill

Unit: Yuan Currency: RMB

Name of 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
Qingdao BYTQ United Digital Intelligence Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
Total	6,562,344.06	0.00	0.00	0.00	0.00	6,562,344.06

15. Long-term unamortized expenditures

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Amortization in the current period	Other decreases in the current period	Ending balance
Amortization of turnover fees	3,097,061.83	0.00	570,710.52	0.00	2,526,351.31
Fit-out of the Premises	13,525,411.62	0.00	741,240.06	0.00	12,784,171.56
Total	16,622,473.45	0.00	1,311,950.58	0.00	15,310,522.87

SECTION 10 FINANCIAL REPORT

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

16. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairment	13,314,992.27	2,314,443.45	10,235,821.99	1,764,413.44
Depreciation life difference	21,230.10	4,458.32	20,462.67	4,297.16
Operating lease	255,043,908.48	63,577,800.10	262,928,994.70	65,365,764.15
Provision	2,205,512.09	330,826.81	2,244,542.73	336,681.41
Deductible loss	12,403,972.04	3,100,993.01	9,138,609.27	2,284,652.32
Total	282,989,614.98	69,328,521.69	284,568,431.36	69,755,808.48

(2) Deferred income tax liabilities not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Increase in the value of inventories	870,548.07	130,582.21	949,102.00	142,365.30
Increase in the appraised value of other assets	44,092,647.07	6,613,897.06	47,421,784.73	7,113,267.71
Operating lease	211,468,853.54	52,557,976.39	220,518,068.16	54,735,942.68
Total	256,432,048.68	59,302,455.66	268,888,954.89	61,991,575.69

(3) List of unrecognized deferred income tax assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	-	-
Deductible losses	455,145,394.38	375,404,995.47
Provision for asset impairment	129,693,483.34	129,699,085.29
Provision	5,775,589.23	5,775,589.23
Total	590,614,466.95	510,879,669.99

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

Unit: Yuan Currency: RMB

Year	Ending amount	Beginning amount	Remarks
2023	36,494,969.09	36,494,969.09	-
2024	31,101,903.12	31,101,903.12	-
2025	39,457,641.65	39,457,641.65	-
2026	40,517,136.49	40,517,136.49	-
2027	23,543,157.46	23,543,157.46	-
2028	64,931,272.97	43,484,349.82	-
2029	24,504,847.50	24,504,847.50	-
2030	10,120,273.81	10,120,273.81	-
2031	48,082,683.11	48,082,683.11	-
2032	78,098,033.42	78,098,033.42	-
2033	58,293,475.76	0.00	-
Total	455,145,394.38	375,404,995.47	-

SECTION 10 FINANCIAL REPORT

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

17. Other non-current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Prepayment of equipment	37,589,050.02	26,835,176.42

18. Short-term borrowings

(1) Classification of short-term loans

Unit: Yuan Currency: RMB

Category of borrowings	Ending balance	Beginning balance
Guaranteed borrowing	170,000,000.00	100,000,000.00
Total	170,000,000.00	100,000,000.00

On 11 July 2022, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. HETO21200001320220700000003) with the Export-Import Bank of China for a loan of 150 million yuan to be granted at LPR for one-year loans less 0.2% for a term from 11 July 2022 to 11 July 2023. Beijing Jingcheng Machinery Electric Holding Co., Ltd. provided joint and several guarantee for the loan by signing a separate Guarantee Contract (No.: CHET21200001320220700000001). By the end of the period, the bank has made a loan of 100 million yuan.

On 13 April 2023, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. 0020000051-2023 (Chaoyang) Z No. 00474) with Industrial and Commercial Bank of China Limited, with the loan amount of 50 million yuan, from 19 April 2023 to 18 April 2024. The loan interest rate is determined by the one-year loan interest rate (LPR) published by the National Interbank Funding Center on the working day before the effective date of each loan contract minus 105 basis points. By the end of the period, the bank has made a loan of 50 million yuan.

On 28 June 2023, BTIC, a subsidiary of the Company, signed a working capital loan contract (No. 0020000051-2023 (Chaoyang) Z No. 01517) with Industrial and Commercial Bank of China Limited, with the loan amount of 20 million yuan, from 29 June 2023 to 28 June 2024. The loan interest rate is determined by the one-year loan interest rate (LPR) published by the National Interbank Funding Center on the working day before the effective date of each loan contract minus 95 basis points. By the end of the period, the bank has made a loan of 20 million yuan.

(2) No short-term borrowing was 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 was 2.88% (3.50% at the end of the previous period).

19. Notes payable

Unit: Yuan Currency: RMB

Type of bill	Ending balance	Beginning balance
Bank acceptance bill	95,927,453.58	77,497,454.43

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

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

SECTION 10 FINANCIAL REPORT

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

20. Accounts payable

(1) Presentation of accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Material payment, etc.	267,073,102.18	226,302,452.09
Construction contract costs	17,073,027.69	16,298,508.15
Total	284,146,129.87	242,600,960.24

(2) Significant accounts payable aged over one year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	10,492,652.22	Unsettled
Beijing Machinery Industry Automation Research Institute Co., Ltd.	6,103,774.58	Unsettled
World Precise Machinery (China) Co., Ltd.	5,740,947.09	Unsettled
Kunshan Ocs Suspension Transportation System Co., Ltd.	3,510,619.55	Unsettled
Tianjin TPCO Investment Co., Ltd.	2,387,736.84	Unsettled
Jiangsu Wuxi Zhengda Metal Products Co., Ltd.	2,237,454.72	Unsettled
Beijing Zhongnengfa Power Equipment Co., Ltd.	2,095,862.83	Unsettled
Wuxi Zhengda Metal Products Co., Ltd.	1,856,961.28	Unsettled
Anhui Kingpower Equipment and Mould Manufacture Co., Ltd.	1,769,000.00	Unsettled
Hebei Zhengsheng Electrical Equipment Manufacturing Co., Ltd.	1,738,153.83	Unsettled
Qingdao Shengju Metal Manufacturing Co., Ltd.	1,554,000.00	Unsettled
Total	39,487,162.94	-

(3) Accounts payable listed by age

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year	176,923,376.93	159,213,774.99
1-2 years	53,832,398.06	61,708,074.97
2-3 years	38,898,473.40	7,510,274.95
Over 3 years	14,491,881.48	14,168,835.33
Total	284,146,129.87	242,600,960.24

21. Contract liabilities

(1) Contract liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Advances on sales	74,532,255.04	60,289,757.30
Including: more than one year	12,201,700.38	8,725,272.66

SECTION 10 FINANCIAL REPORT

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

21. Contract liabilities (Continued)

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

Unit: Yuan Currency: RMB

Company name	Amount Changed	Reason
Qingdao Haier Special Refrigeration Appliances Co., Ltd. ROTAREX FAREAST PTE LTD	17,028,741.51 -2,973,851.90	New contract not performed The contract has been completely fulfilled
Suzhou Yiweite New Materials Co., Ltd. GT GLOBAL INCORPORATED	2,555,641.59 -1,503,495.83	New contract not performed The contract has been completely fulfilled
Oceania Gas Cylinders Pty Zhejiang Daughter Vessel Technology Co., Ltd.	1,459,487.12 -1,400,176.27	New contract not performed The contract has been completely fulfilled
Total	15,166,346.22	-

(3) Significant contract liabilities aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	1,116,949.53	The contract has not been completely fulfilled
EUROTECH CYLINDERS PVT.LTD	1,052,424.91	The contract has not been completely fulfilled
SING SWEE BEE ENTERPRISE PTE LTD	976,707.01	The contract has not been completely fulfilled
INTECWELD IMPORT S.A.C	540,206.73	The contract has not been completely fulfilled
Jiangsu Zhenjiang Shipyard (Group) Co., Ltd.	469,026.55	The contract has not been completely fulfilled
Total	4,155,314.73	-

