THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Beijing Jingcheng Machinery Electric Company Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Beijing Jingcheng Machinery Electric Company Limited.

京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

(Stock Code: 0187)

(1) MAJOR TRANSACTION
PROPOSED ACQUISITION OF ASSETS INVOLVING THE ISSUANCE OF CONSIDERATION SHARES AND PROPOSED ISSUANCE AND PLACING OF A SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(3) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING OF SHAREHOLDERS, THE RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS, THE RULES OF PROCEDURE FOR THE SUPERVISORY COMMITTEE AND THE FUNDRAISING MANAGEMENT MEASURES
NOTICE OF EGM
AND
NOTICE OF H SHARES CLASS MEETING

A letter from the Board is set out on pages 7 to 45 of this circular.

A notice convening the EGM to be held at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC on 9 February 2021 at 9:30 a.m. is set out on pages EGM-1 to EGM-7 of this circular.

A notice convening the H Shares Class Meeting to be held at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC on 9 February 2021 at 11:00 a.m. is set out on pages HCM-1 to HCM-5 of this circular.

Whether or not you intend to attend the above meetings, you are requested to complete the respective forms of proxy for use at the above meetings in accordance with the instructions printed thereon and return the same to the business address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC, or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 24 hours before the time appointed for the convention of the above meetings. The completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the above meetings or any adjournment thereof if you so wish.

19 January 2021

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In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:–

"A Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE (stock code: 600860)
"A Shares Class Meeting"	the class meeting of A Shareholders
"A Shareholder(s)"	holders of A Shares
"Announcement"	the announcement in relation to, amongst others, the Proposed Transactions dated 29 December 2020 of the Company
"Articles of Association"	the articles of association of the Company as amended from time to time
"Asset Acquisition Agreement" or "Asset Acquisition Agreement by way of Share Issuance and Cash Payment"	the agreement dated 29 December 2020 entered into among the Company, the Vendors, Huang Xiaofeng and Tao Feng in relation to the Proposed Transactions which supersedes the Asset Acquisition Framework Agreement to be the definitive agreement of the Proposed Transactions
"Asset Acquisition Framework Agreement"	the agreement dated 17 August 2020 entered into among the Company and the Vendors in relation to the Proposed Transactions
"Beijing SASAC"	Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission
"Board"	the board of directors of the Company
"Cash Compensation"	the amount in cash to be paid by the Undertaking Parties to the Company should the value of the Compensation Shares be insufficient to satisfy the Profit Compensation
"China Alliance Appraisal"	China Alliance Appraisal Co., Ltd.（北京中同華資產評估有限公司）
"Class Meetings"	the A Shares Class Meeting and the H Shares Class Meeting to be convened by the Company to consider, amongst others, the Proposed Acquisition, the Proposed Issuance and Placing of A Shares, the Specific Mandate and the Performance Compensation Agreement, etc.

"Company" or "JINGCHENG MAC"	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Company Limited), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the SSE
"Compensation Shares"	the Consideration Shares received by the Undertaking Parties under the Proposed Acquisition which are paid back to the Company as compensation under the Performance Compensation Agreement
"connected person"	has the same meaning ascribed thereto under the Listing Rules
"Consideration Share(s)"	the new A Shares to be issued by the Company to the Vendors as part of the consideration of the Proposed Acquisition pursuant to the Asset Acquisition Agreement
"controlling shareholder"	has the same meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting to be convened by the Company to consider, amongst others, the Proposed Acquisition, the Proposed Issuance and Placing of A Shares, the Specific Mandate, the Performance Compensation Agreement, the proposed amendments to the Articles of Association, and the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures, etc.
"Enlarged Group"	the enlarged Group immediately after the completion of the Proposed Acquisition
"Group"	the Company and its subsidiaries

"Guaranteed Profit(s)"	the amount of guaranteed profit(s) over the Profit Guarantee Periods pursuant to the Performance Compensation Agreement, being RMB27,500,000 for the year ending 31 December 2020; RMB38,000,000 for the year ending 31 December 2021; RMB41,000,000 for the year ending 31 December 2022 and RMB43,000,000 for the year ending 31 December 2023
"H Share(s)"	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the Main Board of the Stock Exchange (stock code: 00187)
"H Shares Class Meeting"	the class meeting of H Shareholders
"H Shareholders"	holders of H Shares
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huang Xiaofeng"	黃曉峰, a natural person in the PRC and an Independent Third Party, and together with his spouse, Li Hong, are the ultimate beneficial owners of the Target Company
"Impairment Test"	the audit or review conducted by the accounting firm engaged by the Company to determine the net asset value of the Target Company and impairment loss of the Target Assets as at the Impairment Test Benchmark Date
"Impairment Test Benchmark Date"	the date on which the information of the Impairment Test would be based on
"Independent Third Party(ies)"	(an) independent third party(ies) not connected with the Group and any Director, chief executive or substantial shareholder of the Group or any of its subsidiaries or their respective associate of any of them as defined in the Listing Rules
"Issuance Completion Date"	the date on which the Consideration Shares to be issued are registered under the name of the Vendors
"Jingcheng Machinery Electric"	北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.*), a company incorporated in the PRC and holding 50.67% interest in the Company

"Latest Practicable Date"	15 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-public Issuance of A Shares"	the non-public issuance of not more than 84,400,000 A Shares to Jingcheng Machinery Electric
"Performance Compensation Agreement"	the agreement dated 29 December 2020 entered into among the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng in relation to the Profit Compensation during the Profit Guarantee Periods
"Placing Shares"	the A Shares to be issued pursuant to the Proposed Issuance and Placing of A Shares
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Pricing Benchmark Date for Consideration Shares"	the date of the announcement on the resolutions relating to the Proposed Acquisition passed at the fifth extraordinary meeting of the tenth session of the Board
"Profit Compensation"	the profit compensation to be made by the Undertaking Parties to the Company under the Performance Compensation Agreement
"Profit Guarantee Periods"	the 4 years ending 31 December 2020, 2021, 2022 and 2023
"Proposed Acquisition" or "Asset Acquisition by way of Share Issuance and Cash Payment"	the acquisition of the Target Assets by the Company by way of issuance of Consideration Shares and cash payment under the Specific Mandate
"Proposed Issuance and Placing of A Shares" or "Raising of Supporting Funds"	the proposed issuance and placing of A Shares by the Company to not more than 35 target subscribers under the Specific Mandate
"Proposed Transactions" or "Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds"	the Proposed Acquisition and the Proposed Issuance and Placing of A Shares

"Qingdao Eternal"	Qingdao Eternal Economic Information Consulting Co., Ltd. (青島艾特諾經濟信息諮詢有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"Realised Profit"	the audited realised net profits attributable to owners of the parent company of the Target Company before or after deducting the non-recurring profit or loss of the Target Company (whichever is lower)
"RMB"	Renminbi, the lawful currency of the PRC
"Second Board Meeting"	the Board meeting convened by the Company on 29 December 2020 in considering the updated proposal in relation to the Proposed Transactions and other related resolutions
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	A Shares and H Shares of the Company
"Shareholders"	holders of the Shares
"Share Transfer Completion Date"	the date when the industrial and commercial registration procedures in relation to the transfer of Target Assets from the Vendors to the Company are completed
"Specific Mandate"	the specific mandate to be granted by the Shareholders to the Board in relation to the Proposed Acquisition and the Proposed Issuance and Placing of A Shares
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
'Tao Feng"	陶峰, a natural person in the PRC and the ultimate beneficial owner of Qingdao Eternal, and an Independent Third Party
"Target Assets"	80% equity interests in the Target Company
"Target Company" or "BYTQ"	Qingdao BYTQ United Digital Intelligence Co., Ltd. (青島北洋天青數聯智能股份有限公司), a company incorporated in the PRC limited by shares
"Target Group"	the Target Company and its subsidiaries

"Undertaking Party(ies)"	collectively, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan, all being Independent Third Parties
"Valuation Benchmark Date"	30 June 2020
"Valuation Report"	the report issued by China Alliance Appraisal dated 8 December 2020 in respect of the valuation of the Target Company
"Vendors"	Qingdao Eternal and 17 natural persons in the PRC, namely Li Hong, Zhao Qing, Yang Ping, Wang Xiaohui, Xiao Zhonghai, Xia Tao, Wang Huadong, Qian Yuyan, Xiu Jun, Fu Dun, Chen Zhengyan, Zhang Li, Xu Binglei, Yang Lunsheng, Xin Lan, Ying Rucai and Li Wei, all being the existing shareholders of the Target Company and Independent Third Parties
"working day(s)"	the statutory working day(s) in the PRC
"%"	percent

* *For identification purpose only*

京城機電股份
JINGCHENG MAC

北 京 京 城 機 電 股 份 有 限 公 司
Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0187)

Executive Directors:
Mr. Wang Jun
Mr. Li Junjie
Mr. Zhang Jiheng

Non-executive Directors:
Ms. Jin Chunyu
Mr. Wu Yanzhang
Mr. Xia Zhonghua
Ms. Li Chunzhi

Independent non-executive Directors:
Mr. Xiong Jianhui
Mr. Zhao Xuguang
Mr. Liu Jingtai
Mr. Luan Dalong

Registered office:
Room 901, No. 59 Mansion,
Dongsanhuan Road Central,
Chaoyang District,
Beijing,
the PRC

19 January 2021

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION
PROPOSED ACQUISITION OF ASSETS INVOLVING
THE ISSUANCE OF CONSIDERATION SHARES AND
PROPOSED ISSUANCE AND PLACING OF A SHARES
UNDER SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(3) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE
OF THE GENERAL MEETING OF SHAREHOLDERS,
THE RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS,
THE RULES OF PROCEDURE FOR THE SUPERVISORY COMMITTEE
AND THE FUNDRAISING MANAGEMENT MEASURES
NOTICE OF EGM
AND
NOTICE OF H SHARES CLASS MEETING**

1. INTRODUCTION

References are made to the announcements of the Company dated 17 August 2020 and 29 December 2020 in relation to a major transaction of the Company regarding (i) the Proposed Acquisition; and (ii) the Proposed Issuance and Placing of A Shares.

The Board considered and approved the proposal in relation to the Proposed Acquisition and Proposed Issuance and Placing of A Shares at a meeting held on 17 August 2020 and the Asset Acquisition Framework Agreement was entered into among the Company and the Vendors on the same date.

Upon completion of the valuation of the Target Assets by China Alliance Appraisal and after the Valuation Report had been approved by and filed with Jingcheng Machinery Electric, the Board further considered and approved the updated proposal in relation to the Proposed Transactions and other related resolutions at the Second Board Meeting held on 29 December 2020. The Asset Acquisition Agreement was entered into among the Company, the Vendors, Huang Xiaofeng and Tao Feng on the same date which superceded the Asset Acquisition Framework Agreement to be the definitive agreement of the Proposed Acquisition.

Reference is also made to the announcement of the Company dated 29 December 2020, in relation to the proposed amendments to the Article of Association.

In addition, at the EGM, resolutions will be proposed to consider and approve the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures.

The purpose of this circular is to provide you with information regarding, among other things, details of (i) the Proposed Acquisition and the Proposed Issuance and Placing of A Shares; (ii) the Specific Mandate; (iii) the Performance Compensation Agreement; (iv) the proposed amendments to the Article of Association; (v) the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures; and (vi) other information as required to be disclosed under the Listing Rules.

2. PROPOSED ACQUISITION

On 29 December 2020, the Asset Acquisition Agreement which supersedes the Asset Acquisition Framework Agreement to be the definitive agreement of the Proposed Transactions was entered into among the Company, the Vendors, Huang Xiaofeng and Tao Feng. Pursuant to which, the Company agreed to acquire, and the Vendors agreed to sell 80% equity interests in the Target Company at a consideration of RMB246,400,000. The consideration was determined after arms' length negotiations among the Company and the Vendors with reference to the appraised value of the Target Assets and will be satisfied by cash and issuance of Consideration Shares by the Company.

The principal terms of the Proposed Acquisition under the Asset Acquisition Agreement are as follows:–

Date

29 December 2020

Parties

(i) the Company (as the purchaser);

(ii) the Vendors;

(iii) Huang Xiaofeng; and

(iv) Tao Feng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors, Huang Xiaofeng and Tao Feng and their ultimate beneficial owners are Independent Third Parties.

Target Assets

80% equity interests in the Target Company held by the Vendors. Details of (i) equity interests to be transferred by each of the Vendors under the Proposed Acquisition, (ii) equity interests to be held by each of the Vendors after the completion of the Proposed Acquisition, and (iii) the proportion of consideration to be satisified in cash and Consideration Shares are set out below:

No.	Name of the Vendors	Percentage of equity interests in the Target Company to be transferred under the Proposed Acquisition	Percentage of equity interests in the Target Company after the completion of the Proposed Acquisition	Proportion of payment in cash	Proportion of payment by Consideration Shares
1	Li Hong (李紅)	32.628%	13.13%	35.00%	65.00%
2	Zhao Qing (趙慶)	11.174%	2.79%	35.00%	65.00%
3	Yang Ping (楊平)	9.235%	0.00%	35.00%	65.00%
4	Qingdao Eternal	8.007%	2.00%	35.00%	65.00%
5	Wang Xiaohui (王曉暉)	6.900%	1.73%	35.00%	65.00%
6	Xia Tao (夏濤)	3.442%	0.00%	35.00%	65.00%
7	Wang Huadong (王華東)	3.442%	0.00%	35.00%	65.00%
8	Qian Yuyan (錢雨嫣)	1.377%	0.34%	35.00%	65.00%
9	Xiao Zhonghai (肖中海)	1.007%	0.00%	35.00%	65.00%

No.	Name of the Vendors	Percentage of equity interests in the Target Company to be transferred under the Proposed Acquisition	Percentage of equity interests in the Target Company after the completion of the Proposed Acquisition	Proportion of payment in cash	Proportion of payment by Consideration Shares
10	Xiu Jun (修軍)	0.899%	0.00%	35.00%	65.00%
11	Fu Dun (傅敦)	0.647%	0.00%	35.00%	65.00%
12	Chen Zhengyan (陳政言)	0.645%	0.00%	35.00%	65.00%
13	Zhang Li (張利)	0.344%	0.00%	100.00%	–
14	Xu Binglei (徐炳雷)	0.224%	0.00%	100.00%	–
15	Yang Lunsheng (陽倫勝)	0.009%	0.00%	100.00%	–
16	Xin Lan (辛蘭)	0.009%	0.00%	100.00%	–
17	Ying Rucai (英入才)	0.009%	0.00%	100.00%	–
18	Li Wei (李威)	0.003%	0.00%	100.00%	–

Upon completion of the Proposed Acquisition, the Target Company will become a direct non-wholly owned subsidiary of the Company. Li Hong, Zhao Qing, Wang Xiaohui and Qian Yuyan will continue to own the remaining 20% of the shareholding of the Target Company.

Transaction Price

As at the Latest Practicable Date, the valuation of the Target Assets has been completed. With reference to the Valuation Report, the appraised value of the entire equity interests of the Target Company as of the Pricing Benchmark Date for Consideration Shares is RMB308,000,000, thus the appraised value of the Target Assets is RMB246,400,000.

As the valuation on the Target Assets referred to above was prepared using the income approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Details of the principal assumptions upon which the valuation was based on are as follows:

(I) General Assumptions

1. Transaction assumption: it is assumed that all assets to be appraised are in the process of transaction and the valuation by the valuer is based on simulated market including the terms of the transaction of the assets to be appraised.

2. Open market assumption: it is assumed that parties to the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain enough market information in order to make rational judgments on the assets including the functions, purposes and transaction prices.

3. Assumption of operation on a going concern: it is assumed that the appraised entity fully complies with all the relevant laws and regulations and will continue to operate in the foreseeable future.