22. Payroll payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	22,616,153.38	93,973,812.00	103,644,020.34	12,945,945.04
Post-employment benefits-defined contribution plan	1,206,358.23	11,760,012.45	11,810,049.79	1,156,320.89
Dismissal welfare	23,051.59	150,579.39	150,579.39	23,051.59
Other benefits due within one year	1,868,455.61	0.00	59,800.00	1,808,655.61
Total	25,714,018.81	105,884,403.84	115,664,449.52	15,933,973.13

(2) Short-term compensation

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Salary, bonus, allowance and subsidy	16,027,054.45	76,883,065.16	86,185,436.16	6,724,683.45
Employee benefits	0.00	1,077,961.55	1,077,961.55	0.00
Social insurance premium	810,249.36	7,593,168.79	7,659,422.80	743,995.35
Including: medical insurance premiums	743,023.35	6,739,093.92	6,806,057.51	676,059.76
Work-related injury insurance premiums	53,001.52	741,944.26	741,234.68	53,711.10
Maternity insurance premiums	14,224.49	112,130.61	112,130.61	14,224.49
Housing provident fund	288,725.44	6,385,244.00	6,385,244.00	288,725.44
Labor union funds and employee education funds	4,735,684.13	1,974,572.50	2,335,955.83	4,374,300.80
Housing allowance	754,440.00	59,800.00	0.00	814,240.00
Total	22,616,153.38	93,973,812.00	103,644,020.34	12,945,945.04

SECTION 10 FINANCIAL REPORT

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

22. Payroll payable (Continued)

(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:

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance premium	1,180,624.61	11,393,186.64	11,443,470.77	1,130,340.48
Unemployment insurance	25,733.62	366,825.81	366,579.02	25,980.41
Total	1,206,358.23	11,760,012.45	11,810,049.79	1,156,320.89

The Group shall contribute 11,760,012.45 yuan (previous amount: 10,407,336.46 yuan) to the defined contribution plan in the current period. On 30 June 2023, the Group still has a payable contribution of 1,156,320.89 yuan (beginning balance: 1,206,358.23 yuan), which is due and unpaid during the reporting period. The relevant payable contribution has been deposited after the reporting period.

23. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Enterprise income tax	3,628,711.65	11,730,408.40
VAT	1,844,525.12	8,091,307.32
Individual income tax	303,361.95	609,701.39
Employment security funds for the disabled	209,400.00	0.00
Stamp duty	208,137.10	304,390.00
Urban maintenance and construction tax	114,228.96	611,486.43
Land use tax	53,358.30	0.00
Educational surcharges	46,114.34	284,898.11
Local education surcharges	41,149.34	186,127.16
Real estate tax	16,313.59	0.00
Environmental protection tax	7,138.08	16,241.34
Total	6,472,438.43	21,834,560.15

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

24. Other payables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	0.00	0.00
Dividends payable	0.00	0.00
Other payables	76,617,572.36	63,942,916.44
Total	76,617,572.36	63,942,916.44

SECTION 10 FINANCIAL REPORT

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

24. Other payables (Continued)

Other payables

(1) Classification of other payables by nature

Unit: Yuan Currency: RMB

Nature	Ending balance	Beginning balance
Advances offered for others, etc.	36,653,473.53	23,315,092.20
Investment	20,000,000.01	20,000,000.01
Security	16,749,342.41	16,731,982.41
Accounts due from and to related parties	2,217,474.99	2,998,545.36
Rental expenses	997,281.42	897,296.46
Total	76,617,572.36	63,942,916.44

(2) Significant other payables aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reasons for not repaying or carrying forward
Shenzhen Tenglong Holding Co., Ltd.	16,270,982.41	Unsettled
Tianjin TPCO Investment Co., Ltd.	1,188,206.82	Unsettled
Total	17,459,189.23	-

25. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Remarks
Long-term accounts payable due within one year	7,000,000.00	7,000,000.00	Note
Lease liabilities due within one year	14,491,889.73	14,127,930.84	-
Total	21,491,889.73	21,127,930.84	-

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

26. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Output tax received in advance	3,856,433.60	3,627,151.99
Tax to be written off	3,168,282.00	3,050,295.45
Total	7,024,715.60	6,677,447.44

27. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Operating lease payables	240,552,018.75	248,801,063.86

SECTION 10 FINANCIAL REPORT

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

28. Long-term payables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term payables	0.00	0.00
Specific payables	253,207,700.00	113,207,700.00
Total	253,207,700.00	113,207,700.00

Specific payables

Unit: Yuan Currency: RMB

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
Projects undertaken by BTIC through the open competition mechanism	23,207,700.00	0.00	0.00	23,207,700.00	Note 2
Cutting-edge hydrogen technology development projects	60,000,000.00	140,000,000.00	0.00	200,000,000.00	Note 3
Total	113,207,700.00	140,000,000.00	0.00	253,207,700.00	-

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. The Company received the above funds in December 2021.

Note 2: According to the "14th Five-Year Plan" of Jingcheng Machinery Electric and considering its existing technology research and development projects related to Jingcheng Machinery Electric's strategic products, BTIC unveiled the "Design and Development Project for Fourth-Generation Hydrogen Cylinders" and applied for a budget of 6.4 million yuan; and unveiled the "Development Project for Vehicle-mounted 1000L Hydrogen Storage Cylinders and Liquid Hydrogen Storage Tanks" and applied for a budget of 16.8077 million yuan. In March 2022, the Company received the above funds totalling 23.2077 million yuan.

Note 3: On 30 September 2022, the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality issued to Jingcheng Machinery Electric the "Notice about Appropriation of 2022 State-owned Capital Operation Budget to the Company" (JCZCZ [2022] No. 2030), earmarking 200 million yuan for energy industry chain extension projects (cutting-edge hydrogen technology development projects). The Company received 60 million yuan of that amount in November 2022, 140 million yuan of that amount in April 2023.

29. Long-term employee compensation payable

(1) Classification of long-term employee compensation payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Post-employment benefits-Net liabilities in defined benefit plan	31,127,711.39	30,779,454.07

SECTION 10 FINANCIAL REPORT

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

29. Long-term employee compensation payable (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Beginning balance	32,647,909.68	31,547,089.20
Defined benefit cost included in the current profits and losses	612,148.31	1,952,240.06
1. Current service cost	0.00	769,224.21
2. Previous service cost	0.00	0.00
3. Settlement gains (loss to be listed with "-")	0.00	0.00
4. Net interests	612,148.31	1,183,015.85
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	-439,259.25	-851,419.58
1. Liabilities eliminated when settling	0.00	0.00
2. Paid welfare	-439,259.25	-851,419.58
Ending balance	32,820,798.74	32,647,909.68
Less: welfare due within one year	1,693,087.35	1,868,455.61
Ending balance of welfare after deduction of amount due within one year	31,127,711.39	30,779,454.07

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

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Beginning balance	32,647,909.68	31,547,089.20
Defined benefit cost included in the current profits and losses	612,148.31	1,952,240.06
Defined benefit cost included in other comprehensive income	0.00	0.00
Other changes	-439,259.25	-851,419.58
Ending balance	32,820,798.74	32,647,909.68

(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 of treasury bond matching to the period of obligations and currency in the defined benefit plan and 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".

30. Provision

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Cause of formation
Product quality assurance	7,981,101.32	8,020,131.96	Quality Security

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.

SECTION 10 FINANCIAL REPORT

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

31. Deferred income

(1) Classification

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause of formation
Government subsidies	358,604.17	9,380,000.00	18,289.09	9,720,315.08	Note 1 to Note 4

(2) Projects of government subsidies

Government subsidies Item	Beginning balance	Amount of new subsidies in the current period	Amount included in non-operating revenue of the current period	Amount included in other gains in the current period	Amount for writing down the costs and expenses in the current period	Ending balance	Asset-related/Income-related
70 MPa hydrogen cylinder development project	282,300.88	0.00	0.00	18,289.09	0.00	264,011.79	Income-related
Development project of fixed liquid hydrogen storage tank	24,971.71	0.00	0.00	0.00	0.00	24,971.71	Income-related
Design and development of vehicle-mounted 1000L liquid hydrogen cylinder	51,331.58	0.00	0.00	0.00	0.00	51,331.58	Income-related
70MPa High Pressure Type IV Hydrogen Storage Cylinder Project	0.00	5,380,000.00	0.00	0.00	0.00	5,380,000.00	Income-related
Research on development of vehicle-mounted liquid hydrogen storage and supply system and complete vehicle supporting engineering technology	0.00	4,000,000.00	0.00	0.00	0.00	4,000,000.00	Income-related
Total	358,604.17	9,380,000.00	0.00	18,289.09	0.00	9,720,315.08	-

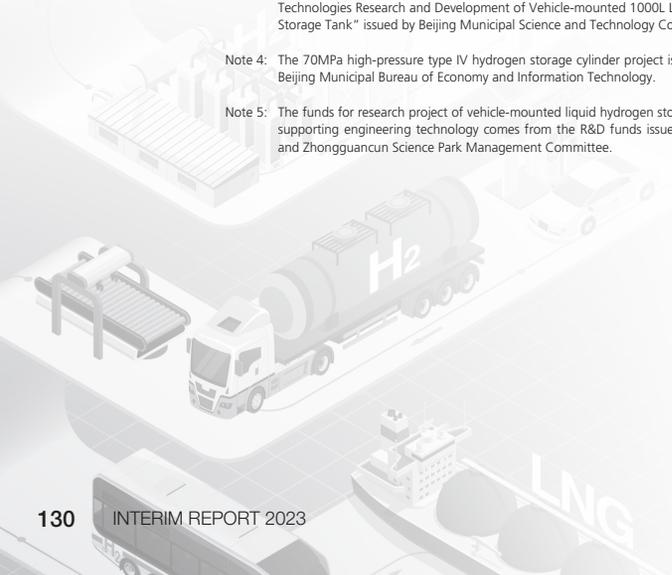
Note 1: 70 MPa hydrogen cylinder development project comes from the Beijing Municipal Science & Technology Commission's development and certification of 70 MPa hydrogen bottles for fuel cell cars.

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 development of the vehicle-mounted 1000L liquid hydrogen cylinder 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 4: The 70MPa high-pressure type IV hydrogen storage cylinder project is funded by the special funds for high-tech industries from Beijing Municipal Bureau of Economy and Information Technology.

Note 5: The funds for research project of vehicle-mounted liquid hydrogen storage and supply system development and complete vehicle supporting engineering technology comes from the R&D funds issued by Beijing Municipal Science & Technology Commission and Zhongguancun Science Park Management Committee.



SECTION 10 FINANCIAL REPORT

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

32. Capital stock

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.

Unit: Yuan Currency: RMB

Item	Beginning amount	Changes in the current period					Subtotal	Ending amount
		New share issued	Bonus issue	Shares converted from reserves	Others			
Total restricted shares	120,265.9880	0.00	0.00	0.00	-43,196.8830	-43,196.8830	77,069.1050	
Unrestricted shares	-	-	-	-	-	-	-	
RMB ordinary shares	322,000.00	0.00	0.00	0.00	43,196.8830	43,196.8830	365,196.8830	
Overseas listed foreign share	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00	
Total unrestricted shares	422,000.00	0.00	0.00	0.00	43,196.8830	43,196.8830	465,196.8830	
Total shares	542,265.9880	0.00	0.00	0.00	0.00	0.00	542,265.9880	

See Note I to the financial statements for details of the Company's share capital.

33. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Share premium	1,019,487,299.69	0.00	0.00	1,019,487,299.69
Other capital reserves	131,623,716.63	0.00	0.00	131,623,716.63
Total	1,151,111,016.32	0.00	0.00	1,151,111,016.32

34. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in the current period					Ending balance
		Amount incurred before income tax in the current period	Less: Profit and loss included in other comprehensive income at early stage and transferred in the current period	Less: income tax expenses	Attributable to the parent company-net of income tax	After-tax amount attributed to minority shareholders	
I. Other comprehensive income that cannot be reclassified through profit or loss in the future 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 Including: Other comprehensive income that can be converted to profit or loss under the equity method	1,968,736.81	2,332,083.51	0.00	0.00	2,119,420.46	212,663.05	4,088,157.27
Differences arising from translation of foreign currency financial statements	-2,329.87	28,657.25	0.00	0.00	28,657.25	0.00	26,327.38
	1,971,066.68	2,303,426.26	0.00	0.00	2,090,763.21	212,663.05	4,061,829.89
Total other comprehensive incomes	2,128,736.81	2,332,083.51	0.00	0.00	2,119,420.46	212,663.05	4,248,157.27

SECTION 10 FINANCIAL REPORT

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

35. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Work safety expenses	124,960.21	4,155,087.55	3,610,516.17	669,531.59

36. Surplus reserves

Unit: Yuan Currency: RMB

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
Total	45,665,647.68	0.00	0.00	45,665,647.68

37. Retained earnings

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Beginning balance	-669,031,286.39	-687,333,700.32
Add: adjusted amount of beginning undistributed profits	3,492,489.49	0.00
Including: retrospective adjustment in accordance with new provisions of the Accounting Standards for Business Enterprises	3,492,489.49	0.00
Beginning balance in the current period	-665,538,796.90	-687,333,700.32
Add: net profit attributable to owners of parent company in current period	-29,690,936.02	18,302,413.93
Less: appropriation to statutory surplus reserves	0.00	0.00
Appropriation of discretionary surplus reserves	0.00	0.00
Withdrawal of provision for general risk	0.00	0.00
Dividends payable on ordinary shares	0.00	0.00
Ordinary share dividends transferred into share capital	0.00	0.00
Ending balance in the current period	-695,229,732.92	-669,031,286.39

38. Operating revenues and operating costs

(1) Operating revenue and operating cost

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Main business	614,550,420.76	537,560,528.53	611,748,676.07	534,626,173.95
Other business	11,433,311.76	8,530,918.00	25,928,340.70	18,497,333.32
Total	625,983,732.52	546,091,446.53	637,677,016.77	553,123,507.27

(2) Revenue arising from the contract

Unit: Yuan Currency: RMB

Category of contracts	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Classification by type of goods				
Including: gas storage and transportation products	537,610,872.31	498,643,546.37	585,200,003.57	517,644,477.21
Integrated systems for automated manufacturing equipment	45,062,474.42	30,716,762.20	26,548,672.50	16,981,696.74
Others	31,877,074.03	8,200,219.96	0.00	0.00
Classification by business area				
Including: domestic	361,305,608.81	314,472,990.43	317,664,718.13	268,069,204.30
Overseas	253,244,811.95	223,087,538.10	294,083,957.94	266,556,969.65
Total	614,550,420.76	537,560,528.53	611,748,676.07	534,626,173.95

SECTION 10 FINANCIAL REPORT

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

38. Operating revenues and operating costs (Continued)

(3) Information relating to performance obligations

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

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

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

- (5) The total operating revenues from the top five customers of the Group in the current period were 154,037,108.73 yuan, accounting for 24.61% of the total operating revenues in the current period (previous period: 20.58%), with the details as follows:

Unit: Yuan Currency: RMB

Company name	Revenues	Proportion to total operating revenue (%)
Qingdao Haier Special Refrigeration Appliances Co., Ltd.	43,336,283.19	6.92
Shenzhen Tenglong Holding Co., Ltd.	31,877,074.03	5.09
Western International Gas and Cylinders	30,088,916.69	4.81
LEEBUCC TIANJIN HYDRAULICS EQUIPMENT CO., LTD.	27,165,135.32	4.34
Cyl-Tec, Inc.	21,569,699.50	3.45
Total	154,037,108.73	24.61

39. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Real estate tax	1,196,538.52	1,096,360.40
Urban maintenance and construction tax	607,607.99	794,234.20
Education surcharge (including local educational surcharge)	482,855.23	614,433.18
Stamp duty	455,867.65	449,712.08
Land use tax	437,942.03	327,377.77
Environmental protection tax	28,298.27	31,519.26
Vehicle and vessel use tax	6,152.34	0.00
Resource tax	0.00	4,730.60
Others	305.12	316,872.21
Total	3,215,567.15	3,635,239.70

SECTION 10 FINANCIAL REPORT

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

40. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	12,123,376.86	12,512,459.24
After-sales service charges	1,618,015.36	398,230.08
Exhibition expenses	1,166,923.98	569,772.43
Travel expenses	964,965.90	737,361.26
Business Expenses	810,973.56	236,863.39
Office expenses	394,471.57	338,844.92
Repair expenses	123,419.33	259,652.97
Warehousing and storage expenses	7,248.07	48,372.55
Packing charges	0.00	276,262.82
Others	697,369.50	464,046.82
Total	17,906,764.13	15,841,866.48

41. Administration expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation	29,727,107.23	27,289,475.52
Intermediary agency fees	4,104,268.64	2,495,924.55
– Audit service fees	116,947.53	28,301.89
– Tax service fees	202,830.19	20,860.71
– Other service fees	1,725,314.03	1,989,435.65
– Lawyer service fees	2,059,176.89	457,326.30
Amortization of intangible assets	2,898,281.83	929,874.99
Office expenses	1,391,680.97	2,424,327.94
Depreciation expenses	1,341,357.69	987,270.46
Vehicle expenses	993,636.64	742,068.54
Travel expenses	441,286.87	48,074.86
Business entertainment expenses	327,927.94	188,799.48
Repair expenses	275,585.99	150,737.34
Energy charges	105,686.66	268,173.66
Business publicity expenses	24,423.82	0.00
Others	6,183,533.60	2,809,805.52
Total	47,814,777.88	38,334,532.86

42. R&D expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
R&D expenses	28,174,206.18	21,615,500.91

43. Financial expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenditure	8,830,075.36	2,882,848.89
Less: interest income	2,177,647.04	222,568.30
Exchange income	736,402.81	0.00
Add: exchange loss	61,255.74	123,287.57
Other expenses	312,917.72	156,927.67
Total	6,290,198.97	2,940,495.83

SECTION 10 FINANCIAL REPORT

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

44. Other incomes

Unit: Yuan Currency: RMB

Other sources of income	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies	1,435,127.51	1,816,023.83
Weighted deduction of input tax	103,889.12	0.00
Transferring-in of deferred revenue	18,289.09	18,289.09
Return of handling charges of individual income tax	5,486.78	0.00
Total	1,562,792.50	1,834,312.92

45. Investment income

Sources of investment income	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment incomes calculated at equity method	4,568,847.96	12,254,352.49
Gain from debt restructuring	0.00	783,874.87
Investment income from disposal of financial assets held for trading	0.00	507,318.54
Total	4,568,847.96	13,545,545.90

46. Credit impairment loss

Item	Amount incurred in the current period	Amount incurred in the previous period
Loss on bad debts of accounts receivable	-3,020,425.58	-641,339.00
Loss on bad debts of other receivables	-232,179.60	-219,972.24
Total	-3,252,605.18	-861,311.24

47. Asset impairment loss

Item	Amount incurred in the current period	Amount incurred in the previous period
Inventory falling price loss and contract performance cost impairment loss	-12,595,858.77	-4,631,897.06

48. Income from disposal of assets

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profits and losses in the current period
Gains from disposal of non-current assets	55,422.47	0.00	55,422.47
Including: incomes from disposal of fixed assets	55,422.47	0.00	55,422.47

A total of 55,422.47 yuan was included in non-recurring profits and losses in the current period (previous period: 0.00 yuan).

SECTION 10 FINANCIAL REPORT

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

49. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profits and losses in the current period
Compensation income	191,900.00	0.00	191,900.00
Payables not to be paid after approval	537,006.01	0.00	537,006.01
Revenue from breach indemnity	0.00	55,641.09	0.00
Others	514,991.97	666,718.71	514,991.97
Total	1,243,897.98	722,359.80	1,243,897.98

A total of 1,243,897.98 yuan was included in non-recurring profits and losses in the current period (previous period: 722,359.80 yuan).

50. Non-operating expenditures

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in non-recurring profits and losses in the current period
Losses of retirement of non-current assets	104,547.65	257,255.15	104,547.65
Including: Loss from write-off and retirement of fixed assets	104,547.65	257,255.15	104,547.65
Liquidated damages, fines and overdue fines	152,588.29	54,656.00	152,588.29
Others	800.00	754,279.56	800.00
Total	257,935.94	1,066,190.71	257,935.94

A total of 257,935.94 yuan was included in non-recurring profits and losses in the current period (previous period: 1,066,190.71 yuan).

51. Income tax expenses

(1) Income tax expenses

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax in current period calculated as per tax laws and relevant regulations	8,836,567.38	3,547,898.81
1. Mainland China corporate income tax	6,343,202.11	1,511,729.86
2. Profits tax in Hong Kong, China	0.00	0.00
3. Other regions (USA)	2,493,365.27	2,036,168.95
Deferred income tax expenses	-2,261,672.08	-513,183.81
Total	6,574,895.30	3,034,715.00

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

Item	Amount incurred in the current period
Consolidated total profits in the current period	-32,184,667.30
Income taxes expenses calculated at statutory applicable tax rate	-8,046,166.83
Effect of different tax rates applicable to subsidiaries	3,988,443.09
Effect from adjustment of income tax in the previous period	234,381.90
Effect of cost, expense and loss nondeductible	97,210.70
Effect of non-taxable income	-685,327.19
Effect from using the deductible losses of unrecognized deferred income tax assets	0.00
Effects of deductible temporary differences or deductible losses of deferred income tax assets unrecognized in the current period	15,707,520.40
Others	-4,721,166.77
Total	6,574,895.30

SECTION 10 FINANCIAL REPORT

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

52. Other comprehensive income

See relevant contents in “VI. 34 Other comprehensive incomes” in the Notes for details.

53. Items of cash flow statements

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

1) Other cash received relating to operating activities

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Margins, deposits and pretty cash recovered	6,381,165.84	244,039.97
Interest income	1,918,756.05	222,568.30
Government subsidies	6,815,127.51	1,816,023.83
Transactions	2,654,662.91	191,398.34
Penalty	25,030.00	20,571.00
Others	16,224,874.76	3,502,009.57
Total	34,019,617.07	5,996,611.01

2) Cash paid for other operating activities

Item	Amount incurred in the current period	Amount incurred in the previous period
All expenses	21,347,121.50	26,310,295.39
Guarantee deposit, security	20,118,898.70	991,544.82
Transactions	3,315.06	136,851.99
Service charge	225,843.78	72,692.25
Penalty	157,142.06	0.00
Others	649,273.80	708,967.88
Total	42,501,594.90	28,220,352.33

3) Other cash received relating to investing activities

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

4) Other cash received relating to financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Funds earmarked for cutting-edge hydrogen technology development projects	140,000,000.00	0.00
Funds earmarked for BTIC's projects	0.00	23,207,700.00
Total	140,000,000.00	23,207,700.00

5) Other cash paid relating to financing activities

Item	Amount incurred in the current period	Amount incurred in the previous period
Operating lease rentals	12,268,749.32	0.00