(II) Specific Assumptions

1. The specific valuation purposes set out in the Valuation Report represent the basic assumptions of the valuation;

2. There are no material changes to the prevailing relevant laws and regulations and macroeconomic conditions in the country. There are no unforeseeable material changes to the external economic conditions including the interest rates, exchange rates, taxation base and tax rates and other policy-based levies;

3. It is assumed that the appraised entity will continue to operate with the diligent work of its future management team and continue to maintain the existing operating management mode, operation scope and patterns are consistent with the current direction;

4. It is assumed that the appraised assets will be put into continuous use in a manner consistent with their current use and manner, scale, frequency and environment of use without taking into account the best use of each assets;

5. It is assumed that based on the current method and level of management of the Company, no other factors of force majeure or unforeseeable factors may have material adverse impact on the appraised entity;

6. The relevant underlying information and financial information provided by the appraised entity and the entrusting party are true, accurate and complete;

7. The comparative financial reports, transaction information of the Company relied upon by the appraisers are true and reliable;

8. The scope of the valuation is based on the application for valuation provided by the entrusting party and the appraised entity, without considering the contingent assets or contingent liabilities that may exist beyond the list provided by the entrusting party and the appraised entity;

9. It is assumed that there will be net cash flows received by the appraised entity evenly throughout the year; and

10. It is assumed that the appraised entity will continue to be qualified as a high-tech enterprise and enjoy a preferential income tax rate of 15% in the future.

A letter from the Board and a letter from ShineWing Certified Public Accountants LLP on the profit forecasts are included in Appendix VI to this circular for the purpose of Rule 14.62 of the Listing Rules.

Pricing basis and issue price

The Pricing Benchmark Date for Consideration Shares is the date of the announcement on the resolutions relating to the Proposed Acquisition passed at the fifth extraordinary meeting of the tenth session of the Board convened by the Company.

Pursuant to the requirements of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies" (《上市公司重大資產重組管理辦法》) issued by the CSRC, the Company and the Vendors determined that the issue price of the Consideration Shares shall be no less than 90% of the average trading price of A Shares of the Company for the 20 trading days immediately preceding the Pricing Benchmark Date for Consideration Shares, being RMB3.42 per A Share.

During the period from the Pricing Benchmark Date for Consideration Shares to the Issuance Completion Date, in the event of any ex-rights or ex-dividends events including distribution of dividends, bonus shares issue, rights issue and the conversion of capital reserve into share capital, etc., corresponding adjustments will be made to the issue price of the Consideration Shares according to the relevant requirements of the CSRC and the SSE.

Type and nominal value of the Consideration Shares

Ordinary shares denominated in RMB (A Shares) with a nominal value of RMB1.00 per share.

Payment of consideration

The consideration of the Proposed Acquisition in the amount of RMB246,400,000 shall be satisfied by cash and issuance of Consideration Shares by the Company at the completion of the Proposed Acquisition. In which, the cash consideration amounts to RMB87,433,884.41, representing 35.48% of the total consideration and the shares consideration amounts to RMB158,966,115.59, representing 64.52% of the total consideration.

Number of Consideration Shares to be issued

As at the Latest Practicable Date, the authorised share capital of the Company is 485,000,000 Shares.

Based on the proportion of payment by Consideration Shares, the total consideration of the Proposed Acquisition and the issue price of the Consideration Shares, 46,481,314 Consideration Shares will be issued in total. The number of Consideration Shares to be issued under the Proposed Acquisition will be rounded to the nearest unit, with the fractional portion being renounced voluntarily by the Vendors.

Specific details on the consideration are set out in the table below. The final number of Consideration Shares to be issued shall be subject to the approval of the Shareholders at the EGM and Class Meetings and the approval of the CSRC.

No.	Name of the Vendors	Number of shares in the Target Assets to be transferred *(0,000 shares)*	Total consideration *(RMB'0,000)*	Cash consideration *(RMB'0,000)*	Share consideration *(RMB'0,000)*	Number of Consideration Shares to be issued *(0,000 shares)*
1	Li Hong (李紅)	648.08	10,049.31	3,517.26	6,532.05	1,909.96
2	Zhao Qing (趙慶)	221.94	3,441.46	1,204.51	2,236.95	654.08
3	Yang Ping (楊平)	183.43	2,844.32	995.51	1,848.81	540.59
4	Qingdao Eternal	159.04	2,466.06	863.12	1,602.94	468.70
5	Wang Xiaohui(王曉暉)	137.06	2,125.35	743.87	1,381.48	403.94
6	Xia Tao (夏濤)	68.38	1,060.27	371.09	689.17	201.51
7	Wang Huadong(王華東)	68.38	1,060.27	371.09	689.17	201.51
8	Qian Yuyan (錢雨嫣)	27.35	424.11	148.44	275.67	80.60
9	Xiao Zhonghai(肖中海)	20.00	310.13	108.54	201.58	58.94
10	Xiu Jun (修軍)	17.86	276.90	96.91	179.98	52.63
11	Fu Dun (傅敦)	12.86	199.37	69.78	129.59	37.89
12	Chen Zhengyan (陳政言)	12.82	198.80	69.58	129.22	37.78
13	Zhang Li (張利)	6.84	106.03	106.03	–	–
14	Xu Binglei (徐炳雷)	4.44	68.92	68.92	–	–
15	Yang Lunsheng (陽倫勝)	0.17	2.65	2.65	–	–
16	Xin Lan (辛蘭)	0.17	2.65	2.65	–	–
17	Ying Rucai (英入才)	0.17	2.65	2.65	–	–
18	Li Wei (李威)	0.05	0.78	0.78	–	–
Total			24,640.00	8,743.39	15,896.61	4,648.13

During the period from the Pricing Benchmark Date for Consideration Shares to the Issuance Completion Date, in the event if any ex-rights or ex-dividends events including distribution of dividends, bonus shares issue, rights issue and conversion of capital reserve into share capital, etc., corresponding adjustments will be made to the number of Consideration Shares to be issued according to the relevant requirements of the CSRC and the SSE.

Place of listing

The A Shares to be issued pursuant to the Proposed Acquisition will be listed and traded on the SSE.

Lock-up period

The Consideration Shares to be issued by the Company to Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan shall neither be transferred in any way within 12 months from the Issuance Completion Date nor pledged nor encumbered. Upon completion of the abovementioned 12-month lock-up period, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan may unlock their respective Consideration Shares in the following manner:

(i) 1st phase: upon completion of the 12-month lock-up period from the Issuance Completion Date and satisfaction of the compensation obligations for the year ending 31 December 2021 (if any) under the Performance Compensation Agreement, the outstanding portion in 50% of their Consideration Shares after deducting the number of Compensation Shares used to compensate the Company for the year (if any) shall be unlocked;

(ii) 2nd phase: upon satisfaction of the compensation obligations for the year ending 31 December 2022 (if any) under the Performance Compensation Agreement, the outstanding portion in 20% of their Consideration Shares after deducting the number of Compensation Shares used to compensate the Company for the year (if any) shall be unlocked;

(iii) 3rd phase: upon satisfaction of all the corresponding compensation obligations (if any) in all the Profit Guarantee Periods under the Performance Compensation Agreement, the remaining Consideration Shares that are yet to be unlocked shall be unlocked.

Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan shall neither transfer in any way nor pledge nor encumber the Consideration Shares within 12 months from the Issuance Completion Date.

If the Proposed Acquisition is investigated by the judicial authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed under the Proposed Acquisition, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan shall not transfer the Consideration Shares acquired under the Proposed Acquisition until the investigation results are determined.

Additional A Shares received by the Vendors in the event of bonus shares issue, conversion of capital reserve into share capital and rights issue of the Company during the lock-up period shall also be subject to the abovementioned lock-up period arrangement.

Attribution of profit or loss during the transitional period

The corresponding increase in net assets of the Target Assets attributable to the increase in net assets of the Target Company arising from its profit or other reasons during the transitional period from the Valuation Benchmark Date to the Share Transfer Completion Date shall be enjoyed by the Company, whilst the corresponding decrease in net assets of the Target Assets attributable to the decrease in net assets of the Target Company arising from its loss or other reasons during the said transitional period shall be borne by the Vendors on a pro-rata basis of their shareholdings in the Target Company prior to the Proposed Acquisition, in which the Vendors shall indemnify the Company for the amount of such decrease in cash within 10 days from the issuance of a special audit report by a qualified accounting firm engaged by the Company in determining the profit or loss of the Target Assets during the transitional period.

Accumulated undistributed profit arrangement

The accumulated undistributed profit of the Company prior to the Issuance Completion Date shall be shared by new and pre-existing Shareholders when the Proposed Acquisition is completed in accordance with their shareholding proportions in the Company after the completion of the Proposed Acquisition.

Completion arrangement

The Proposed Acquisition shall be completed within 20 working days (or otherwise agreed among the Company and the Vendors) from the date of satisfaction of the conditions precedent of the Asset Acquisition Agreement, the procedures of which shall be implemented as follows:

(i) Li Hong shall first transfer 2,200,000 shares in the Target Company to the Company within 5 days upon receipt of the approval from the CSRC;

(ii) the Target Company shall convene a shareholders' meeting according to the relevant laws and pass the resolution to change the form of the Target Company from a company limited by shares to a company with limited liability; and

(iii) upon the Target Company becoming a company with limited liability, the Vendors shall transfer their respective equity interests of the Target Company contemplated under the Asset Acquisition Agreement to the Company.

The Company shall settle all the cash consideration, being RMB87,433,884.41, to the Vendors within one month upon (i) the proceeds from the Proposed Issuance and Placing of A Shares have been raised in full; (ii) completion of the registration procedures for the transfer of the Target Assets to the Company; and (iii) completion of the procedures for the change of the registration of the directors, supervisors and senior managements of the Target Company at the State Administration for Industry and Commerce, whichever is the latest.

If any of the Undertaking Parties has not satisfied the Profit Compensation (if any) before the payment of cash consideration by the Company, the Company shall be entitled to deduct such amount from the cash consideration payable to that Undertaking Party(ies). Such deduction shall be deemed as fulfilment of Profit Compensation by the particular Undertaking Party(ies). In the event where the amount of Profit Compensation is insufficient to net off the amount of cash consideration payable by the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng shall make compensation collectively to the Company pursuant to the terms of the Asset Acquisition Agreement or the Performance Compensation Agreement. The Undertaking Parties, Huang Xiaofeng and Tao Feng undertook to assume joint and several liability to indemnify the Company with respect to Profit Compensation.

Excess profit award

In the event where the realised net profits of the Target Company exceed the Guaranteed Profits during all the Profit Guarantee Periods, 30%, 40% and 50% of the realised net profits of the Target Company in excess the Guaranteed Profits for the years ending 31 December 2021, 2022 and 2023 respectively shall be given to the then core management members of the Target Company by the Company as cash reward incentives. The amount of the cash reward incentives shall not in any event exceed 20% of the consideration of the Proposed Acquisition.

Validity period of the resolution

The resolution regarding the Proposed Acquisition shall be valid for 12 months from the date of the passing at the EGM and the Class Meetings.

Governing law

PRC law

3. PROPOSED ISSUANCE AND PLACING OF A SHARES

Pursuant to the Asset Acquisition Agreement, the Company also proposed to issue A Shares non-publicly to not more than 35 target subscribers. The size of placing shall be no more than 30% of the total number of issued Shares prior to the completion of the Proposed Transactions and not exceeding 100% of the consideration of the Proposed Acquisition. The Proposed Issuance and Placing of A Shares is conditional upon the implementation of the Proposed Acquisition and will be implemented on the basis of the Proposed Acquisition. Its implementation, however, whether successful or not, or whether the amount of proceeds will be raised in full, shall not affect the implementation of the Proposed Acquisition. The Proposed Acquisition is independent of the implementation of the Proposed Issuance and Placing of A Shares.

Principal terms of the Proposed Issuance and Placing of A Shares

Issuer

The Company

Type and nominal value of shares to be issued

Ordinary shares denominated in RMB (A Shares) with a nominal value of RMB1.00 per share

Method of Issue

Non-public issuance to specific targets

Target subscribers

Not more than 35 target subscribers. The identities of whom are to be confirmed.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the target subscribers and their ultimate beneficial owners are Independent Third Parties independent of the Company and its connected persons.

Subscription method

All target subscribers will subscribe in cash for the Placing Shares under the Proposed Issuance and Placing of A Shares.

Pricing basis of Placing Shares

The Proposed Issuance and Placing of A Shares will be conducted based on the prices offered by the target subscribers. The issue price shall not be less than 80% of the average trading price of the A Shares for the 20 trading days immediately preceding the first day of the issuance period (being a period of time to be determined by the Company and the sponsor jointly upon receiving the approval of the CSRC for the Proposed Issuance and Placing of A Shares) of the Proposed Issuance and Placing of A Shares.

The final issue price will be determined, after the approval of the Proposed Issuance and Placing of A Shares has been obtained from the CSRC, by negotiation between the Board and the lead underwriter, pursuant to the authorization of the Shareholders' meetings, and with reference to the provisions of the relevant laws, administrative regulations and regulatory documents, as well as the prices offered by the target subscribers.

Amount of proceeds to be raised and number of Placing Shares to be issued

The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares shall not exceed 100% of the consideration of the Proposed Acquisition while the number of Placing Shares to be issued shall be no more than 30% of the total number of issued Shares prior to the completion of the Proposed Transactions.

The final number of Placing Shares is subject to the approval by the CSRC.

The terms in respect of the Proposed Issuance and Placing of A Shares (including but not limited to the number of Placing Shares and the issue price) will be determined and finalised in accordance with the subscription agreement to be signed.

Place of listing

The Placing Shares will be listed and traded on the SSE.

Use of proceeds

The proceeds raised from the Proposed Issuance and Placing of A Shares are intended to settle the amount of consideration paid by cash, the taxes and fees of the intermediaries of the Proposed Transactions and to replenish the working capital of the Company and Target Assets, etc., in which the amount used for the replenishment of working capital will not exceed the higher of (i) 25% of the consideration of the Proposed Acquisition or (ii) 50% of the amount of proceeds raised from the Proposed Issuance and Placing of A Shares.

The total amount of the proceeds raised from the Proposed Issuance and Placing of A Shares will be no more than RMB158,966,100, not exceeding 100% of the consideration of the Proposed Acquisition. Specific details of the use of proceeds are as follows:

Unit: RMB 0'000

No.	Items	Amount
1	Part of the consideration of the Proposed Acquisition	8,743.39
2	Replenishment of working capital of the Company and taxes and fees of the intermediaries of the Proposed Acquisition	4,153.22
3	Replenishment of working capital of the Target Assets	3,000.00
Total		**15,896.61**

Lock-up period

The Placing Shares subscribed by all target subscribers shall not be transferred within 6 months upon the completion of the Proposed Issuance and Placing of A Shares but such Placing Shares may be transferrable thereafter subject to the relevant requirements of the CSRC and the SSE.

Upon completion of the Proposed Issuance and Placing of A Shares, the additional Shares received by the target subscribers for reasons such as bonus shares issue and conversion of capital reserve into share capital of the Company, etc. shall also be subject to the above lock-up period arrangement.

Accumulated undistributed profit arrangement

The accumulated undistributed profit of the Company prior to the completion of issuance of the Proposed Issuance and Placing of A Shares shall be shared by the new and pre-existing Shareholders when the Proposed Issuance and Placing of A Shares is completed in accordance with their shareholding proportions in the Company after the completion of the Proposed Issuance and Placing of A Shares.

Validity period of the resolution

The resolution regarding the Proposed Issuance and Placing of A Shares shall be valid for 12 months from the date of the passing at the EGM and the Class Meetings.

Governing law

PRC law

4. CONDITIONS PRECEDENT OF THE ASSET ACQUISITION AGREEMENT

The implementation of the Proposed Transactions is subject to the satisfaction of all the following conditions precedent:

(i) the approval of the Proposed Transactions by the Shareholders at the EGM and the Class Meetings; and

(ii) all the necessary approvals by the Chinese governmental authorities, including but not limited to the approval of the Proposed Transactions by the CSRC, and other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities in respect of the Proposed Transactions (if applicable).

5. LIABILITY FOR BREACH OF THE ASSET ACQUISITION AGREEMENT

In the event of a breach of contract prior to the completion of the Proposed Acquisition, the defaulting party shall pay the non-defaulting party a penalty of 5% of the transaction price of the Proposed Acquisition, amounting to RMB12.32 million. Should the Vendors or Huang Xiaofeng and Tao Feng be the defaulting party, the Vendors, Huang Xiaofeng and Tao Feng shall be jointly and severally liable to the Company for the liquidated damages.

6. PROFIT GUARANTEE AND COMPENSATION UNDERTAKING

On 29 December 2020, the Company also entered into the Performance Compensation Agreement with the Undertaking Parties, Huang Xiaofeng and Tao Feng. Pursuant to which, the Undertaking Parties undertook to compensate the Company on a yearly basis for each of the years during the Profit Guarantee Periods should the Realised Profit in a relevant year fall short of the following Guaranteed Profits for the corresponding year:

(a) RMB27,500,000 for the year ending 31 December 2020;

(b) RMB38,000,000 for the year ending 31 December 2021;

(c) RMB41,000,000 for the year ending 31 December 2022; and

(d) RMB43,000,000 for the year ending 31 December 2023.