SECTION 10 FINANCIAL REPORT

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

53. Items of cash flow statements (Continued)

(2) Supplementary information to consolidated cash flow statement

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
1. Adjust net profit to cash flow from operating activities:	-	-
Net profit	-38,759,562.60	8,688,026.32
Add: provision for impairment of assets	12,595,858.77	4,631,897.06
Credit impairment loss	3,252,605.18	861,311.24
Depreciation of fixed assets	26,140,318.81	27,861,481.87
Depreciation of right-of-use assets	9,049,214.62	28,112.45
Amortization of intangible assets	5,282,430.08	1,966,492.41
Amortization of long-term deferred expenses	1,311,950.58	585,095.82
Losses from disposal of fixed assets, intangible assets and other long-term assets (profits marked with "-")	-55,422.47	0.00
Losses from retirement of fixed assets (profits marked with "-")	104,547.65	257,255.15
Losses from changes in fair value (profits marked with "-")	0.00	5,952.01
Financial expenses (profits marked with "-")	7,791,829.20	1,625,913.51
Investment losses (profits marked with "-")	-4,568,847.96	-13,545,545.90
Decrease on deferred income tax assets (increases to be listed with "-")	427,447.95	-59,250.69
Increases in deferred income tax liabilities (decreases to be listed with "-")	-2,689,120.03	-453,933.12
Decrease in inventory (increase marked with "-")	-61,221,744.97	6,892,626.23
Decrease in operating receivables (increase marked with "-")	-39,120,986.13	-61,435,053.36
Increase in operating payables (decrease marked with "-")	63,184,564.31	3,174,027.81
Others	10,808,018.36	0.00
Net cash flows from operating activities	-6,466,898.65	-18,915,591.19
2. Major investment and financing activities that do not involve cash receipts and payments:	-	-
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds due within one year	0.00	0.00
Fixed assets acquired under financial leases	0.00	0.00
3. Net changes in cash and cash equivalents:	-	-
Ending balance of cash	405,184,602.66	115,786,606.37
Less: beginning balance of cash	263,802,199.98	79,891,833.74
Add: Ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	141,382,402.68	35,894,772.63

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	405,184,602.66	263,802,199.98
Including: cash on hand	125,582.44	132,679.87
Cash at bank available for payments at any time	405,059,020.22	263,669,520.11
Other cash at bank and on hand available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Ending balance of cash and cash equivalents	405,184,602.66	263,802,199.98
Including: the parent company or subsidiaries within the group use restricted cash and cash equivalents	0.00	0.00

SECTION 10 FINANCIAL REPORT

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

54. Assets with restricted ownership or use right

Unit: Yuan Currency: RMB

Item	Ending book value	Reasons for restriction
Cash at bank and on hand	18,540,393.82 43,474,454.29 2,926.79	L/C guarantee deposits Margin for bank acceptance bill Bond for letter of guarantee
Total	62,017,774.90	-

55. Monetary items in foreign currency

(1) Monetary items in foreign currency

Item	Foreign currency ending balance	Exchange rate upon translation	Ending balance in RMB (equivalent)
Cash at bank and on hand	-	-	40,471,131.54
Including: U.S. dollar	5,337,185.03	7.2258	38,565,431.59
EUR	240,081.88	7.8771	1,891,148.98
HKD	15,781.96	0.9220	14,550.97
Accounts receivable	-	-	56,934,574.36
Including: U.S. dollar	6,518,892.49	7.2258	47,104,213.35
EUR	1,247,967.02	7.8771	9,830,361.01
Other receivables	-	-	1,625,805.00
Including: U.S. dollar	225,000.00	7.2258	1,625,805.00
Accounts payable	-	-	18,893,353.81
Including: U.S. dollar	2,614,707.55	7.2258	18,893,353.81
Other payables	-	-	194,294.61
Including: U.S. dollar	26,889.01	7.2258	194,294.61

(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.

56. Government subsidies

(1) Basic information of government subsidies

Unit: Yuan Currency: RMB

Category	Amount	Presented items	Amount included in the current profits or losses
Income-related	1,435,127.51	Other incomes	1,435,127.51
Income-related	9,720,315.08	Deferred income	18,289.09

(2) Refund of government subsidies

The Group had no refund of government grants in the current period.

SECTION 10 FINANCIAL REPORT

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business merger under different control

None.

2. Business merger under common control

None.

VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of the Enterprise Group

Name of subsidiary	Principal place of business	Registration place	Business Nature
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 and Transportation 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
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	Property, lease

(Continued)

Name of subsidiary	Registered Capital	Shareholding proportion (%)		Way of acquisition
		Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	548,759,761.19 yuan	100.00		Business merger under common control
Tianjin Tianhai High Pressure Container Co., Ltd.	225,578,400 yuan		55.00	Establishment
Shanghai Tianhai Composite Cylinders Co., Ltd.	USD 3,017,400		87.84	Business merger 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 merger under common control
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	545,225,200 yuan		38.51	Establishment
BTIC AMERICA CORPORATION	680.00 shares		90.00	Business merger under different control
Kuancheng Tianhai Pressure Container Co., Ltd.	81,584,000 yuan		61.10	Establishment
Jingcheng Holding (Hong Kong) Co., Ltd.	HKD 1,000	100.00		Business merger under common control
Qingdao BYTQ United Digital Intelligence Co., Ltd.	21,418,633 yuan	81.45		Business merger under different control
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	80.00 million yuan		51.00	Business merger under different control

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 March 2023, 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)

1. Equity in subsidiaries (Continued)

(2) Important non-wholly-owned subsidiaries

Name of subsidiary	Proportion of Minority Shareholders (%)	Profits and losses attributable to minority shareholders in current period	Other comprehensive income attributable to minority shareholders in the current period	Changes in capital surplus this period	Capital reduction of minority shareholders this period	Dividends paid to minority shareholders in the current period	Equity balance of minority shareholders at the end of the period
Qingdao BYTQ United Digital Intelligence Co., Ltd.	18.55	-119,920.09	0.00	0.00	0.00	0.00	42,558,036.15

2. Main financial information of important non-wholly-owned subsidiaries

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qingdao BYTQ United Digital Intelligence Co., Ltd.	268,499,215.53	80,219,894.45	348,719,109.98	95,120,212.05	9,413,846.87	104,534,058.92

(Continued Table 1)

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qingdao BYTQ United Digital Intelligence Co., Ltd.	278,915,223.69	84,605,135.29	363,520,358.98	107,989,044.55	11,375,108.75	119,364,153.30

(Continued 2)

Name of subsidiary	Amount incurred in the current period			
	Revenues	Net profit	Total comprehensive income	Cash flow from operating activities
Qingdao BYTQ United Digital Intelligence Co., Ltd.	45,062,474.42	-646,469.51	-646,469.51	4,402,087.39

(Continued 3)

Name of subsidiary	Amount incurred in the previous period			
	Revenues	Net profit	Total comprehensive income	Cash flow from operating activities
Qingdao BYTQ United Digital Intelligence Co., Ltd.	26,548,672.50	7,528,374.32	7,528,374.32	-1,931,445.57

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 joint venture or associate	Principal place of business	Registration place	Business Nature	Shareholding proportion (%)		Accounting methods for the investment in joint ventures or associates
				Direct	Indirect	
Jiangsu Tianhai Special Equipment Co., Ltd.	Jiangsu Zhenjiang	Jiangsu Zhenjiang	Production		27.461	Equity method
Beijing Bolken Energy Technology Inc.	Beijing	Beijing	Production		9.93	Equity method
Beiqing 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 18.1442 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), totalling 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 Yucheng VC 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 VC. 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 Energy 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 Energy'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 2022, Bolken Energy made a private offering of 6,250,000 shares and, as a result, the shareholding proportion of BTIC in Bolken Energy was passively diluted from 10.91% to 9.93%.