Profit guarantee

In the event where the Realised Profit in a relevant year during the Profit Guarantee Periods falls short the corresponding Guaranteed Profit, the Company shall determine the amount of Profit Compensation for the year based on the formula below and put forward the resolutions relating to Profit Compensation for the consideration and approval of the Shareholders at the general meeting and class meetings in which the Company is obliged to repurchase and cancel all the Compensation Shares thereafter for the corresponding year at a total consideration of RMB1. Such arrangement protects the interests of the Shareholders and is in the interests of the Company.

$$\begin{array}{c}\text{Amount of Profit}\\ \text{Compensation for}\\ \text{the relevant year}\\ \text{during the Profit}\\ \text{Guarantee Periods}\end{array} = \frac{\begin{array}{c}\text{(The amount of the corresponding}\\ \text{Guaranteed Profit in the relevant year –}\\ \text{the Realised Profit in the}\\ \text{corresponding year)}\end{array}}{\begin{array}{c}\text{The sum of the Guaranteed Profits over}\\ \text{the Profit Guarantee Periods}\end{array}} \times \begin{array}{c}\text{The}\\ \text{transaction}\\ \text{price of}\\ \text{the}\\ \text{Proposed}\\ \text{Acquisition}\end{array}$$

In the event that the calculation result of the above formula is positive, the Undertaking Parties are required to make Profit Compensation to the Company. The amount of Profit Compensation shall be satisfied in the following manner:

(a) the Undertaking Parties shall compensate the Company by their respective Consideration Shares received under the Asset Acquisition Agreement, at the issue price, as Compensation Shares; and

(b) in the event where the value of the Compensation Shares is insufficient to settle the amount Profit Compensation for the year, the shortfall shall be satisfied by Cash Compensation by the Undertaking Parties.

The amount of Profit Compensation to be borne by each of the Undertaking Parties shall be determined based on the proportion of their respective equity interests in the Target Company to be transferred under the Proposed Acquisition. The amount of Profit Compensation made in a relevant year during the Profit Guarantee Periods cannot be reversed in subsequent years during the Profit Guarantee Periods.

Additionally, the calculation in respect of the number of Compensation Shares to be made by the Undertaking Parties in the relevant year during the Profit Guarantee Periods is as follows:

$$\text{The number of Compensation Shares to be made by the Undertaking Parties in the relevant year during the Profit Guarantee Periods} = \frac{\text{The amount of Profit Compensation payable by the Undertaking Parties in the relevant year during the Profit Guarantee Periods}}{\text{The issue price of the Consideration Shares}}$$

The number of Compensation Shares to be made by the Undertaking Parties shall not exceed their respective number of Consideration Shares acquired under the Proposed Acquisition. The Undertaking Parties together with Huang Xiaofeng and Tao Feng undertook to assume joint and several liability of the Cash Compensation of the Undertaking Parties to indemnify the Company.

Impairment compensation arrangement

Upon the expiry of each of the Profit Compensation Periods, the Company will engage an accountant to conduct an Impairment Test on the Target Assets as at the Impairment Test Benchmark Date. If the impairment loss of the Target Assets exceeds the amount of Profit Compensation paid by the Undertaking Parties to the Company for the corresponding Profit Guarantee Period, the Undertaking Parties shall indemnify the Company for such difference.

In any event, the total amount of compensation to be borne by the Undertaking Parties under the Profit Compensation and the impairment compensation arrangement shall not exceed the total value of the cash consideration and share consideration received by the Vendors under the Proposed Acquisition.

It was further undertaken by Huang Xiaofeng and Tao Feng to assume joint and several liability for the compensation to be made by the Undertaking Parties under the impairment compensation arrangement.

Specific timeline for compensation of the profit guarantee and impairment compensation arrangement to be made

In order to safeguard the interests of the Company and the Shareholders, in any event where Profit Compensation or impairment compensation is required to be made in a relevant year, the Company shall, upon issuance of a special audit report by the auditors, (i) determine the amount of compensation to be made by the Undertaking Parties for the relevant year and (ii) issue written demand notices to the Undertaking Parties, Huang Xiaofeng and Tao Feng at a Board meeting to be convened after the publication of the annual report of the Company. Upon receipt of such written demand notices, the Undertaking Parties, Huang Xiaofeng and Tao Feng are required to transfer the amount of Cash Compensation as stipulated therein to a designated bank account of the Company.

The Company shall also determine the number of Compensation Shares to be made by the Undertaking Parties for the relevant year at the aforementioned Board meeting and proceed to repurchase and cancel the concerned Compensation Shares for the corresponding year at a total consideration of RMB1 subsequent to the passing of the resolutions relating to Profit Compensation by the Shareholders at the general meeting and class meetings.

Conditions Precedent

The implementation of the Performance Compensation Agreement is subject to the satisfaction of all the following conditions precedent:

(i) the approval of the Proposed Transactions by the Shareholders at the EGM and the Class Meetings; and

(ii) all the necessary approvals by the Chinese governmental authorities, including but not limited to the approval of the Proposed Transactions by the CSRC, and other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities in respect of the Proposed Transactions (if applicable).

The Performance Compensation Agreement is dependent on the implementation of the Asset Acquisition Agreement. Should the Asset Acquisition Agreement be terminated, the Performance Compensation Agreement will be terminated immediately.

7. REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS AND THE PROFIT COMPENSATION

1. Improve the profitability of the Company and safeguard the interests of minority investors

The Proposed Transactions will inject assets with promising prospects and high profitability into the Company, which will be beneficial for enhancing the Company's profitability and safeguarding the interests of the Shareholders. The ability to continue as a going concern of the Company can also be strengthened through the coordinated development between the business of smart production line overall solutions and the pressure container business of the Company.

The amount of Guaranteed Profits in which the Target Company should achieve for each of the 4 years ending 31 December 2020, 2021, 2022 and 2023 are set out clearly in the Performance Compensation Agreement. Should the performance of the Target Company fail to achieve the Guaranteed Profits, Profit Compensation is required to be made by the Undertaking Parties. Such arrangement guarantees the profitability of the Proposed Acquisition and effectively protects the interests of the Company and the Shareholders.

2. Achieve complementary advantages and establish the smart manufacture business platform

The Proposed Transactions will bring together high quality enterprise in the smart manufacture industry to the Company, achieving complementary advantages between the Target Company and the Company. The industrial chain will be refined and the overall competitiveness of the Company will be enhanced. The scope of business and market of the Company will also be further expanded.

The Proposed Transactions will also allow the Company to benefit from the accumulated technologies and resources in smart manufacture industry of the Target Company and establish a "high-tech and high quality" industrial platform.

3. Utilize the capital operation of the Company and establish an active capital operation platform

Through financing, merger and restructuring of the Proposed Transactions, the Company will establish an active capital operation platform. The Proposed Transactions can effectively promote the structure optimization of the Company and allow the Company to better comply with the relevant requirements in the PRC in respect of enterprise merger and restructuring through leveraging on the advantages of the capital operation platform.

As such, the Directors are of the view that the terms of the Proposed Transactions and the Profit Compensation are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. FINANCIAL EFFECTS OF THE TRANSACTION DOCUMENTS

Material financial impact of the Proposed Acquisition on the Enlarged Group

The table below sets out the material financial impact of the Proposed Acquisition on the Enlarged Group identified in the unaudited pro forma financial information of the Enlarged Group ("**Pro Forma Financial Information**") in Appendix II to this circular as compared with the financial position of the Group as at 30 September 2020 assuming that the Proposed Acquisition was completed on 30 September 2020:

	As at 30 September 2020	**Pro forma adjustment**	**Upon the completion of the Proposed Acquisition (pro forma Enlarged Group)**	**Change**
	RMB,000	*RMB,000*	*RMB,000*	*%*
Net assets	831,900	180,472	1,012,372	21.7
Total assets	1,703,295	417,637	2,120,932	24.5
Total liabilities	871,395	237,166	1,108,561	27.2

Assets and liabilities

In accordance with the Pro Forma Financial Information, after the Proposed Acquisition (assuming the Proposed Acquisition has taken place on 30 September 2020), the unaudited pro forma consolidated total assets of the Enlarged Group would be increased by approximately RMB400 million to approximately RMB2,100 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group would be increased by approximately RMB200 million to approximately RMB1,100 million. In the opinion of the Board, after considering the financial resources available to the Enlarged Group upon completion of the Proposed Acquisition, the Enlarged Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

The net assets, total assets and total liabilities of the Enlarged Group referred to in this sub-section are extracted from the Pro Forma Financial Information, which is based on, among others, the total transaction price of approximately RMB246,400,000 and assuming the Proposed Acquisition has been completed on 30 September 2020. The total transaction price consists of share-based payment of RMB158,966,100 and cash payment of RMB87,433,900.

Earnings

Assuming the Proposed Acquisition has been completed, the members of the Target Group will become subsidiaries of the Company. According to the comprehensive income statement of the Target Group as set out in Appendix III to the circular, earnings of the Enlarged Group is expected to decrease as a result of the

Proposed Acquisition. However, having considered the factors as set out in the section headed "Reasons for and Benefits of the Proposed Transactions and the Profit Compensation" in the Letter from the Board and the expected increase in revenue of the Target Group in the coming years, the Board expects that the Proposed Acquisition may have a positive impact on the earnings of the Group in the near future.

Financial effects of the Proposed Issuance and Placing of A Shares

The Company intends to purchase 80% of equity interests in the Target Company by a combination of share issuance and cash payment, and intends to issue A Shares for placing to 35 specific investors, with the size of the placing not exceeding 100% of the consideration of the Proposed Acquisition. The net proceeds from the Proposed Issuance and Placing of A Shares, after deduction of commission fees, are intended to be used to settle cash consideration for the Proposed Acquisition and to replenish the working capital of the Company and the Target Assets.

The Proposed Issuance and Placing of A Shares, whether successful or not, will not affect the implementation of the Proposed Acquisition. If the Proposed Issuance and Placing of A Shares is successful, the Proposed Transactions shall have no adverse impact on the future capital expenditure and financing of the Company. If the Proposed Issuance and Placing of A Shares is unsuccessful, the Company is required to pay the commission fees of the Proposed Transactions, the cash consideration and to replenish the working capital of the Company and the Target Assets through its own financing, which will have certain impact on the Company's investment and financing arrangements.

9. IMPACT OF THE PROPOSED TRANSACTIONS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As the issue price under the Proposed Issuance and Placing of A Shares is yet to be determined, impact of the Proposed Issuance and Placing of A Shares on the shareholding structure of the Company is yet to be assessed.

The control over the Company before and after the Proposed Acquisition will remain unchanged in which Jingcheng Machinery Electric will remain to be the controlling Shareholder of the Company upon completion of the Proposed Acquisition. The shareholding structure of the Company before and after the Proposed Acquisition is as follows:

Unit: 0,000 Shares

	Before the Proposed Acquisition		**After the Proposed Acquisition**	
Name of Shareholders	**Number of Shares held**	**Percentage of shareholding**	**Number of Shares held**	**Percentage of shareholding**
Jingcheng Machinery Electric	24,573.51	50.67%	24,573.51	46.24%
HKSCC NOMINEES LIMITED	9,931.51	20.48%	9,931.51	18.69%
Li Qidong (李奇冬)	250.66	0.52%	250.66	0.47%
Huang Zhiping (黃芝萍)	179.43	0.37%	179.43	0.34%
Xu Zihua (徐子華)	170.84	0.35%	170.84	0.32%
Xu Jiali (徐加力)	168.98	0.35%	168.98	0.32%
Xu Rui (徐瑞)	168.12	0.35%	168.12	0.32%
He Yong (何勇)	154.63	0.32%	154.63	0.29%
Jin Xuanfeng (金炫鋒)	136.00	0.28%	136.00	0.26%
Hong Kong Securities Clearing Company Limited	130.90	0.27%	130.90	0.25%
Other holders of A Shares	12,635.42	26.05%	12,635.42	23.77%
Total of the pre-existing Shareholders of the Company	**48,500.00**	**100.00%**	**48,500.00**	**91.25%**

Name of Shareholders	Before the Proposed Acquisition Number of Shares held	 Percentage of shareholding	After the Proposed Acquisition Number of Shares held	 Percentage of shareholding
Li Hong (李紅)	–	–	1,909.96	3.59%
Zhao Qing (趙慶)	–	–	654.08	1.23%
Yang Ping (楊平)	–	–	540.59	1.02%
Qingdao Eternal	–	–	468.70	0.88%
Wang Xiaohui (王曉暉)	–	–	403.94	0.76%
Xia Tao (夏濤)	–	–	201.51	0.38%
Wang Huadong (王華東)	–	–	201.51	0.38%
Qian Yuyan (錢雨嫣)	–	–	80.60	0.15%
Xiao Zhonghai (肖中海)	–	–	58.94	0.11%
Xiu Jun (修軍)	–	–	52.63	0.10%
Fu Dun (傅敦)	–	–	37.89	0.07%
Chen Zhengyan (陳政言)	–	–	37.78	0.07%
Total of the Vendors	**–**	**–**	**4,648.13**	**8.75%**
Total			**53,148.13**	**100.00%**

10. SPECIFIC MANDATE

The Company will issue the Consideration Shares and the Placing Shares under the Specific Mandate which is intended to be granted to the Board at the EGM and Class Meetings.

11. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save and except for the fund raising activity as set out below, the Company did not conduct any fund raising activities during the past 12 months immediately preceding the Latest Practicable Date.

Fund raising activity	On 9 July 2020, the Company issued a total of 63,000,000 A Shares at an issue price of RMB3.41/A Share to Jingcheng Machinery Electric under the Non-public Issuance of A Shares
Date of the relevant publications	Announcements of the Company dated 6 May 2019, 15 July 2019, 25 July 2019, 9 September 2019, 26 September 2019, 8 November 2019, 16 December 2019, 18 December 2019, 2 March 2020, 30 June 2020 and 10 July 2020, and the circulars of the Company dated 27 June 2019 and 18 November 2019
Net proceeds (approximate)	RMB207,725,197.96

Intended use of proceeds	(1) The construction project of the Type IV cylinder automation digital control production line; (2) the research and development project of hydrogen energy product; and (3) the repayment of debts owed to Jingcheng Machinery Electric and financial institutions.
Actual use of proceeds	As at the Latest Practicable Date, the proceeds have been applied in the above projects in consistent with their intended uses.

12. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios for the Proposed Acquisition exceed 25% but less than 100%, the Proposed Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the identities of the target subscribers under the Proposed Issuance and Placing of A Shares have not been confirmed. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the target subscribers and their ultimate beneficial owners are Independent Third Parties. The Proposed Issuance and Placing of A Shares therefore does not constitute a connected transaction under Chapter 14A of the Listing Rules.

The Board anticipates that the Company will continue to maintain sufficient public float to meet the requirements under the Listing Rules upon completion of the Proposed Transactions.

13. INFORMATION OF THE PARTIES

Information of the Company

The authorised scope of operation of the Company includes general logistics and professional contractor.

The Company's general operation projects include developing, designing, selling, installing, adjusting and maintaining cryogenic containers, 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 import and export agency.

Through the Proposed Acquisition, the Company will acquire the control over the Target Company and expand its business scope to smart production line overall solution business.

Information of the Vendors and Tao Feng

Qingdao Eternal is a company incorporated in the PRC with limited liability which is ultimately controlled by Tao Feng, a natural person in the PRC. It is principally engaged in economic information consulting (excluding finance, securities and futures), business management consulting, real estate information consulting, conference services and exhibition and display services.

Save for Qingdao Eternal, the other 17 Vendors (namely Li Hong, Zhao Qing, Yang Ping, Wang Xiaohui, Xiao Zhonghai, Xia Tao, Wang Huadong, Qian Yuyan, Xiu Jun, Fu Dun, Chen Zhengyan, Zhang Li, Xu Binglei, Yang Lunsheng, Xin Lan, Ying Rucai and Li Wei) are all natural persons in the PRC.

Information of the Target Group and Huang Xiaofeng

The Target Company is a company incorporated in the PRC limited by shares which is ultimately controlled by Li Hong and her spouse, Huang Xiaofeng, both being natural persons in the PRC. It is principally engaged in constructing the smart and informatized production lines, updating and reforming the industrial integrated solutions.

The Target Group is principally engaged in (i) constructing the smart and informatized production lines, updating and reforming the industrial integrated solutions; and (ii) the research and development, manufacturing and sales, processing, marketing and maintenance of robot and automated equipment, and the business of import and export of related goods and technologies licensed by the PRC.

Set out below is the audited consolidated financial information of the Target Group for the two years ended 31 December 2019 and the nine months ended 30 September 2020 prepared in accordance with generally accepted accounting principles in the PRC:

Unit: RMB 0'000

	For the nine months ended 30 September 2020	**For the year ended 31 December 2019**	**For the year ended 31 December 2018**
Net profit before taxation	113.00	1,551.92	1,064.58
Net profit after taxation	121.76	1,347.67	934.15

According to the audited consolidated financial information of the Target Group, the Target Group recorded an audited consolidated net assets of approximately RMB59,078,499.67 as at 30 September 2020.

Information of the Undertaking Parties

The Undertaking Parties are Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan, all being the existing shareholders of the Target Company.

14. PROPOSAL IN RELATION TO "THE FULFILMENT OF THE CONDITIONS BY THE COMPANY IN RESPECT OF THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS"

According to the "Company Law of the People's Republic of China" (《中華人民共和國公司法》), the "Securities Law of the People's Republic of China" (《中華人民共和國證券法》), the "Administrative Measures for the Material Asset Reorganisations of Listed Companies" (《上市公司重大資產重組管理辦法》), "Provisions on Issues Concerning Regulating the Material Asset Reorganisations of Listed Companies" (《關於規範上市公司重大資產重組若干問題的規定》), the "Administrative Measures for the Issuance of Securities by Listed Companies" (《上市公司證券發行管理辦法》), "Detailed Implementation Rules for the Non-Public Offering of Stocks of Listed Companies" (《上市公司非公開發行股票實施細則》), "Offering Regulation Q&A— Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies" (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求》) as well as the relevant provisions of other laws, regulations and regulatory documents, the Board considers that the Company has met all the material conditions to acquire assets by way of issuing shares to target subscribers and cash payment and raise supporting funds.

The proposal in relation to "the fulfilment of the conditions by the Company in respect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

15. PROPOSAL IN RELATION TO THE "PROPOSAL OF THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY"

Each of the following items in relation to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds will be considered and approved, and be implemented conditional upon approvals and/or authorisations having been obtained from the relevant authorities:

15.01 Counterparties of the transaction of the asset acquisition by way of share issuance and cash payment.

15.02 Target assets of the asset acquisition by way of share issuance and cash payment.

15.03 Transaction price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

15.04 Payment methods of the asset acquisition by way of share issuance and cash payment.

15.05 Type and nominal value of the shares to be issued of the asset acquisition by way of share issuance and cash payment.

15.06 Method and target of issuance and method of subscription of the asset acquisition by way of share issuance and cash payment.

15.07 Issue price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

15.08 Number of shares to be issued of the asset acquisition by way of share issuance and cash payment.

15.09 Place of listing of the asset acquisition by way of share issuance and cash payment.

15.10 Lock-up period arrangement of the asset acquisition by way of share issuance and cash payment.

15.11 Attribution of profit or loss during the transitional period of the asset acquisition by way of share issuance and cash payment.

15.12 Performance compensation and excess profit reward of the asset acquisition by way of share issuance and cash payment.

15.13 Accumulated undistributed profit arrangement of the asset acquisition by way of share issuance and cash payment.

15.14 Contractual obligations in relation to the transfer of ownership of the relevant assets of the asset acquisition by way of share issuance and cash payment and liability for breach of the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment".

15.15 Validity period of the resolution of the asset acquisition by way of share issuance and cash payment.

15.16 Type and nominal value of the shares to be issued of the raising of supporting funds.

15.17 Target and method of issuance of the raising of supporting funds.

15.18 Pricing benchmark date and basis for pricing of the raising of supporting funds.

15.19 Number of shares to be issued of the raising of supporting funds.

15.20 Place of listing of the raising of supporting funds.

15.21 Lock-up period arrangement of the raising of supporting funds.

15.22 Use of proceeds raised of the raising of supporting funds.

15.23 Accumulated undistributed profit arrangement of the raising of supporting funds.

15.24 Validity period of the resolution of the raising of supporting funds.

The proposal in relation to the "Proposal of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM and the Class Meetings.

16. PROPOSAL IN RELATION TO THE "'REPORT (DRAFT) (REVISED EDITION) ON THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED' AND ITS SUMMARY"

The summary of the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" is set out in Appendix IV to this circular. In the event of any discrepancy between the English translation and the Chinese version of such document, the Chinese version shall prevail. For further information in relation to the Proposed Transactions, please also refer to the disclosures regarding the Proposed Transactions made on the website of the SSE and on the website of the Stock Exchange by way of overseas regulatory announcements on 29 December 2020 and 19 January 2021.

The proposal in relation to the "'Report (Draft) (Revised Edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising Of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited' and its summary" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM and the Class Meetings.

17. PROPOSAL IN RELATION TO "THE CONDITIONAL 'ASSET ACQUISITION AGREEMENT BY WAY OF SHARE ISSUANCE AND CASH PAYMENT' AND 'PERFORMANCE COMPENSATION AGREEMENT' EXECUTED BY THE COMPANY"

The proposal in relation to the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" entered into among the Company, the Vendors, Huang Xiaofeng and Tao Feng on 29 December 2020 and the "Performance Compensation Agreement" entered into among the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng on 29 December 2020 and the transactions contemplated thereunder will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM and the Class Meetings.

18. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY IS NOT EXPECTED TO CONSTITUTE A MAJOR ASSET RESTRUCTURING AND LISTING BY WAY OF RESTRUCTURING"

According to the financial information for the year of 2019 of the Company, the audited financial information for the year of 2019 and for the six months ended 30 June 2020 for the Target Assets and the information of transaction consideration, both the total assets and net assets of the assets to be acquired in the Proposed Transactions accounted for not more than 50% of the amount of the year-end total assets and net assets of the Company as reported in the audited consolidated financial statements for the latest financial year. Meanwhile, the operating revenue of the Target Assets for the latest accounting year also accounted for not more than 50% of the operating revenue of the Company as reported in the audited consolidated financial statements for the corresponding period. According to Article 12 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies", the Proposed Transactions will not constitute a material asset restructuring.

Upon completion of the Proposed Transactions, Jingcheng Machinery Electric is still the controlling Shareholder and actual controller of the Company. Meanwhile, there is no change of control of the Company in the past 36 months. The Proposed Transactions will not result in a change of control of the Company and will not constitute a listing by way of restructuring as stipulated in Article 13 of the "Administrative Measures for the Material Asset Reorganisation of Listed Companies".

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company is not expected to constitute a major asset restructuring and listing by way of restructuring" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

19. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY ARE IN COMPLIANCE WITH THE REQUIREMENTS OF ARTICLE 4 OF THE 'PROVISIONS ON ISSUES CONCERNING REGULATING THE MATERIAL ASSET REORGANISATIONS OF LISTED COMPANIES'"

After due and careful discussion and analysis of the proposal on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company, the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds are in compliance with Article 4 of the "Provisions on Issues Concerning Regulating the Material Asset Reorganisations of Listed Companies":

1. The acquisition of 80% of the equity interests of BYTQ by the Company does not involve matters relating to reporting and approval for project commencement, environmental protection, industry access, land use, planning and construction, etc. The procedures yet to be performed in respect of the Proposed Transactions have been disclosed in detail in the proposal on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company, and a special reminder has been made for the risks that the approval may not be obtained.

2. The target assets of the Proposed Transactions concern 80% of the equity interests in BYTQ. The shareholders of BYTQ who intend to transfer shares legally have the ownership of BYTQ and there is no false capital contribution or circumstances which may affect its legal existence. There are no restriction, including pledges, or prohibitions imposed on the transfer of shares in BYTQ held by the 17 natural persons (including Li Hong) and Qingdao Eternal. The ownership of the Target Assets in the Proposed Transactions is clear. Upon satisfaction of the relevant legal procedures and conditions precedent, there are no legal restrictions in relation to the transfer of the Target Assets.

3. Upon completion of the Proposed Transactions, the Company will hold 80% of the equity interests in BYTQ. The Proposed Transactions are conducive to improving the integrity of the assets of the Company and maintaining its independence in terms of personnel, procurement, production, sales and intellectual property rights.

4. The Proposed Transactions of the Company are in compliance with the requirements of relevant laws and regulations. The Proposed Transactions will be beneficial to further enhance the returns and profits attributable to the ordinary Shareholders of the Company, strengthen the profitability and sustainable development of the Company. It can facilitate the long-term development of the Company and enhance its ability of risk resistance. It is also beneficial to the continuous enhancement of independence of the Company, reduction of connected transactions and avoidance of industry competitions, which is in the interests of the Company and the Shareholders as a whole.

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company are in compliance with the requirements of Article 4 of the 'Provisions on Issues Concerning Regulating the Material Asset Reorganisations of Listed Companies'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

20. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY ARE IN COMPLIANCE WITH THE REQUIREMENTS OF ARTICLES 11 AND 43 OF THE 'ADMINISTRATIVE MEASURES FOR THE MATERIAL ASSET REORGANISATIONS OF LISTED COMPANIES'"

(I) The Proposed Transactions are in compliance with the requirements of Article 11 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies":

1. The Proposed Transactions are in compliance with the national industrial policy and the provisions of the relevant laws and administrative regulations on environmental protection, land management and anti-monopoly;

2. The completion of the Proposed Transactions will not result in the Company not complying with the conditions for the listing of its Shares;

3. The assets involved in the Proposed Transactions are assessed at fair value and there is no damage to the legitimate rights and interests of the Company and its Shareholders;

4. The ownership of the assets involved in the Proposed Transactions is clear and there are no legal restrictions that impede the transfer of the ownership of the assets, and the treatment for relevant creditors' rights and debts is lawful;

5. The Proposed Transactions will be beneficial for strengthening the ability of the Company to continue as a going concern. There are no circumstances that may cause the Company's major assets to become cash or the Company to have no specific business operations after the restructuring;

6. The Proposed Transactions are conducive to the preservation of the independence of the Company with its actual controller and its associates in terms of business, assets, finance, personnel and institution and are in compliance with the relevant independence requirement of listed companies of the CSRC; and

7. The Proposed Transactions are conducive to the establishment or maintenance of a sound and effective governance structure of the Company.

(II) The Proposed Transactions are in compliance with the requirements of Article 43 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies":

1. The Proposed Transactions are conducive for enhancing the quality of the assets of the Company, improving its financial condition and enhancing its sustainable profitability. It is also beneficial for the Company in reducing connected transactions, avoiding industry competitions and enhancing independence;

2. The financial accounting report of the Company for the latest year and period was issued with an unqualified opinion audit report by a certified public accountant;

3. The Company and its current directors and senior management are not under investigation by judiciary authorities for suspected crimes or under investigation by CSRC for suspected violations of laws;

4. The assets to be acquired by the Company concern 80% of the equity interests of BYTQ. BYTQ is a company limited by shares legally established and validly subsisting, and there are no circumstances requiring its termination as stipulated by laws, administrative regulations or articles of association. The counterparties legally own the absolute rights over the shares of the Target Company held by them. There are no rights restriction such as pledges over the shares of BYTQ, nor are there any other circumstances such as freezing and seizures by judiciary authorities that may impede or prohibit the transfer of the shares of BYTQ from the counterparties to the Company. Upon satisfaction of the relevant legal procedures and conditions precedent, there are no legal restrictions for the transfer of the shares of BYTQ; and

5. There are no other circumstances that the Proposed Transactions will violate the other requirements stipulated by the CSRC.

After due and careful consideration, the Board considers that the Proposed Transactions are in compliance with the requirements of Articles of 11 and 43 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies".

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company are in compliance with the requirements of Articles 11 and 43 of the 'Administrative Measures for the Material Asset Reorganisations of Listed Companies'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

21. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY ARE IN COMPLIANCE WITH THE REQUIREMENTS OF ARTICLE 44 OF THE 'ADMINISTRATIVE MEASURES FOR THE MATERIAL ASSET REORGANISATIONS OF LISTED COMPANIES'"

According to Article 44 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies" and its applicable opinions: "If a listed company acquires assets by way of share issuance, it can raise certain supporting funds at the same time, and the pricing method should be in accordance with the relevant existing requirements."; "In the event that a listed company acquires assets by way of share issuance and raises certain supporting funds at the same time, the amount of supporting funds raised should not exceed 100% of the transaction price of the assets to be purchased and will be reviewed by the Reorganization Examination Committee; if 100% is exceeded, it will be reviewed by the Issuance Examination and Verification Committee."; "Considering the nature of fundraising, the raised funds can be used to pay cash consideration of the transaction, consolidated expenses such as taxes and intermediaries fees for the acquisition and to invest in the existing projects of the target assets, and can be used to replenish the working capital and repay debts of the listed company and target assets. The amount used for the replenishment of working capital or repayment of debts shall not exceed 25% of the consideration of the transaction or 50% of the amount of the raised supporting funds."

After due and careful consideration, the Board considers that the Proposed Transactions are in compliance with the relevant requirements of Article 44 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies" and its applicable opinions.

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company are in compliance with the requirements of Article 44 of the 'Administrative Measures for the Material Asset Reorganisations of Listed Companies'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

22. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS ARE IN COMPLIANCE WITH THE REQUIREMENTS OF ARTICLE 39 OF THE 'ADMINISTRATIVE MEASURES FOR THE ISSUANCE OF SECURITIES BY LISTED COMPANIES'"

After due and careful consideration, the Company is not involved in the following situations, and is in compliance with the requirements of Article 39 of the "Administrative Measures for the Issuance of Securities by Listed Companies":

1. The listing application documents contain false statements, misrepresentation or material omission;

2. The interests of the listed company are seriously jeopardized by the controlling shareholder or ultimate controlling party and such damages have not yet been removed;

3. The unlawful external guarantee provided by the listed company and their subsidiaries are not yet eliminated;

4. The current directors, senior management have received administrative punishment by the CSRC within the last 36 months or have been reprimanded publicly by the stock exchange within the last 12 months;

5. The listed company or its current directors, senior management are now being investigated by the judiciary authorities for suspected crimes or by the CSRC for suspected violation of laws and regulations;

6. The certified accountants had issued a qualified or adverse opinion or were unable to express an opinion on the audited report in the latest financial year and period; except where the material impact of the matter leading to the qualified opinion, adverse opinion or inability to express an opinion has been eliminated or where it is due to the issuance involving a material restructuring;

7. Other situations where the legitimate interests of investors and public interests are severely damaged.

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds are in compliance with the requirements of Article 39 of the 'Administrative Measures for the Issuance of Securities by Listed Companies'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

23. PROPOSAL IN RELATION TO "THE STATEMENT THAT THE COMPANY'S SHARE PRICE MOVEMENT HAS NOT REACHED THE RELEVANT BENCHMARK SET OUT IN ARTICLE 5 OF THE 'NOTICE ON REGULATING THE INFORMATION DISCLOSURE OF LISTED COMPANIES AND THE ACTS OF ALL THE RELATED PARTIES'"

According to the requirements of Article 5 of the "Notice on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties" (Zheng Jian Gong Si Zi [2007] No. 128) (《關於規範上市公司信息披露及相關各方行為的通知》(證監公司字[2007]128號)), excluding the effects of market factors and the effect of peer industry segments, the accumulated fluctuation in the share price of the Company for the 20 trading days prior to the announcement of material price-sensitive information did not exceed 20%, and there is no unusual fluctuation in share price.

The proposal in relation to "the statement that the Company's share price movement has not reached the relevant benchmark set out in Article 5 of the 'Notice on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

24. PROPOSAL IN RELATION TO "THE RELEVANT ENTITIES INVOLVED IN THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY ARE NOT PROHIBITED FROM PARTICIPATING IN ANY MATERIAL ASSETS RESTRUCTURING OF ANY LISTED COMPANIES IN ACCORDANCE WITH ARTICLE 13 OF THE 'INTERIM PROVISIONS ON STRENGTHENING SUPERVISION OVER ABNORMAL STOCK TRADING RELATED TO THE MATERIAL ASSET REORGANISATIONS OF LISTED COMPANIES'"

According to the statements issued by the relevant entities and verified by the Company, there are no circumstances where the relevant entities in relation to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds has been filed or is under investigation as a result of suspected insider trading related to the Proposed Transactions, and there are no circumstances where administrative penalties have been imposed by the CSRC or where the judiciary authorities pursue the criminal liability in accordance with the laws as a result of any insider trading related to the material asset restructuring in the last 36 months.