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

- 3) Beiqing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd. (hereinafter referred to as Beiqing Zhichuang Company) was established on 20 August 2020 by nine companies, including Beijing Tianhai, 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 Beijing Tianhai subscribed 10 million yuan, holding 10% equity, and the contribution shall be made prior to 31 December 2022. By the end of the period, Beijing Tianhai has paid 3 million yuan. Beiqing Zhichuang Company has a board of directors with 9 members and one director from BTIC. BTIC has a significant influence on Beiqing 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

Jiangsu Tianhai (associate)

Unit: Yuan Currency: RMB

Item	Ending balance/ Amount incurred in the current period	Beginning balance/ Amount in the previous period
Current assets	105,032,650.50	89,586,090.74
Including: cash and cash equivalents	28,683,636.21	36,734,223.61
Non-current assets	423,392,601.03	401,030,939.05
Total assets	528,425,251.53	490,617,029.79
Current liabilities	129,659,902.68	129,236,094.78
Non-current liabilities	189,550,000.00	169,600,000.00
Total liabilities	319,209,902.68	298,836,094.78
Minority shareholders' equity	0.00	0.00
Shareholders' equity attributable to the parent company	209,215,348.85	191,780,935.01
Shares of net assets at the shareholding percentage	57,452,626.95	52,664,962.56
Adjustments	-1,881,100.33	-2,186,607.71
– Goodwill	0.00	0.00
– Unrealized profit of internal transaction	-1,881,100.33	-2,186,607.71
– Others	0.00	0.00
Book value of equity investments in associates	55,571,526.62	50,478,354.85
Fair value of equity investments in associates with a public offer	0.00	0.00
Revenues	70,974,660.11	63,406,011.38
Financial Expenses	187,010.96	446,769.70
Income tax expenses	152,885.39	1,838,747.61
Net profit	17,434,413.84	11,281,664.51
Net profit from discontinued operations	0.00	0.00
Other comprehensive income	0.00	0.00
Total comprehensive income	17,434,413.84	11,281,664.51
Dividends received from associated enterprises this period	0.00	0.00

(3) Summary of financial information of unimportant associates

Item	Ending balance/ Amount incurred in the current period	Beginning balance/ Amount in the previous period
Associates:	–	–
Total carrying amount of investments	32,854,172.35	33,349,838.91
Total amount of the following items at the shareholding percentage	–	–
– Net profit	-524,323.81	594,865.39
– Other comprehensive income	28,657.25	3,496.18
– Total comprehensive income	-495,666.56	598,361.57

(4) The Group did not have any significant restrictions on the ability of joint ventures and associates to transfer funds to the Company.

(5) The Group did not have any excess loss for associates.

(6) The Group did not have any unconfirmed commitments related to joint venture investment.

(7) The Group did 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 within 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 and Jingcheng Holding (Hong Kong) Co., Ltd., the subsidiaries of the Company that use USD to purchase and sell, other main business activities of the Group are priced and settled in RMB. On 30 June 2023, expect for the balances of the assets and liabilities in USD, sporadic EUR and HKD mentioned in the following table, the balances of assets and liabilities of the Group are expressed in RMB. Foreign currency risk associated with the assets and liabilities of such foreign currency balances may have influence on the Group's business performance.

Item	30 June 2023		31 December 2022	
	Original Currency	Equivalent to RMB	Original Currency	Equivalent to RMB
Cash at bank and on hand	-	40,471,131.56	-	24,919,688.32
USD	5,337,185.03	38,565,431.62	3,573,647.91	24,889,028.23
EUR	240,081.88	1,891,148.98	2,231.28	16,562.58
HKD	15,781.96	14,550.96	15,781.38	14,097.51
Accounts receivable	-	56,934,574.36	-	45,003,830.21
USD	6,518,892.49	47,104,213.35	5,385,315.48	37,506,568.19
EUR	1,247,967.02	9,830,361.01	1,010,017.92	7,497,262.02
Advances to suppliers	-	4,698,985.84	-	5,204,820.29
USD	470,772.85	3,401,710.44	730,240.71	5,085,834.47
EUR	155,015.64	1,221,073.70	16,029.56	118,985.82
AUD	15,878.00	76,201.70	0.00	0.00
Other receivables	-	1,625,805.00	-	1,567,035.00
USD	225,000.00	1,625,805.00	225,000.00	1,567,035.00
Accounts payable	-	18,893,353.81	-	9,080,325.03
USD	2,614,707.55	18,893,353.81	1,303,782.70	9,080,325.03
Advances from customers	-	30,040,111.04	-	42,268,221.17
USD	4,068,012.56	29,394,645.16	5,866,819.67	40,860,052.27
EUR	81,942.07	645,465.88	189,706.03	1,408,168.90
Other payables	-	194,294.61	-	187,271.20
USD	26,889.01	194,294.61	26,889.01	187,271.20

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 risks

On 30 June 2023, the greatest credit risk exposure causing the financial loss of the Group is mainly from loss of the financial assets of the Group due to that the other party to the contract failed to perform obligations, 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 other 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, 11.27% (15.01% for the previous period) and 32.18% (31.03% for the previous period) balances of accounts receivable of the Group are respectively from the top one customer and the top five customers of the Group at the end of the period. Shenzhen Tenglong Holding 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 totalled 133,584,890.11 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 2023, the amount of unused bank loans and bank acceptance notes of the Group was 304.28 million yuan (31 December 2022: 266 million yuan), all of which are short-term bank loans.

Financial assets and financial liabilities held by the Group are analyzed as follows as per the expiration of undiscounted remaining contract obligations:

Amount as at 30 June 2023:

Item	Unit: Yuan				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial assets					
Cash at bank and on hand	467,202,377.56	0.00	0.00	0.00	467,202,377.56
Notes receivable	2,575,614.68	0.00	0.00	0.00	2,575,614.68
Accounts receivable	349,071,295.07	0.00	0.00	0.00	349,071,295.07
Receivables financing	10,354,186.85	0.00	0.00	0.00	10,354,186.85
Other receivables	4,103,406.46	0.00	0.00	0.00	4,103,406.46
Right-of-use assets	0.00	0.00	211,468,853.54	0.00	211,468,853.54
Financial liabilities					
Short-term borrowings	170,000,000.00	0.00	0.00	0.00	170,000,000.00
Notes payable	95,927,453.58	0.00	0.00	0.00	95,927,453.58
Accounts payable	284,146,129.87	0.00	0.00	0.00	284,146,129.87
Other payables	76,617,572.36	0.00	0.00	0.00	76,617,572.36
Employee compensation payable	15,933,973.13	0.00	0.00	0.00	15,933,973.13
Non-current liabilities due within one year	21,491,889.73	0.00	0.00	0.00	21,491,889.73
Lease liabilities	0.00	13,594,333.84	44,961,315.09	181,996,369.82	240,552,018.75
Long-term payables	200,000,000.00	53,207,700.00	0.00	0.00	253,207,700.00

SECTION 10 FINANCIAL REPORT

X. DISCLOSURE OF FAIR VALUE

1. The ending fair value of assets measured at fair value

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	Level 1 measurement at fair value	Level 2 measurement at fair value	Level 3 measurement at fair value	
I. Continuous fair value measurement	–	–	–	–
Receivables financing	0.00	0.00	10,354,186.85	10,354,186.85

2. Valuation techniques and qualitative and quantitative information about important 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) Related party relationships

1. Controlling shareholder and ultimate controlling party

(1) Controlling shareholder and ultimate controlling party

Name of controlling shareholder and ultimate controller	Registration place	Business nature	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	45.32	45.32

(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	45.32	45.32

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 associated enterprises 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 ventures or associates	Relationship with the Company
Beijing Bolken Energy Technology Inc.	Associated enterprise
Jiangsu Tianhai Special Equipment Co., Ltd.	Associated enterprise
Beijing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.	Associated enterprise

Note: Last year, BTIC, a subsidiary of the Company, possessed control over the joint venture Jingcheng Haitong through acquiring 2% equity interest from minority shareholders. For this reason, Jingcheng Haitong was included in the consolidation scope of the Group on 4 July 2022.