The relevant entities involved in the Proposed Transactions are not prohibited from participating in any material assets restructuring of any listed companies in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to Material Asset Reorganisations of Listed Companies" (《關於加強與上市公司重大資產重組相關股票異常交易監管的暫行規定》).

The proposal in relation to "the relevant entities involved in the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company are not prohibited from participating in any material assets restructuring of any listed companies in accordance with Article 13 of the 'Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies'" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

25. PROPOSAL IN RELATION TO "THE DESCRIPTION ON THE COMPLETENESS AND COMPLIANCE OF LEGAL PROCEDURES AND THE VALIDITY OF THE LEGAL DOCUMENTS SUBMITTED IN RELATION TO THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY"

The Board considers that the Company has fulfilled the necessary statutory procedures at this stage on matters related to the Proposed Transactions in accordance with the provisions of laws and regulations such as the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Administrative Measures for the Material Asset Reorganisations of Listed Companies", the "Administrative Measures for the Disclosure of Information of Listed Companies" (《上市公司信息披露管理辦法》) and the "Notice on Regulating the Information Disclosure by Listed Companies and Acts of All the Related Parties" as well as regulatory documents, and the Articles of Association. The statutory procedures performed were complete, legal and valid.

The Board considers that the legal documents submitted to the SSE are legal and valid. The Board and all Directors hereby represent and warrant that: the Board and all Directors will take joint and several liabilities for the truthfulness, accuracy, and completeness of the legal documents submitted for the Proposed Transactions, which are free from any false information, misleading statements or material omissions.

The proposal in relation to "the description on the completeness and compliance of legal procedures and the validity of the legal documents submitted in relation to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

26. PROPOSAL IN RELATION TO "THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY DO NOT CONSTITUTE A RELATED PARTY TRANSACTION"

The Company will acquire the assets by way of share issuance and cash payment from 17 natural persons (including Li Hong) and Qingdao Eternal in the Proposed Transactions, and raise supporting funds by way of non-public share issuance to not more than 35 target subscribers. Pursuant to the relevant requirements under the "Administrative Measures for the Material Asset Reorganisations of Listed Companies" and the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange" (《上海證券交易所股票上市規則》), there is no related party relationship between the 17 natural persons (including Li Hong) and Qingdao Eternal and the Company as defined under the relevant provisions. The Proposed Transactions do not constitute a related party transaction.

The proposal in relation to "the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company do not constitute a related party transaction" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

27. PROPOSAL IN RELATION TO "THE EFFECT OF THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS ON THE IMMEDIATE RETURNS AND THE REMEDIAL MEASURES ON RECOVERING OF IMMEDIATE RETURNS OF THE COMPANY"

In accordance with relevant regulations including "Opinion from State Council General Office on Further Strengthening the Work of Protecting the Legal Interests of Minority Shareholders in the Capital Market" (Guo Ban Fa [2013] No. 110)(國辦發〔2013〕110號《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), "Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market" (Guo Fa [2014] No. 17)(國發(2014) 17號《國務院關於進一步促進資本市場健康發展的若干意見》) and "Guiding Opinion on Matters Concerning the Dilution of Returns in Initial Public Offering, Refinancing and Major Asset Reorganisation" (CSRC Announcement [2015] No. 31)(中國證監會(2015) 31號《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Board agreed with the analysis of the Company on the impact of the Proposed Transactions on the immediate returns, the remedial measures on recovering of immediate returns and the undertakings of the relevant undertaking entities.

The full texts of the English translation of the "Remedial Measures taken in relation to the Dilution of Immediate Returns", "Letter of Undertaking from Directors and Senior Management of Beijing Jingcheng Machinery Electric Company Limited on the Remedial Measures on Recovering Dilution of Immediate Returns" and "Letter of Undertaking from the Controlling Shareholder of Beijing Jingcheng Machinery Electric Company Limited on the Remedial Measures on Recovering Dilution of Immediate Returns" are set out in Appendix VIII, Appendix IX and Appendix X to this circular respectively. In the event of any discrepancy between the English translation and the Chinese version of these documents, the Chinese version shall prevail.

The proposal in relation to "the effect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds on the immediate returns and the remedial measures on recovering of immediate returns of the Company" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

28. PROPOSAL IN RELATION TO "THE SPECIFIC MANDATE GRANTED TO THE BOARD AT THE EGM AND CLASS MEETINGS TO DEAL WITH MATTERS PERTAINING TO THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS OF THE COMPANY"

To ensure the smooth progress of matters pertaining to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company, pursuant to the relevant requirements of the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China" and other laws and regulations and the Articles of Association, the Board seeks the Specific Mandate at the EGM and the Class Meetings to deal with all the matters at full discretion in relation to the Proposed Transactions.

The proposal in relation to "the Specific Mandate granted to the Board at the EGM and Class Meetings to deal with matters pertaining to the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of the Company" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM and the Class Meetings.

29. PROPOSAL IN RELATION TO "OPINIONS IN RELATION TO THE INDEPENDENCE OF THE VALUATION INSTITUTION, REASONABLENESS OF THE ASSUMPTIONS USED IN THE VALUATION, RELEVANCE OF THE VALUATION METHODS AND VALUATION PURPOSES AND FAIRNESS OF THE APPRAISED VALUE"

The Board has carried out prudent analysis to the independence of the valuation institution, reasonableness of the assumptions used in the valuation, relevance of the valuation methods and valuation purposes and fairness of the appraised value and considers that the transaction price of the Targets Assets to be acquired by the Company in the Proposed Transactions is negotiated and determined based on the valuation. The valuation institution is independent, the assumptions used in the valuation are reasonable, the valuation methods are consistent with the valuation purposes, and the appraised value is fair. The interests of the Company and its Shareholders, especially the minority Shareholders will not be prejudiced.

The proposal in relation to "opinions in relation to the independence of the valuation institution, reasonableness of the assumptions used in the valuation, relevance of the valuation methods and valuation purposes and fairness of the appraised value" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

30. PROPOSAL IN RELATION TO "THE APPROVAL OF THE AUDIT REPORT, VALUATION REPORT AND PRO FORMA REVIEW REPORT ON THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS"

The Board agreed and approved the "Accountant's Report on the Target Group" and the "Unaudited Pro Forma Financial Statements on the Enlarged Group" issued by ShineWing Certified Public Accountants LLP and the "Asset Valuation Report" issued by China Alliance Appraisal.

The full texts of the English translation of the "Unaudited Pro Forma Financial Statements on the Enlarged Group", "Accountant's Report on the Target Group" and the summary of the "Asset Valuation Report" are set out in Appendix II, Appendix III and Appendix V to this circular respectively. In the event of any discrepancy between the English translation and the Chinese version of these documents, the Chinese version shall prevail.

The proposal in relation to "the approval of the audit report, valuation report and pro forma review report on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds" will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM.

31. PROPOSAL IN RELATION TO "THE AMENDMENTS TO THE 'ARTICLES OF ASSOCIATION'"

Pursuant to the relevant laws, regulations and regulatory documents including the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China" and the "Guidelines for the Articles of Association of Listed Companies", the Board proposed to amend the provisions of Articles of Association relevant to capital increase, shareholders' rights, guarantee, convening of general meetings, change of venue of general meetings, notice of the meeting of the board of directors, authority and power of the supervisory committee, qualification of the directors, publication time of financial reports, etc. The resolution in relation to the amendments to the Articles of Association was considered and approved at the eighth extraordinary meeting of the tenth session of the Board, and shall be submitted to the EGM for Shareholders' approval.

The proposed amendments to the Articles of Association are set out in Appendix XII to this circular. The proposed amendments to the Articles of Association are subject to approval of the Shareholders by way of a special resolution at the EGM and approval by relevant PRC authority.

32. PROPOSAL IN RELATION TO "THE AMENDMENTS TO THE 'RULES OF PROCEDURE OF THE GENERAL MEETING OF SHAREHOLDERS', THE 'RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS', THE 'RULES OF PROCEDURE FOR THE SUPERVISORY COMMITTEE' AND THE 'FUNDRAISING MANAGEMENT MEASURES'"

In accordance with the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Code of Corporate Governance for Listed Companies" (《上市公司治理準則》), the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange" issued by the SSE, the Listing Rules and other relevant laws and regulations, and the Articles of Association, combined with the actual situation of the Company, in order to further improve the corporate governance system and promote the standardized operation of the Company, the Board proposed to amend the "Rules of Procedure of the General Meeting of Shareholders", the "Rules of Procedure for the Board of Directors", the "Rules of Procedure for the Supervisory Committee" and the "Fundraising Management Measures". The resolution in relation to the abovementioned amendments was considered and approved at the second meeting of the tenth session of the Board, and shall be submitted to the EGM for Shareholders' approval.

The proposed amendments are set out in Appendices XIII to XVI to this circular respectively. The proposed amendments to the "Rules of Procedure of the General Meeting of Shareholders", the "Rules of Procedure for the Board of Directors" and the "Rules of Procedure for the Supervisory Committee" are subject to approval of the Shareholders by way of special resolutions at the EGM. The proposed amendments to the "Fundraising Management Measures" are subject to approval by the Shareholders by way of ordinary resolution at the EGM.

33. THE EGM AND CLASS MEETING

The EGM will be convened on 9 February 2021 at 9:30 a.m. at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC to consider and, if thought fit, approve resolutions relating to, among other things, (i) the Proposed Acquisition, (ii) the Proposed Issuance and Placing of A Shares, (iii) the Specific Mandate. (iv) the Performance Compensation Agreement, (v) the proposed amendments to the Articles of Association, and (vi) the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures.

The H Shares Class Meeting will be convened on 9 February 2021 at 11:00 a.m. at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC to consider and, if thought fit, approve resolutions relating to, among other things, (i) the Proposed Acquisition, (ii) the Proposed Issuance and Placing of A Shares, (iii) the Specific Mandate and (iv) the Performance Compensation Agreement.

To the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the resolutions to be proposed at the above meetings and therefore, no Shareholder is required to abstain from voting in such meetings.

The voting in relation to the Proposed Acquisition, the Proposed Issuance and Placing of A Shares, the Specific Mandate, the Performance Compensation Agreement, the proposed amendments to the Articles of Association, and the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures will be conducted by way of poll.

Whether or not you intend to attend the above meetings, you are requested to complete the respective forms of proxy for use at the above meetings in accordance with the instructions printed thereon and return the same to the business address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC, or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the above meetings or any adjournment thereof if you so wish.

34. RECOMMENDATION

The Directors consider that the Proposed Transactions, the Specific Mandate and the Performance Compensation Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve the Proposed Transactions, the Specific Mandate and the Performance Compensation Agreement.

The Directors further consider that the proposed amendments to the Articles of Association and the proposed amendments to the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee and the Fundraising Management Measures are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the abovementioned amendments.

35. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED
Luan Jie
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 is disclosed in the annual reports of the Company for the financial years ended 31 December 2017, 2018 and 2019 respectively which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jingchenggf.com.cn):

- the annual report 2017 of the Company for the financial year ended 31 December 2017 published on 24 April 2018 (see pages 136 to 274) (available on: http://www.hkexnews.hk/listedco/listconews/sehk/2018/0424/ltn20180424486.pdf);

- the annual report 2018 of the Company for the financial year ended 31 December 2018 published on 23 April 2019 (see pages 140 to 306) (available on: http://www.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423644.pdf); and

- the annual report 2019 of the Company for the financial year ended 31 December 2019 published on 24 April 2020 (see pages 160 to 331) (available on: http://www.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401160.pdf)

2. INDEBTEDNESS STATEMENT

As at 31 December 2020, the Group had interest-bearing loans of RMB168,000,000.00 and USD1,780,180.00, which included unsecured guaranteed bank borrowings of RMB168,000,000.00, unsecured unguaranteed bank borrowings of USD 177,000.00 and unsecured unguaranteed other borrowings of USD1,603,180.00. As at 31 December 2020, the Group's bills payable of RMB 56,000,000.00 were secured by bank deposits of RMB 28,000,000.00.

Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, any authorised or otherwise created but unissued term loans, other borrowings, indebtedness in nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, debentures, mortgages, charges, recognised lease liabilities, which are either guaranteed, unguaranteed, secured, or unsecured, or other material contingent liabilities or guarantees outstanding at the close of business on 31 December 2020.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, and after taking into account the Group's internal resources, the effect of the Proposed Transactions and the transactions contemplated thereunder and existing cash and bank balances, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group

For the financial year ended 31 December 2019, the Group recorded an audited revenue of RMB1,195.8 million, representing an increase of approximately 6.6% from that of RMB1,121.6 million for the financial year ended 31 December 2018. For the financial year ended 31 December 2019, the audited operating profits was RMB-162.5 million, representing a decrease of approximately 22.5% from that of RMB-132.6 million for the financial year ended 31 December 2018. For the nine months ended 30 September 2020, the unaudited revenue was RMB815.6 million, representing a decrease of approximately 8.1% from RMB887.3 million for the corresponding period in 2019. For the nine months ended 30 September 2020, the unaudited operating profits was RMB-51.8 million, representing an increase of approximately 36.2% from RMB-81.2 million for the corresponding period in 2019.

Looking forward, the Company expects to take reform and innovation as the driving force to accelerate the building of products diversification structure and market development. Based on the consistent innovation strengths, the Company will steadily consolidate its position in the area of industrial gas and fire services, with a focus on the technology innovation of hydrogen energy industry chain business, LNG marine tanks, tank containers business and Type IV cylinder products. At the same time, the Company will also pay attention to strengthen the internal management of the Company, and implement the measures of costs reduction and enhance the operational efficiency. Making full use of the advantages of the capital market, the Company will expand financing methods to enhance the Company's profitability and achieve diversified development.

The Enlarged Group

Upon delivery of the Target Assets, members of the Target Group shall become the subsidiaries of the Company, and their financial results will be consolidated into the financial statements of the Group.

Looking forward, the Enlarged Group's business scope will be expanded to intelligent production line construction, upgrading and reforming of the industrial integrated solutions. Leveraging on the expansion, the Enlarged Group will effectively broaden the sources of profits, enhance sustainable development and promote industrial transformation.

Risk factors

(I) Business Integration risk

Prior to the Proposed Acquisition, the Company is principally engaged in the research and development, manufacturing and processing and sales of pressure containers. The Company will acquire the controlling interests of the Target Company through the Proposed Acquisition. The business scope will be expanded to intelligent production line construction, upgrading and reforming of the industrial integrated solutions. Business integration and synergy will be more difficult to achieve. It is uncertain, to a certain extent, whether the Company can successfully achieve integration of the two types of businesses, and investors are advised to be cautious of the related risks.

(II) Risk of fluctuation in the operating results

The industry in which the Target Company operates is undergoing rapid development with the frequent technical updates. If competition in the market intensifies in the future, the Target Company may not be able to adapt to the future competitive environment and other factors, which may result in the Target Company's operation failing to meet expectation. As such, the operating revenue of the Company may decrease, and a significant decline of profits may even occur. The investors are advised to be cautious of the related risks.

(III) Risk of impairment of goodwill

The accounting treatment of the Proposed Acquisition is a business combination not controlled by the same party. In accordance with the requirements of the Accounting Standards for Business Enterprises, where the combination costs exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Pursuant to the Unaudited Pro Forma Financial Statements on the Enlarged Group issued by ShineWing Certified Public Accountants LLP as set out in Appendix II to this circular, as at 30 June 2020, the Proposed Acquisition will generate additional goodwill of approximately RMB160,377,200 for the Company. Upon completion of the Proposed Acquisition, the accumulated goodwill of the Company amounts to approximately RMB160,377,200, accounting for -437.61%

of the pro forma net profits of the Company attributable to the parent company and 30.88% of the pro forma net assets of the Company attributable to the parent company. The goodwill of the Company will be relatively greater after completion of the Proposed Acquisition. The goodwill arising from the Proposed Acquisition will not be amortized, but impairment tests will be carried out at the end of each year in the future. If the Target Assets proposed to be acquired and the assets acquired by the Company in prior years are adversely affected by the external economic environment or industry policies in subsequent years, or if there are problems in technology research and development, market expansion or operational management, resulting in deterioration of operating conditions and failure to realize expected revenue, the Company may be required to make an impairment provision for the goodwill, which may have a greater impact on the Company's operating results.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Proposed Acquisition of 80% equity interests of the Target Company as if the Proposed Acquisition had been completed on 30 September 2020.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited consolidated balance sheet of the Group as at 30 September 2020 which has been extracted from the Group's published third quarter report for the nine months ended 30 September 2020; and (ii) the audited consolidated balance sheet of the Target Group as at 30 September 2020 which has been extracted from the Accountant's Report on the Target Group as set out in Appendix III to this circular, after making pro forma adjustments relating to the Proposed Acquisition.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group on the completion date of the Proposed Acquisition. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on the date indicated herein or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

Unless otherwise specified, the capitalized terms mean the same as stated in the circular and the Accountants' Report on the Target Group included in Appendix III to this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2020

			Pro forma adjustments		
	The Group as at 30 September 2020	**The Target Group as at 30 September 2020**	**Total Consideration for the Proposed Acquisition**	**Transaction costs related to the Proposed Acquisition**	**Pro Forma Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets:					
Long-term equity investments	52,363	–			52,363
Investment properties	27,313	–			27,313
Fixed assets	616,267	3,858			620,125
Construction in progress	47,606	–			47,606
Intangible assets	121,843	144	57,000		178,987
Goodwill	–	–	184,547		184,547
Long-term deferred expenses	5,562	–			5,562
Deferred tax assets	248	1,826			2,074
	871,202	5,828			1,118,577
Current assets:					
Cash at bank and on hand	179,962	57,447	(87,434)	(12,000)	137,975
Financial assets held for trading	–	5,073			5,073
Accounts receivable	197,182	49,943			247,125
Note receivables	–	25,357			25,357
Receivables financing	8,521	1,242			9,763
Advances to suppliers	52,153	19,381			71,534
Other receivables	9,436	795			10,231
Inventories	339,315	34,118			373,433
Contractual assets	11,697	–			11,697
Other current assets	33,827	1,076			34,903
	832,093	194,432			927,091
Current liabilities:					
Short-term borrowings	189,259	–			189,259
Notes payable	83,100	36,172			119,272
Accounts payable	271,995	21,586			293,581
Employee benefits payable	20,890	1,332			22,222
Taxes payable	5,596	1,552			7,148
Other payables	145,140	140			145,280
Contractual liabilities	60,375	79,558			139,933
Current portion of non-current liabilities	16,500	–			16,500
	792,855	140,340			933,195
Net current assets (liabilities)	39,238	54,092			(6,104)
Total assets less current liabilities	910,440	59,920			1,112,473

			Pro forma adjustments		
	The Group as at 30 September 2020	**The Target Group as at 30 September 2020**	**Total Consideration for the Proposed Acquisition**	**Transaction costs related to the Proposed Acquisition**	**Pro Forma Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities:					
Long-term borrowings	1,205	–			1,205
Long-term payables	39,267	–			39,267
Long-term employee benefits payable	26,546	–			26,546
Provisions	4,996	841			5,837
Deferred income	6,526	–			6,526
Deferred tax liabilities	–	–	8,550		8,550
	78,540	841			87,931
Net assets	831,900	59,079			1,024,542
Owner's equity:					
Capital stock	485,000	19,863	26,618		531,481
Reserves	23,375	39,216	97,439		148,030
Total shareholders' equity attributable to parent company	508,375	59,079			679,511
Minority interests	323,525	–	21,506		345,031
Total stockholders' equity	831,900	59,079			1,024,542

Notes:

(1) The financial information of the Group is extracted from the unaudited consolidated balance sheet of the Group as at 30 September 2020 as set out in the Group's published third quarter report for the nine months ended 30 September 2020 dated 30 October 2020.

(2) The financial information of the Target Group is extracted from the audited consolidated balance sheet of the Target Group as at 30 September 2020 as set out in the Accountant's Report on the Target Group included in Appendix III to this circular.

(3) The details of the pro forma adjustment in respect of the Total Consideration for the Proposed Acquisition are as follows:

With reference to the Valuation Report, the appraised value of the entire equity interests of the Target Company as of the Pricing Benchmark Date for Consideration Shares is RMB308,000,000, thus the appraised value of the Target Assets is RMB246,400,000, which is the Transaction Price of the Proposed Acquisition.

Pursuant to the Asset Acquisition Agreement between the Vendors and the Group on 29 December 2020, the Group agreed to acquire 80% equity interests in the Target Company (the "Target Assets") at the Transaction Price of the Proposed Acquisition of RMB246,400,000 to which will be satisfied by cash and issuance of the Consideration Shares.

Pursuant to the requirements of the "Measures for Administration of Material Assets Reorganization of Listed Companies" issued by the CSRC, the Pricing Benchmark Date for Consideration Shares was RMB3.42 per A Share on the Shanghai Stock Exchange. Based on the appraised value of the Target Assets of RMB246,400,000 and the issue price of the Consideration Shares of RMB3.42 per A Share, 46,481,314

Consideration Shares will be issued in total. Thus, the cash consideration amounts to RMB87,433,884.41 and the share consideration amounts to RMB158,966,115.59, and the face value of the Proposed Acquisition will be approximately RMB246,400,000.

The Proposed Transaction is accounted for as an acquisition of a subsidiary, For illustrative purpose, the excess of the Group's attributable interest in the fair value of the identified assets and liabilities of the Target Group over the Transaction Price of the Proposed Acquisition is as follow:

	RMB'000	*RMB'000*	*Notes*
Cash Consideration		87,434	*(i)*
Consideration Shares		183,136	*(i)*
Profit Guarantee or Performance compensation and excess profit award		–	*(ii)*
Total consideration		270,570	
The fair value of the identified assets and liabilities of the Target Group as at 30 September 2020	107,529		*(iii)*
Proportional share of 80% net assets and liabilities of the Target Group		86,023	
Goodwill		184,547	*(iv)*

Notes:

(i) Cash Consideration and Consideration Shares

The Proposed Acquisition will be satisfied by:

	Face value	**Fair value**	
	RMB'000	*RMB'000*	
Cash consideration	87,434	87,434	
Consideration Shares	158,966	183,136	*(Note below)*
	246,400	270,570	

Note: Based on 46,481,314 Consideration Shares, the fair value of the Consideration Shares of RMB183,136,377.16 is calculated with reference to the closing price of the Company's A shares of RMB3.94 at 30 September 2020 on the Shanghai Stock Exchange, being the 30 September 2020 pro forma financial information date for illustrative purpose.

(ii) Profit Guarantee or Profit Reward

The details of the Profit Guarantee and Profit Reward pursuant to the Performance Compensation Agreement with the Undertaking Parties, Huang Xiaofeng and Tao Feng are as follows:

(a) Profit Guarantee

Pursuant to the Performance Compensation Agreement, the Undertaking Parties undertook to compensate the Company on a yearly basis for each of the years during the Profit Guarantee Periods should the Realised Profit in a relevant year fall short of the respective Guaranteed Profits for the corresponding year: In the event where the Realised Profit in a relevant year during the Profit Guarantee Periods falls short the corresponding Guaranteed Profit, the Company shall determine the amount of Profit Compensation for the year based on the formulas as specified in the Performance Compensation Agreement and put forward the resolutions relating to Profit Compensation for the consideration and approval of the Shareholders at the general meeting and class meetings in which the Company is obliged to repurchase and cancel all the Compensation Shares for the corresponding year thereafter at a total consideration of RMB1. Such arrangement protects the interests of the Shareholders and is in the interests of the Company.

(b) Performance compensation and excess profit award

In the event where the realised net profits of the Target Company exceed the Guaranteed Profits during all the Profit Guarantee Periods, 30%, 40% and 50% of the realised net profits of the Target Company in excess the Guaranteed Profits for the years ending 31 December 2021, 2022 and 2023 respectively shall be given to the then core management members of the Target Company by the Company as cash reward incentives. The amount of the cash reward incentives shall not in any event exceed 20% of the consideration of the Proposed Acquisition.

Further details of the Profit Guarantee and Performance compensation and excess profit award are set out in this circular.

For illustrative purpose, the directors of the Company assume that the estimated profits of the Target Company for the years ending 31 December 2020, 2021 and 2022 would not result in the Target Company meeting any level of Profit Guarantee or Performance compensation and excess profit award pursuant to the Performance Compensation Agreement and therefore, the Company does not recognize any amount of Profit Guarantee or Performance compensation and excess profit award for the above calculation of the total consideration to be paid by the Group for the Proposed Acquisition.

(iii) For illustrative purpose, with reference to a valuation performed by an independent professional valuer, the fair value of the identified assets and liabilities of the Target Company as at 30 September 2020, including the intangible assets and related deferred income taxation in the relation to the Proposed Acquisition, as assessed by the directors of the Company and the goodwill arising from the Proposed Acquisition are as follows:

	Carrying value	**Fair value**
	RMB'000	*RMB'000*
Non-current assets:		
Fixed assets	3,858	3,858
Intangible assets	144	57,144
Deferred tax assets	1,826	1,826
	5,828	62,828
Current assets:		
Cash at bank and on hand	57,447	57,447
Financial assets held for trading	5,073	5,073
Accounts receivable	49,943	49,943
Note receivables	25,357	25,357
Receivables financing	1,242	1,242
Advances to suppliers	19,381	19,381
Other receivables	795	795
Inventories	34,118	34,118
Other current assets	1,076	1,076
	194,432	194,432
Current liabilities:		
Short-term borrowings		
Notes payable	36,172	36,172
Accounts payable	21,586	21,586
Employee benefits payable	1,332	1,332
Taxes payable	1,552	1,552
Other payables	140	140
Contractual liabilities	79,558	79,558
	140,340	140,340
Net current assets	54,092	54,092
Total assets less current liabilities	59,920	116,920
Non-current liabilities:		
Provisions	841	841
Deferred tax liabilities	–	8,550
	841	9,391
Net assets	59,079	107,529

The directors of the Company consider that the pro forma fair values of the identifiable assets and liabilities, goodwill and intangible asset in relation to the Proposed Acquisition are subject to change upon the completion of purchase price allocation at the completion date of the Proposed Acquisition, which may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

(iv) For the purposes of the Unaudited Pro Forma Financial Information, with reference to a valuation performed by an independent professional valuer, the directors of the Company have made an assessment on whether there is any impairment in respect of the goodwill and intangible assets arising from the Proposed Acquisition with reference to the Accounting Standards for Enterprises No. 8 "Asset Impairment". The directors of the Company have taken into consideration the historical performance and the financial performance of the Target Company and synergy after the Proposed Acquisition as the key parameters and business assumptions in the valuation and the directors of the Company have assessed the Target Company's recoverable amount based on fair value arising from the identifiable assets. Based on the assessment results, the directors of the Company concluded that there is no impairment in the value of intangible asset and goodwill. The Company will adopt the Company's accounting policies which are consistent with the accounting policies, valuation method and principal assumptions as used in the Unaudited Pro Forma Financial Information to assess the impairment of goodwill in the future financial period.

(4) The adjustment represents the estimated transaction costs of approximately RMB12,000,000 including but not limited to legal and professional fees, directly attributable to the Proposed Acquisition. The directors of the Company consider that the amounts may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information. The adjustment is not expected to have a continuing effect on the Group.

(5) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 September 2020.

(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from ShineWing Certified Public Accountants LLP, Certified Public Accountants, the PRC, the Company's Reporting Accountant prepared for the purpose of incorporation in this announcement.

信永中和 ShineWing

信永中和會計師事務所
ShineWing
certified public accountants

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TO THE DIRECTORS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Jingcheng Machinery Electric Company Limited (the "Company") and its subsidiaries (collectively, the "Group") and Qingdao BYTQ United Digital Intelligence Co., Ltd. (the "Target Company") (collectively, the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-7 of the Company's circular dated 19 January 2021, in connection with the proposed acquisition of the Target Company by the Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-7 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Acquisition on the Group's consolidated balance sheet as at 30 September 2020 as if the Proposed Acquisition had taken place at 30 September 2020. As part of this process, information about the Group's consolidated balance sheet has been extracted by the directors from the Group's published third quarter financial information for the nine months ended 30 September 2020.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies China Standards on Quality Control 5101-Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by the CICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus), issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

ShineWing Certified Public Accountants LLP
Beijing, China
19 January 2021

The following is the text of a report, prepared for inclusion of this circular, from ShineWing Certified Public Accountants LLP, the independent reporting accountant of the Target Company registered in the People's Republic of China.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED

Introduction

We report on the historical financial information of 青島北洋天青數聯智能股份有限公司 Qingdao BYTQ United Digital Intelligence Co., Ltd., the "Target Company") and its subsidiaries (the "Target Group") set out on pages III-4 to III-79, which comprises the statements of consolidated balance sheets and statements of balance sheets as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020, the statements of consolidated income statements, the statements of consolidated changes in equity and the statements of consolidated cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages III-4 to III-79 forms an integral part of this report, which has been prepared for inclusion in the circular of Beijing Jingcheng Machinery Electric Company Limited (the "Company") dated 19 January 2021 (the "Circular") in connection with the proposed acquisition (the "Proposed Acquisition") of the 80% equity shares of the Target Company (the "Target Assets") by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II.2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated statements of financial position and statement of financial position of the Target Company as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 September 2020 and of its consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note II.2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of consolidated income statement, the statement of consolidated changes in equity and the statement of consolidated cash flows for the nine months ended 30 September 2019 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note II.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with the China Certified Public Accountant Review Standard No. 2101 "Review of Financial Statement" (the "CAS No. 2101") Chinese Institute of Certified Public Accountants ("CICPA"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with in accordance with China Standards on Auditing as issued by the CICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note II.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to note II.42 to the Historical Financial Information which states that no dividend has been paid by the Target Company in respect of the Track Record Period.

ShineWing Certified Public Accountants LLP
Certified Public Accountants
Beijing, China PRC
19 January 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The underlying financial statements of the Target Company for the Track Record Period, on which the Historical Financial Information is based, were audited by ShineWing Certified Public Accountants LLP in accordance with China Standards on Auditing as issued by the Chinese Institute of Certified Public Accountants ("CICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), except when otherwise indicated.