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party relationships (Continued)

4. Other related parties

Name of other related parties	Relationship with the Company
Beijing Mechanical and Electrical Research Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing First Machine Tool Plant	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing Jingcheng Industrial Logistics Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing Beiren Printing Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
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
Li Hong	Minority shareholders of subsidiaries
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Wholly-owned subsidiary of joint venture
InterSmart Robotic Systems Co.,Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party

(II) Related party transactions

1. Related party transactions of purchase/sales of goods and rendering/receiving of labor services

(1) Purchasing goods/receiving services

Unit: Yuan Currency: RMB

Related parties	Content of related party transaction	Amount incurred in the current period	Approved transaction amount	Exceeding the transaction amount or not	Amount incurred in the previous period
Jiangsu Tianhai Special Equipment Co., Ltd.	Procurement of goods	52,781,509.01			14,413,673.23
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Procurement of goods	0.00			5,891,161.94
InterSmart Robotic Systems Co.,Ltd.	Procurement of goods	0.00			1,106,194.68
Total	-	52,781,509.01			21,411,029.85

(2) Sales of goods/rendering services

Related parties	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Jiangsu Tianhai Special Equipment Co., Ltd.	Selling goods, Providing labor services	4,793,397.33	28,246,092.24
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	Selling goods	105,405.32	0.00
Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.	Selling goods	0.00	636,785.82
Total	-	4,898,802.65	28,882,878.06

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

2. Related party lease

Information of accepting lease

Unit: Yuan Currency: RMB

Name of lessor	Type of leased assets	Rental expenses for simplified short-term leases and low-value asset leases		Rents paid	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Plant and buildings	0.00	149,449.55	0.00	149,449.55
Beijing Beiren Printing Equipment Co., Ltd.	Plant and buildings	0.00	0.00	522,898.98	0.00
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Plant and buildings	0.00	0.00	12,268,749.32	0.00
Total	-	0.00	149,449.55	12,791,648.30	149,449.55

(Continued)

Name of lessor	Type of leased assets	Interest expenses on lease liabilities assumed		Increased right-of-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Plant and buildings	0.00	0.00	0.00	0.00
Beijing Beiren Printing Equipment Co., Ltd.	Plant and buildings	39,830.46	0.00	0.00	0.00
Beijing Jingcheng Machinery Electric Assets Management Co., Ltd.	Plant and buildings	5,643,615.48	0.00	0.00	0.00
Total	-	5,683,445.94	0.00	0.00	0.00

3. Related party guarantees

As the guaranteed party

Name of guarantor	Guaranteed amount	Guarantee start date	Guarantee maturity date	Guarantee has been performed or not
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	150,000,000.00	2022-7-11	2023-7-11	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	50,000,000.00	2023-4-19	2027-4-19	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2023-5-22	2024-1-18	No
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	20,000,000.00	2023-6-28	2027-6-28	No

4. Interest expenses/incomes of related parties

Name of related party	Amount incurred in the current period	Amount incurred in the previous period
Beijing Jingcheng Machinery Electric Holding Co., Ltd. (interest expense)	0.00	131,555.56
Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd. (interest revenue)	0.00	70,664.39

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

5. Remuneration of key management personnel

Project name	Amount incurred in the current period	Amount incurred in the previous period
Total compensation	2,157,497.73	2,051,788.45

Unit: Yuan Currency: RMB

(III) Balance of transactions with related parties

1. Receivables

Item Enterprise name	Related parties	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
		Accounts receivable	Jiangsu Tianhai Special Equipment Co., Ltd. Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	0.00 649,698.50 4,568,174.89	0.00 46,214.80 372,032.43
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	36,947.68	454.46	39,051.16	480.33
Advances to suppliers	Jiangsu Tianhai Special Equipment Co., Ltd.	0.00	0.00	1,647,950.28	0.00

Unit: Yuan Currency: RMB

2. Payables

Project name	Related parties	Ending balance	Beginning balance
Accounts payable	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	902,227.27	0.00
	Beijing Jingcheng Industrial Logistics Co., Ltd.	0.00	902,227.27
	Jiangsu Tianhai Special Equipment Co., Ltd.	12,653,769.60	6,723,378.38
	Tianjin TPCO Investment Co., Ltd.	2,387,736.84	2,417,736.84
	Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	10,492,652.22	10,492,652.22
Contract liabilities	InterSmart Robotic Systems Co., Ltd.	312,500.00	312,500.00
	Jiangsu Tianhai Special Equipment Co., Ltd.	1,124,605.65	270,850.05
	Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	1,116,949.53	1,116,949.53
Other payables	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	764,666.66	772,751.39
	Beijing First Machine Tool Plant	7,359.09	7,359.09
	Tianjin TPCO Investment Co., Ltd.	1,188,206.82	2,108,668.30
	Li Hong	10,860,433.38	10,860,433.38
Non-current liabilities due within one year	Beiqing Zhichuang (Beijing) New Energy Automobile Technology Co., Ltd.	7,000,000.00	7,000,000.00

(IV) Related party commitment

The registered capital of Beiqing Zhichuang, 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 2023, the unpaid capital contribution was 7 million yuan.

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Director, supervisor and employee compensation

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

Item	Salary and allowance	Contribution to retirement fund plan	Bonus	Share-based payment	Total
Amount incurred in the current period					
Executive Directors					
Li Junjie	110,514.00	117,668.99	33,000.00	0.00	261,182.99
Zhang Jiheng	112,398.00	118,912.44	66,000.00	0.00	297,310.44
Supervisor					
Li Zhe	121,200.00	118,912.44	59,400.00	0.00	299,512.44
Wen Jinhua	60,635.00	92,686.02	44,374.00	0.00	197,695.02
Total	404,747.00	448,179.89	202,774.00	0.00	1,055,700.89
Amount incurred in the previous period					
Executive Directors					
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
Supervisor					
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
Total	404,694.00	405,769.56	234,858.00	0.00	1,045,321.56

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 with the highest compensation for the current period, 1 person (3 persons for the previous period) are director and supervisor, and their compensation is recorded in Note "XI.(V).1. Compensation has been reflected in the compensation of director and supervisor". Compensation for the other 4 (in the previous period: 2) is as follows:

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and allowance	455,727.00	239,649.00
Contribution to retirement fund plan	474,502.00	208,995.96
Year-end bonus	259,800.00	117,150.00
Total	1,190,029.00	565,794.96

Scope of compensation:

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

3. During the period, no director of the Company has waived or agreed to waive any remuneration. 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.

SECTION 10 FINANCIAL REPORT

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

4. Compensation for key managers

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

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and allowance	830,670.00	810,335.00
Contribution to retirement fund plan	873,449.73	766,762.45
Bonus	453,378.00	474,691.00
Total	2,157,497.73	2,051,788.45

(VI) Borrowings receivable from directors/director related enterprises

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

XII. SHARE-BASED PAYMENT

The Group had no share-based payment as of 30 June 2023.

XIII. CONTINGENCIES

The Group had no significant contingencies as of 30 June 2023.

XIV. COMMITMENTS

The Group had no other significant commitments as of 30 June 2023.

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Paid amount after the balance sheet date

Item	Paid amount
Accounts payable with significant amount and aged over 1 year	0.00
Other payables with significant amount and aged 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.

XVI. OTHER SIGNIFICANT MATTERS

1. Litigation Matters of BYTQ

In the case of dispute over the business contract between BYTQ, a subsidiary of the Company, and the supplier Suzhou Frank Automation Equipment Co., Ltd. (hereinafter referred to as Frank Automation), BYTQ received a summons for a hearing from the Chengyang People's Court in Qingdao on 7 July 2022, and the court froze the funds of BYTQ of 3,625,647.23 yuan. On 20 December 2022, BYTQ received a civil ruling from the Chengyang People's Court in Qingdao, and Frank Automation filed an application for withdrawal of the lawsuit to the court on 19 December 2022. The two parties reached a settlement, and the case acceptance fee and preservation costs shall be borne by Frank Automation. There is no controversy between the two parties over the above-mentioned dispute. Frank Automation no longer claims rights against BYTQ, and the above-mentioned freezing of funds was relieved in January 2023.