STATEMENTS OF CONSOLIDATED BALANCE SHEETS

			As at 31 December		As at 30 September
	Notes	**2017**	**2018**	**2019**	**2020**
		RMB	*RMB*	*RMB*	*RMB*
Non-current assets:					
Fixed assets	*II.5*	1,091,674.43	1,284,647.54	3,268,198.19	3,857,965.25
Intangible assets	*II.6*	66,399.63	182,944.34	160,406.30	143,502.77
Deferred tax assets	*II.7*	73,135.38	30,973.70	507,955.01	1,826,396.11
		1,231,209.44	1,498,565.58	3,936,559.50	5,827,864.13
Current assets:					
Cash at bank and on hand	*II.8*	10,187,267.61	27,307,251.99	26,626,343.63	57,447,418.22
Financial assets held for trading	*II.9*	6,054,621.38	8,379,078.72	8,322,530.58	5,072,542.46
Notes receivable	*II.10*	–	163,164.74	4,334,086.81	25,357,726.24
Accounts receivable	*II.11*	12,607,414.25	14,226,544.07	31,262,642.51	49,942,522.48
Receivables financing	*II.12*	4,379,463.00	–	1,497,090.00	1,242,180.00
Advances to suppliers	*II.13*	1,783,441.09	4,186,515.80	1,347,801.97	19,381,291.50
Other receivables	*II.14*	140,489.08	304,132.20	516,429.75	794,509.49
Inventories	*II.15*	13,472,758.25	22,370,114.44	17,481,936.27	34,117,858.90
Other current assets	*II.16*	839,574.81	–	13,062.72	1,076,128.71
		49,465,029.47	76,936,801.96	91,401,924.24	194,432,178.00
Current liabilities:					
Notes payable	*II.17*	1,010,635.02	9,764,244.59	7,861,393.81	36,172,173.08
Accounts payable	*II.18*	11,146,064.51	5,475,489.93	16,366,329.56	21,586,310.21
Contractual liabilities	*II.19*	3,042,888.34	17,189,212.70	10,449,882.63	79,557,993.69
Employee benefits payable	*II.20*	412,920.64	665,934.85	1,068,371.55	1,332,133.29
Taxes payable	*II.21*	964.10	817,307.70	508,632.15	1,552,397.82
Other payables	*II.22*	40,000.00	138,940.62	126,346.84	139,536.00
		15,653,472.61	34,051,130.39	36,380,956.54	140,340,544.09
Net current assets		33,811,556.86	42,885,671.57	55,020,967.70	54,091,633.91
Total assets less current liabilities		35,042,766.30	44,384,237.15	58,957,527.20	59,919,498.04
Non-current liabilities:					
Provision	*II.23*	–	–	1,096,637.23	840,998.37
		–	–	1,096,637.23	840,998.37
Net assets		35,042,766.30	44,384,237.15	57,860,889.97	59,078,499.67
Owners' equity:					
Capital stock	*II.24*	19,862,800.00	19,862,800.00	19,862,800.00	19,862,800.00
Capital surplus	*II.25*	10,068,600.93	10,068,600.93	10,068,600.93	10,068,600.93
Surplus reserves	*II.26*	511,136.54	1,445,283.62	3,011,744.72	3,310,184.99
Undistributed profits	*II.27*	4,600,228.83	13,007,552.60	24,917,744.32	25,836,913.75
Total shareholders' equity attributable to owners of the Target Company		35,042,766.30	44,384,237.15	57,860,889.97	59,078,499.67

STATEMENTS OF BALANCE SHEETS

	Notes	As at 31 December 2017	2018	2019	As at 30 September 2020
		RMB	*RMB*	*RMB*	*RMB*
Non-current assets:					
Long-term equity investment	*III.1.*	–	–	2,000,000.00	2,000,000.00
Fixed assets		1,091,674.43	1,284,647.54	3,159,096.26	3,780,328.94
Intangible assets		66,399.63	182,944.34	160,406.30	143,502.77
Deferred tax assets		73,135.38	30,973.70	507,885.56	1,826,396.11
		1,231,209.44	1,498,565.58	5,827,388.12	7,750,227.82
Current assets:					
Cash at bank and on hand		10,187,267.61	27,307,251.99	26,259,562.68	57,431,937.19
Financial assets held for trading		6,054,621.38	8,379,078.72	8,322,530.58	5,072,542.46
Notes receivable		–	163,164.74	4,334,086.81	25,357,726.24
Accounts receivable		12,607,414.25	14,226,544.07	31,262,642.51	49,942,522.48
Receivables financing		4,379,463.00	–	1,497,090.00	1,242,180.00
Advances to suppliers		1,783,441.09	4,186,515.80	1,347,801.97	19,381,291.50
Other receivables		140,489.08	304,132.20	983,546.82	2,706,381.35
Inventories		13,472,758.25	22,370,114.44	17,481,936.27	34,117,858.90
Other current assets		839,574.81	–	–	1,057,615.46
		49,465,029.47	76,936,801.96	91,489,197.64	196,310,055.58
Current liabilities:					
Notes payable		1,010,635.02	9,764,244.59	7,861,393.81	36,172,173.08
Accounts payable		11,146,064.51	5,475,489.93	16,366,329.56	21,586,310.21
Contractual liabilities		3,042,888.34	17,189,212.70	10,449,882.63	79,557,993.69
Employee benefits payable		412,920.64	665,934.85	864,744.98	1,183,083.11
Taxes payable		964.10	817,307.70	502,402.56	1,546,938.07
Other payables		40,000.00	138,940.62	126,346.84	139,536.00
		15,653,472.61	34,051,130.39	36,171,100.38	140,186,034.16
Net current assets		33,811,556.86	42,885,671.57	55,318,097.26	56,124,021.42
Total assets less current liabilities		35,042,766.30	44,384,237.15	61,145,485.38	63,874,249.24
Non-current liabilities:					
Provision		–	–	1,096,637.23	840,998.37
		–	–	1,096,637.23	840,998.37
Net assets		35,042,766.30	44,384,237.15	60,048,848.15	63,033,250.87
Owners' equity:					
Capital stock		19,862,800.00	19,862,800.00	19,862,800.00	19,862,800.00
Capital surplus		10,068,600.93	10,068,600.93	10,068,600.93	10,068,600.93
Surplus reserves		511,136.54	1,445,283.62	3,011,744.72	3,310,184.99
Undistributed profits		4,600,228.83	13,007,552.60	27,105,702.50	29,791,664.95
Total shareholders' equity		35,042,766.30	44,384,237.15	60,048,848.15	63,033,250.87

STATEMENTS OF CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Nine months period ended 30 September	
	Notes	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
					(unaudited)	
I. Total operating revenue	*II.28*	33,972,281.81	61,060,872.05	103,261,380.10	87,373,726.80	66,487,996.68
II. Total operating costs	*II.28*	32,671,785.73	51,721,150.96	89,740,568.32	71,783,572.97	64,450,971.36
Including: Operating cost	*II.28*	24,478,193.28	41,134,358.52	69,119,529.43	56,790,473.76	48,744,335.86
Taxes and surcharges	*II.29*	190,588.48	784,055.84	702,078.90	650,760.23	386,921.89
Selling expenses	*II.30*	967,991.63	1,061,163.24	3,034,965.46	2,168,838.91	2,356,237.75
General and administrative expenses	*II.31*	4,216,850.29	5,355,522.62	9,015,310.63	7,203,680.65	5,525,572.07
Research and development expenses	*II.32*	2,434,467.11	3,622,339.74	8,253,484.99	5,242,503.32	7,547,816.76
Financial expenses	*II.33*	383,694.94	(236,289.00)	(384,801.09)	-272,683.90	(109,912.97)
Add: Other income	*II.34*	500,000.00	647,740.00	1,776,000.00	832,000.00	1,389,382.92
Investment income	*II.35*	393,140.99	327,473.97	340,225.74	247,611.28	454,421.95
Profit arising from changes in fair value	*II.36*	54,621.38	37,993.08	225,789.36	–	(245,861.36)
Credit impairment loss	*II.37*	(187,074.42)	281,077.86	(772,665.58)	–	(2,022,658.06)
Incomes from disposal of assets	*II.38*	–	–	(7,027.26)	(7,027.26)	–
III. Operating profit		2,061,184.03	10,634,006.00	15,083,134.04	16,662,737.85	1,612,310.77
Add: Non-operating revenue	*II.39*	100,000.00	13,276.80	438,748.33	438,748.33	30,936.00
Less: Non-operating expenses	*II.40*	40.07	1,518.26	2,658.80	2,658.80	513,276.00
IV. Total profit		2,161,143.96	10,645,764.54	15,519,223.57	17,098,827.38	1,129,970.77
Less: Income tax expenses	*II.41*	68,740.58	1,304,293.69	2,042,570.75	2,419,351.78	(87,638.93)
V. Net profit		2,092,403.38	9,341,470.85	13,476,652.82	14,679,475.60	1,217,609.70
VII. Total comprehensive income		2,092,403.38	9,341,470.85	13,476,652.82	14,679,475.60	1,217,609.70

STATEMENTS OF CONSOLIDATED CASH FLOWS

Item	*Notes*	Year ended 31 December			Nine months period ended 30 September	
		2017	**2018**	**2019**	**2019**	**2020**
		RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
I. Cash flows from operating activities:						
Cash received from sales of goods or rendering of services		27,717,331.34	78,989,973.04	83,381,148.03	76,215,470.04	88,673,461.49
Other cash receipts related to operating activities		1,381,173.91	971,327.71	4,481,557.57	1,294,332.79	2,594,395.87
Subtotal of cash inflows from operating activities		29,098,505.25	79,961,300.75	87,862,705.60	77,509,802.83	91,267,857.36
Cash paid for goods and services		24,586,183.59	38,426,167.11	57,847,361.52	35,571,874.65	55,187,930.56
Cash paid to and for employees		5,670,922.01	8,949,757.44	15,473,196.80	11,243,295.66	11,557,852.17
Taxes and surcharges cash payments		2,016,215.43	7,318,676.63	8,679,977.90	6,937,342.59	3,435,514.63
Other cash payments related to operating activities		3,784,848.55	9,314,089.29	12,885,125.23	10,467,243.98	13,184,825.49
Subtotal of cash outflows from operating activities		36,058,169.58	64,008,690.47	94,885,661.45	64,219,756.88	83,366,122.85
Net cash flows from operating activities	*II.43*	(6,959,664.33)	15,952,610.28	(7,022,955.85)	13,290,045.95	7,901,734.51
II. Cash flows from investing activities:						
Cash received from disposal of investments						
Cash received from investment income		573,418.82	365,467.05	566,015.10	247,611.28	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	–	17,100.00	–	–
Other cash receipts related to investing activities		3,800,000.00	8,054,621.38	19,884,698.63	–	8,454,364.07
Subtotal of cash inflows from investing activities		4,373,418.82	8,420,088.43	20,467,813.73	247,611.28	8,454,364.07
Cash paid to acquire fixed assets, intangible assets and other long-term assets		664,660.00	1,039,357.09	2,691,558.60	1,841,830.50	1,460,917.04
Other cash payments related to operating activities		–	15,816,464.40	6,000,000.00		5,000,000.00
Subtotal of cash outflows from investing activities		664,660.00	16,855,821.49	8,691,558.60	1,841,830.50	6,460,917.04
Net cash flows from investing activities		3,708,758.82	(8,435,733.06)	11,776,255.13	-1,594,219.22	1,993,447.03

Item	Notes	Year ended 31 December			Nine months period ended 30 September	
		2017	2018	2019	2019	2020
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
					(unaudited)	
III. Cash flows from financing activities:						
Cash repayments of borrowings		1,125.00	8,760.00	–	–	–
Cash paid for distribution of dividends, profits or interest repayment		60.36	464.40	–	–	–
Subtotal of cash outflows from financing activities		1,185.36	9,224.40	–	–	–
Net cash flows from financing activities		(1,185.36)	(9,224.40)	–	–	–
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(426,028.63)	(143,452.97)	(18,770.16)	–	(78,132.66)
V. Net increase in cash and cash equivalents	*III.43*	(3,678,119.50)	7,364,199.85	4,734,529.12	11,695,826.73	9,817,048.88
Add: Cash and cash equivalents at the beginning of the period	*III.43*	13,856,927.05	10,178,807.55	17,543,007.40	17,543,007.40	22,277,536.52
VI. Cash and cash equivalents at the end of the period	*III.43*	10,178,807.55	17,543,007.40	22,277,536.52	29,238,834.13	32,094,585.40

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

	Equity attributable to shareholders of the Target Company				Total
	Capital stock	Capital surplus	Surplus reserves	Undistributed profits	shareholders' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Year ended 31 December 2017					
I. Closing balance of the previous year	19,862,800.00	10,068,600.93	301,896.20	2,717,065.79	32,950,362.92
II. Opening balance in the current year	19,862,800.00	10,068,600.93	301,896.20	2,717,065.79	32,950,362.92
III. Movement of current year	–	–	209,240.34	1,883,163.04	2,092,403.38
(I) Total comprehensive income	–	–	–	2,092,403.38	2,092,403.38
(III) Profit distribution	–	–	209,240.34	-209,240.34	–
1. Appropriation to surplus reserves	–	–	209,240.34	-209,240.34	–
IV. Closing balance of the current year	19,862,800.00	10,068,600.93	511,136.54	4,600,228.83	35,042,766.30
Year ended 31 December 2018					
I. Closing balance of the previous year	19,862,800.00	10,068,600.93	511,136.54	4,600,228.83	35,042,766.30
II. Opening balance in the current year	19,862,800.00	10,068,600.93	511,136.54	4,600,228.83	35,042,766.30
III. Movement of current year	–	–	934,147.08	8,407,323.77	9,341,470.85
(I) Total comprehensive income	–	–	–	9,341,470.85	9,341,470.85
(III) Profit distribution	–	–	934,147.08	(934,147.08)	–
1. Appropriation to surplus reserves	–	–	934,147.08	(934,147.08)	–
IV. Closing balance of the current year	19,862,800.00	10,068,600.93	1,445,283.62	13,007,552.60	44,384,237.15
Year ended 31 December 2019					
I. Closing balance of the previous year	19,862,800.00	10,068,600.93	1,445,283.62	13,007,552.60	44,384,237.15
II. Opening balance in the current year	19,862,800.00	10,068,600.93	1,445,283.62	13,007,552.60	44,384,237.15
III. Movement of current year	–	–	1,566,461.10	11,910,191.72	13,476,652.82
(I) Total comprehensive income	–	–	–	13,476,652.82	13,476,652.82
(III) Profit distribution	–	–	1,566,461.10	(1,566,461.10)	–
1. Appropriation to surplus reserves	–	–	1,566,461.10	(1,566,461.10)	–
IV. Closing balance of the current year	19,862,800.00	10,068,600.93	3,011,744.72	24,917,744.32	57,860,889.97

	Equity attributable to shareholders of the Target Company				Total
	Capital stock	Capital surplus	Surplus reserves	Undistributed profits	shareholders' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Nine months ended 30 September 2020					
I. Closing balance of the previous year	19,862,800.00	10,068,600.93	3,011,744.72	24,917,744.32	57,860,889.97
II. Opening balance in the current year	19,862,800.00	10,068,600.93	3,011,744.72	24,917,744.32	57,860,889.97
III. Movement of current period	–	–	–	919,169.43	919,169.43
(I) Total comprehensive income	–	–	–	1,217,609.70	1,217,609.70
(III) Profit distribution	–	–	298,440.27	(298,440.27)	–
1. Appropriation to surplus reserves	–	–	298,440.27	(298,440.27)	–
IV. Closing balance of the current period	19,862,800.00	10,068,600.93	3,310,184.99	25,836,913.75	59,078,499.67
Nine months ended 30 September 2019					
I. Closing balance of the previous year	19,862,800.00	10,068,600.93	1,445,283.62	13,007,552.60	44,384,237.15
II. Opening balance in the current year	19,862,800.00	10,068,600.93	1,445,283.62	13,007,552.60	44,384,237.15
III. Movement of current period	–	–	1,467,947.56	13,211,528.0	14,679,475.60
(I) Total comprehensive income	–	–	–	14,679,475.60	14,679,475.60
(III) Profit distribution	–	–	1,467,947.56	-1,467,947.56	–
1. Appropriation to surplus reserves	–	–	1,467,947.56	-1,467,947.56	–
IV. Closing balance of the current period (unaudited)	19,862,800.00	10,068,600.93	2,913,231.18	26,219,080.64	59,063,712.75

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. TARGET COMPANY INFORMATION

Qingdao BYTQ United Digital Intelligence Co., Ltd., formerly known as Qingdao Beiyang Tianqing Electromechanical Technology Co., Ltd. (hereinafter referred to as the Target Company, which is collectively referred to as the Target Group when including subsidiaries), was registered and established at Qingdao High-tech Zone Administration for Industry and Commerce on 1 November 2013. On 18 January 2016, according to the sponsor agreement and the Articles of Association, Qingdao BYTQ United Digital Intelligence Co., Ltd. was established with an audited net assets of RMB 18,754,601 as of 31 December 2015, which was converted into a total of 18 million shares at a ratio of 1: 0.95976491, with a par value of RMB 1 per share and a total capital stock of RMB 18 million. The part beyond the capital stock, namely RMB 754,601, was recorded in capital surplus. The Target Company was changed in an overall manner into a company limited by shares.

On 7 December 2016, the Target Company held the fourth extraordinary general meeting, at which the registered capital was increased from RMB 18 million to RMB 19,862,800, and total 1,862,800 shares were added. Among them: Li Hong subscribed for 902,400 shares in cash of RMB 5,414,400, with RMB 902,400 as registered capital and RMB 4,512,000 recorded in capital surplus; Zhao Qing subscribed for 802,800 shares in cash of RMB 4,816,800, with RMB 802,800 as registered capital and RMB 4,014,000 recorded in capital surplus; Qingdao Aitenuo Economic Information Consulting Co., Ltd. subscribed for 107,600 shares in cash of RMB 645,600, with RMB 107,600 as the registered capital and RMB 538,000 recorded in capital surplus; Xiu Jun subscribed for 50,000 shares in cash of RMB 300,000, with RMB 50,000 as registered capital and RMB 250,000 recorded in capital surplus.

As of 30 September 2020, the Target Company has issued a total of 19,862,800 shares, with a registered capital of RMB 19,862,800 and the unified social credit code of 913702220814062632. Its registered address is at Building 5, 123 Jinrong Road, Qingdao High-tech Zone, Shandong Province and the legal representative is Huang Xiaofeng.