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

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

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

Unit: Yuan Currency: RMB

Category	Ending balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Provision for bad debts made by portfolio	67,705,520.00	100.00	2,744,834.87	-	64,960,685.13
Including: Ageing portfolio	67,705,520.00	100.00	2,744,834.87	4.05	64,960,685.13

(Continued)

Category	Beginning balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision proportion (%)	Book value
Provision for bad debts made by portfolio	52,907,920.00	100.00	1,452,309.51	-	51,455,610.49
Including: Ageing portfolio	52,907,920.00	100.00	1,452,309.51	2.74	51,455,610.49

Bad debt provision of accounts receivable made by ageing portfolio

Ageing	Ending balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year (including 1 year)	57,553,520.00	926,611.67	1.61
1-2 years (including 2 years)	10,152,000.00	1,818,223.20	17.91
Total	67,705,520.00	2,744,834.87	-

(2) Accounts receivable listed by age

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	57,553,520.00	49,223,920.00
1-2 years (including 2 years)	10,152,000.00	3,684,000.00
Total	67,705,520.00	52,907,920.00

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

Category	Beginning balance	Provision	Change of amount in the current period			Ending balance
			Recovered or transferred back	Charged or written off	Others	
Provision for bad debts of accounts receivable	1,452,309.51	1,292,525.36	0.00	0.00	0.00	2,744,834.87

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Ageing	Proportion in total ending balance of accounts receivable (%)	Ending balance of bad debt provision
Qingdao Haier Special Refrigeration Appliances Co., Ltd.	19,588,000.00	Within 1 year	28.93	315,366.80
Qingdao Lanjing Technology Co., Ltd.	14,464,000.00	Within 2 years	21.36	1,887,646.40
Zhengzhou Haier New Energy Technology Co., Ltd.	6,742,000.00	Within 1 year	9.96	108,546.20
Haier Smart Home Co., Ltd.	5,180,000.00	Within 1 year	7.65	83,398.00
Qingdao Haier Refrigerator Co., Ltd.	4,780,000.00	Within 1 year	7.06	76,958.00
Total	50,754,000.00	-	74.96	2,471,915.40

2. Other receivables

Item	Ending balance	Beginning balance
Interests receivable	32,918,353.69	37,918,353.69
Dividends receivable	0.00	0.00
Other receivables	367,187,226.29	344,189,537.84
Total	400,105,579.98	382,107,891.53

2.1 Interest receivable

(1) Classification of interest receivable

Item	Ending balance	Beginning balance
Interest on borrowings between affiliates	32,918,353.69	37,918,353.69

(2) Provision for bad debts of interest receivable

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

2.2 Other receivables

Nature	Ending book balance	Beginning book balance
Other receivables	367,190,440.96	344,190,440.96
Less: provision for bad debts	3,214.67	903.12
Net value	367,187,226.29	344,189,537.84

(1) Classification of other receivables by nature

Nature	Ending book balance	Beginning book balance
Concerned borrowings	365,000,000.00	340,000,000.00
Concerned intercourse funds	2,000,000.00	4,000,000.00
Security	107,513.88	107,513.88
Reimbursed expenses	82,927.08	82,927.08
Total	367,190,440.96	344,190,440.96

SECTION 10 FINANCIAL REPORT

VII. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.2 Other receivables (Continued)

(2) Other receivables listed as per ageing

Unit: Yuan Currency: RMB

Ageing	Ending balance	Beginning balance
Within 1 year (including 1 year)	25,000,000.00	3,190,440.96
1-2 years	2,190,440.96	1,000,000.00
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
Total	367,190,440.96	344,190,440.96

(3) Other receivables – bad debt provision

Provision for bad debts	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 2023	0.00	903.12	0.00	903.12
Book balance of other receivables on 1 January 2023 in the current period	–	–	–	–
– Be transferred to Stage II	0.00	0.00	0.00	0.00
– Be transferred to Stage III	0.00	0.00	0.00	0.00
– Be transferred back to Stage II	0.00	0.00	0.00	0.00
– Be transferred back to Stage I	0.00	0.00	0.00	0.00
Provision in the current period	0.00	2,311.55	0.00	2,311.55
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
Verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as at 30 June 2023	0.00	3,214.67	0.00	3,214.67

(4) There were no other receivables actually written off in the current period.

(5) Other receivables classified as per the borrower

Company name	Nature	Ending balance	Ageing	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
Beijing Tianhai Industry Co., Ltd.	Loans and interests	367,000,000.00	Over 1 year	99.95	0.00
Beijing Beiren Printing Equipment Co., Ltd.	Security	107,513.88	Over 1 year	0.03	3,214.67
Qingdao BYTQ United Digital Intelligence Co., Ltd.	Advances offered for others	82,927.08	Over 1 year	0.02	0.00
Total	–	367,190,440.96	–	100.00	3,214.67

SECTION 10 FINANCIAL REPORT

XVII. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

(1) Classification of long-term equity investments

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for Impairment	Book value	Book balance	Provision for Impairment	Book value
Investment in subsidiaries	1,377,330,040.36	0.00	1,377,330,040.36	1,239,348,125.05	0.00	1,239,348,125.05
Investment in associates and joint ventures	0.00	0.00	0.00	0.00	0.00	0.00
Total	1,377,330,040.36	0.00	1,377,330,040.36	1,239,348,125.05	0.00	1,239,348,125.05

(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 impairment provision
Beijing Tianhai Industry Co., Ltd.	760,104,096.95	137,981,915.31	0.00	898,086,012.26	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.	337,200,000.00	0.00	0.00	337,200,000.00	0.00	0.00
Total	1,239,348,125.05	137,981,915.31	0.00	1,377,330,040.36	0.00	0.00

4. Operating revenues and operating costs

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Costs	Revenue	Costs
Main business	0.00	0.00	0.00	0.00
Other business	454,601.78	0.00	212,991.15	0.00
Total	454,601.78	0.00	212,991.15	0.00

SECTION 10 FINANCIAL REPORT

VIII. APPROVAL OF FINANCIAL REPORT

The financial report is released after being approved by the Board of Directors of the Company on 16 August 2023.

Supplementary information of financial statements

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

Unit: Yuan Currency: RMB

Item	Amount in the current period	Description
Gain or loss from disposal of non-current assets	55,422.47	VI. 48
Government subsidies included in the current profit and loss	1,453,416.60	VI. 44
Reversal of the provision assessed for impairment on an individual basis	280,000.00	VI. 46
Influence made by the one-off adjustment of the current profit and loss according to requirements of tax revenue and accounting laws and regulations on the current profit and loss	103,889.12	VI. 44
Other non-operating revenue and expenses than the above items	985,962.04	VI. 49, 50
Debt restructuring profit and loss	0.00	
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.	0.00	
Other losses and profits conforming to the definition of non-recurring gain or loss	0.00	
Subtotal	2,878,690.23	
Less: amount affected by income tax	131,509.83	
Effect on non-controlling interests (after-tax)	606,647.14	
Total	2,140,533.26	-

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)	
		Primary earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the parent company	-2.80	-0.05	-0.05
Net profit attributable to common shareholders of the parent company after deduction of non-recurring profit or loss	-3.00	-0.06	-0.06

3. Dividend

No dividend was paid or declared during the first half of 2023. No dividend was declared after the end of the reporting period (first half of 2022: none).

Beijing Jingcheng Machinery Electric Co., Ltd.

August 16, 2023