Business scope: development, production, sales and engineering installation of robots and automation equipment, automated stereoscopic warehouse and warehousing logistics equipment, mechanical and electronic equipment, large-scale automation systems and production lines; design, development, technical consultation, technical service and technology transfer of information technology and network system; manufacturing, sales and technology development of liquid packaging machinery and water treatment equipment; on-site installation of water treatment equipment and water treatment works; self-operated and agent import and export of goods and technologies (does not operate items prohibited by the state, and restricted varieties can only be operated after obtaining licenses); engineering installation of marine automation equipment, oilfield automation equipment, laser technology and equipment; design and installation of highway, tunnel and rail transit integrated monitoring system, building intelligence and electromechanical engineering; design, research and development, production and sales of intelligent electromechanical equipment, electronic information products and photoelectric technology products. (The items that are subject to approval according to laws shall be operated only after relevant approvals are obtained from relevant departments).

The controlling shareholder of the Target Company is Li Hong, and the actual controllers are Li Hong and Huang Xiaofeng.

2. BASIS OF PREPARATION

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared in accordance with the Accounting Standards for Business Enterprises and relevant provisions issued by Ministry of Finance, and the disclosure requirements of the Hong Kong Companies Ordinance, and has been prepared under the historical cost convention.

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost convention and are presented in RMB, which is also the functional currency of the Target Company..

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting treatment method for business combination under common control and different control

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

The identifiable assets, liabilities and contingent liabilities acquired by the acquiree in the business combination under different control are measured at fair value at the acquisition date. The combination cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining the control right of the acquiree and various direct expenses in business combination (in the business combination realized step by step through several transactions, the combination cost is the sum of the cost for each single transaction). Where the combination cost is larger than the difference of fair value of the acquiree's net identifiable assets during combination, it shall be recognized as goodwill; in case the combination cost is less than the share of the fair value of net identifiable assets of the acquiree in the combination, the Target Company shall firstly review various identifiable assets, liabilities gained in the combination, or fair value with liabilities, and non-cash asset of combination consideration or issued equity securities and other fair value. After the review, in case the combination cost is still less than the share of fair value of identifiable net asset of the acquiree in the combination, the Target Company includes the balance in the current non-operating revenue of combination.

(2) Preparation method of consolidated financial statements

The Target Group includes all of its subsidiaries in the scope of consolidated financial statements.

During preparation of the consolidated financial statements, in the event that the accounting policies or the accounting period of subsidiaries are not in line with those of the Target Company, necessary adjustments shall be made to the Historical Financial Information of subsidiaries according to the accounting policies or the accounting period of the Target Company.

All significant internal transactions, balances and unrealized profits in the scope of consolidation shall be eliminated during preparation of the consolidated financial statements. The share in owner's equity of subsidiaries not belonging to the Target Company and the share in the current net profit and loss, other comprehensive income and total comprehensive amount belonging to the minority shareholders' equity shall be respectively listed in the "minority shareholders' equity, minority shareholders' profit and loss, other comprehensive income belonging to minority shareholders and total comprehensive amount belonging to minority shareholders" of consolidated financial statements.

As for the subsidiaries obtained in the business combination under common control, their operating results and cash flow shall be included in the Historical Financial Information from the beginning of the current combination period. Upon the preparation of comparative consolidated financial statements, any adjustments to relevant items in Historical Financial Information of the previous year are considered as the subject of reports formed after combination as if it might have exist since the time when final controlling party begin to take the control.

As for subsidiaries acquired by business combination not under common control, operating results and cash flows shall be incorporated into Historical Financial Information from the date when the Target Group takes the control. During the preparation of Historical Financial Information are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities identified on the acquisition date.

(3) Cash and cash equivalents

Cash shown in the cash flow statement of the Target Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than three (3) months and high liquidity, easily converted to known amounts of cash and having low value change risk.

(4) Foreign currency transaction

The amount of the Target Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date. Monetary items calculated in foreign currency in the balance sheet shall be translated into RMB at the spot exchange rate on the balance sheet date; the exchange difference shall be included in the current profit or loss, after disposal of the balance of exchange that is formed by foreign currency loans borrowed for acquiring or producing assets which meet capitalized terms.

(5) Financial assets and financial liabilities

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

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

The Target 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: ①for the purchased or originated financial assets that the credit impairment has occurred, their interest incomes shall be recognized 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 Target 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 Target 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 incomes shall be transferred from other comprehensive incomes and recorded into retained earnings.

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

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

The Target Group reclassifies all affected financial assets when changing the business mode of financial assets management.

2) Recognition and measurement of transfer of financial assets

The Target Group derecognizes the financial assets that meet one of the following conditions: ① the contractual right of collecting the cash flow of such financial assets is terminated; ② the financial assets are transferred, and the Target 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 Target Group neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

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

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

(2) Financial liabilities

1) Classification, recognition and measurement of financial liabilities

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

The financial liabilities at fair value through profit or loss, including 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.

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

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

2) Derecognition conditions of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. Where the Target Company enters into an agreement with a creditor, so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall stop the recognition of the existing financial liability, and shall at the same time recognize the new financial liability. Substantial adjustments by the Target Company to all or partial terms in contracts related to existing financial liabilities shall be considered as derecognition for all or parts of existing financial debts, and such financial debts after modification shall be deemed as new financial debts. Balance between the carrying amount of the parts to be derecognized and consideration paid shall be included in the current profit or loss.

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

The fair value of financial assets and financial liabilities in the Target Group shall be measured by the price in the primary market, and if there is no the primary market, such assets and liabilities shall be measured by the price in the most favorable market. And then applicable and sufficient data and valuation techniques supported by other information shall be used. Input values used for measuring the fair value should be classified into three levels, that is to say, the input value of the first level is the unadjusted offer obtained on the measurement date for the same assets and liabilities in the active market; the input value of the second level should be observable input values directly or indirectly related to assets or liabilities, except for the input value of the first level; and the input value of the third level is the unobservable input value of related assets or liabilities. The Target Group prefers the input value of the first level, and then, uses the input value of the third level. The Target Group determines the level that the measurement result of the fair value belongs to as per the lowest level that the input value of significant importance belongs to with respect to the whole of the measurement of fair values.

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

(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Target 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 Target Group has a legal right to offset the recognized amount and that such legal rights are currently enforceable; and ② The Target Group plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

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

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

(6) Notes receivable

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

The Target 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 Target 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 Target Group determines that the financial instrument has only a low credit risk on the balance sheet date, the Target 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 Target 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 Target 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 Target 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 Target Group groups notes receivable and considers whether credit risk increases significantly on a portfolio basis.

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

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

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

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

Individual instrument	
Individual asset	**Provision for bad debt**
Commercial acceptance notes	Measurement of loss given default on a portfolio basis

(7) Accounts receivable

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

The Target 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 Target 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 Target Group determines that the financial instrument has only a low credit risk on the balance sheet date, the Target 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 Target 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 Target Group considers the reasonable and well-founded information obtained by it without unnecessary additional cost or effort, including the forward-looking information.

Portfolio-based assessment. For accounts receivable, the Target 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 Target Group groups accounts receivable and considers whether credit risk increases significantly on a portfolio basis.

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

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

If the Target 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 this year, the Target Group's accounting estimation policies for measuring expected credit losses based on individual instruments and portfolios are as follows:

Individual instrument	
Individual asset	**Provision for bad debt**
Related parties within the consolidation scope	No credit impairment occurs
Downgrade of credit rating of the counterparty	Significant increase in credit risk
Aging portfolio	Measurement of loss given default on a portfolio basis

(8) Receivables financing

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

For the accounting treatment method, refer to the relevant contents of financial assets measured at fair value with changes included in other comprehensive profits in (5) Financial assets and financial liabilities.

(9) Other receivables

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

The Target 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 Target 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 Target 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 Target 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 Target 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 Target Group's other receivables and considers whether credit risk increases significantly on a portfolio basis.

Individual instrument	
Individual asset	**Provision for bad debt**
Dividends receivable and interest receivable	No credit impairment occurs
Related parties within the consolidation scope	No credit impairment occurs
Downgrade of credit rating of the counterparty	Significant increase in credit risk
Aging portfolio	Measurement of loss given default on a portfolio basis

(10) Inventories

Inventories of the Target Group mainly include raw materials, products in progress, finished goods, low-value consumables, 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. Low-value consumables and packages are amortized by one-off amortization method.

Ending inventories are valued by the cost or net realizable value, whichever is lower. For estimated irrecoverable part of cost due to inventory damage, obsolescence of all or partial inventories, or sale price lower than the cost, provisions for inventory falling price are withdrawn. Inventory impairment provisions for goods in stock and bulk raw materials are withdrawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

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

(11) Contractual assets

(1) Recognition methods and standards for the contractual assets

Contractual assets refer to the right of the Target 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 Target 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 Target Group shall have the right to receive such payment as the contractual asset.

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

For determination method of expected credit loss of contractual assets, refer to the above (7) Accounts receivable.

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

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

(12) Contract cost

(1) Determination method of assets related to contract costs

The Target 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 Target Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Target 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 Target 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 Target Group had not obtained the contract. Other expenses incurred by the Target 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 Target Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

(3) Impairment of assets related to contract costs

When determining the impairment losses of assets related to contract costs, the Target Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the two differences between the book value higher than the remaining consideration that the Target 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 impairment provision shall be made for the excess and recognized as asset impairment loss.

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

(13) Long-term equity investment

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

The Target 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 Target Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. When the Target Company holds less than 20% voting right of the investee, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Target Company has significant influence to the investee.

The investee under the control of the Target Group shall be deemed as a subsidiary of the Target Group. If the long-term equity investment is obtained from the business combination under common control, the share of book value of owners' equity of the merged party in Historical Financial Information of the ultimate controlling party on the date of merger shall be deemed as the initial investment cost of the long-term equity investment. If the book value of the net asset of the combined party on the combining date is negative, the cost of long-term equity investment shall be determined as zero.

As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Target 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 Historical Financial Information of the ultimate controlling party on the combining date shall be deemed as the initial investment cost of the long-term equity investment. The balance between the initial investment cost and the sum of the book value of long-term equity investment which has reached the amount before the combination and the book value of new payment consideration obtained under the combining date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment obtained through business combination not under common control, consolidated cost shall be recognized as initial investment cost.

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 Target Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing the investment. Where the equity held before the purchase date is calculated by fair value in the available-for-sale financial assets, and then accumulative change of the fair value originally included in other comprehensive income shall be transferred into current investment profits and losses on the combining date.

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

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

Long-term equity investment subsequently measured by cost method shall be calculated at fair value of cost paid for the additional investment and book value of the cost of the long-term equity investment added through related transaction fees incurred. Cash dividend or profit declared by the investee is recognized as current investment profit 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 Target Group shall, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Target Group, calculate the portion that belongs to the Target 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 investment, the difference between the book value and actually obtained price shall be included in current investment profit. If the long-term equity investment calculated by equity method is included into owners' equity due to the other change of the owners' equity of the investee besides net profits and losses, the portion previously included in the owners' equity shall, when disposing of a long-term equity investment measured by the equity method, be transferred to the current profits and losses according to a certain proportion.

Where the Target Company's joint control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per the available-for-sale financial assets, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in the current profits and losses. Other comprehensive incomes from original equity investment recognized by using the equity method shall be subject to the accounting treatment on the same basis as the direct disposal of relevant assets or liabilities by the investee when accounting by equity method is terminated.

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

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

(14) Fixed assets

Fixed assets of the Target 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.

For fixed asset, including plant and buildings, machinery equipment, transportation equipment, office equipment and others, its acquisition cost is taken as the entry value. Among which, the cost of purchased fixed assets includes the purchase price, import tariff and other related taxes, and other expenses that are generated before the fixed assets achieve the predetermined serviceable condition and can be directly attributed to the asset. The cost for constructing fixed assets independently is composed of the necessary expense generated before such assets achieve the predetermined serviceable condition. For the fixed asset invested by the investor, the value specified in the investment contract or the agreement shall be regarded as the entry value, but the unfair value determined in the contract or agreement shall be subject to entry as per fair value. For the fixed asset acquired by finance lease, the fair value of the leased asset at the commencement of the lease term or the present value of the minimum lease payments, whichever is lower, shall be taken as the entry value.

For the subsequent expenditure related to fixed assets, including repair expenditure and renovation expenditure, etc., if such expenditures conform to the conditions for the confirmation of fixed assets, such expenditures will be recognized in the cost of fixed assets. For the replaced part, the book value shall be derecognized; If the expenditures do not meet the recognition conditions of fixed assets, such expenditures will be recognized in current period profits or losses when incurred.

Except for the fully depreciated fixed assets that are still in use, all the fixed assets of the Target Group shall be depreciated. Straight line method or use frequency shall be adopted for calculating depreciation. The depreciation expenses shall be separately included into the costs or current expenses of related assets by purposes. The depreciation life by category, estimated residuals rate and depreciation rate of the fixed assets of the Target Group are as follows:

S/N	**Category**	**Term of depreciation**	**Estimated residual rate**	**Annual depreciation rate**
		(Year)	*(%)*	*(%)*
1	Machinery equipment	10	5-10	9-9.5
2	Transportation equipment	5	5-10	18-19
3	Electronic equipment	5	5-10	18-19
4	Office equipment	5	5-10	18-19

The fixed assets leased by the Target Group are machinery and equipment, which are recognized as the fixed assets leased by financing on the basis of after-sales leaseback business. When the lease term expires, the ownership of the assets is transferred to the Target Group, and the purchase price is far lower than the fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined that the Target Group will exercise this option on the lease start date, which constitutes the after-sales leaseback business in the form of finance lease.

The Target Company will record the lower one of the fair value of the leasing asset and the present value of the minimum lease payments as the entering value in an account for fixed assets under financial lease. The balance between the entry value and the minimum lease payment shall be deemed as unrecognized financing cost.

The fixed assets under financial lease shall be depreciated according to the same depreciation policy as that for self-owned fixed assets. If it is reasonable to determine that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased fixed asset shall be depreciated over its estimated service life; otherwise, the leased fixed asset shall be depreciated over the shorter one of the lease term or its service life.

At the end of each year, the Target Group reviews the estimated useful life, estimated net residual value and depreciation methods of fixed assets. If a change occurs, it shall be treated as a change in accounting estimates.

If a fixed assets is disposed of or if no economic benefit will be obtained from the use or disposal, the recognition of such fixed assets is terminated. The disposal income from selling, transferring, discarding or damaging of fixed assets shall be deducted by the book value thereof and relevant taxes and then included in current profits and losses.

(15) Construction in progress

Construction in progress is measured at the actual cost. Self-operating construction projects should be measured at direct material fees, direct wages, direct construction fees; outsourced construction projects should be measured at payable project cost; the cost of equipment installation works should be determined as per value of the equipment to be installed, installation fees, commissioning fees, and other incurred expenditures. The cost of project under construction also includes borrowing costs and exchange profit or loss that should be capitalized.

Since the date when the construction in progress reaches its predetermined serviceable condition, according to the project budget, cost or actual cost of the project, etc. the construction in progress is transferred to fixed assets according to the estimated value. Depreciation will be commenced to accrue since the following month. The difference in the original value of fixed assets shall be adjusted after the final accounts formalities are completed.

(16) Borrowing costs

Borrowing costs include loan interests, amortization of discount or premium, auxiliary expenses and balance of exchange incurred from foreign currency borrowings. The borrowing costs for construction or production, which can be directly attributed to assets satisfying capitalization conditions, shall begin capitalization when the expenditures of the assets and the borrowing costs occur and construction or production activities necessary for making the assets available for predicted use or selling begin. The construction or production assets which satisfy capitalization conditions shall stop capitalization when the assets are available for predicted use or selling. Other borrowing costs shall be recognized as expenses in the current period at the time of occurrence.

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

Assets eligible for capitalization conditions refer to the assets such as the fixed assets, investment properties and inventories that require a considerable amount of time (usually referring to more than one year) to be purchased, constructed or manufactured before they reach their intended usable or marketable state.

If an abnormal interruption occurs in the purchase, construction or production process of an asset that meets the capitalization requirements and the interruption lasts for more than three consecutive months, the capitalization of the borrowing costs shall be suspended until the purchase, construction or production activities of the asset resume.

(17) Right-of-use assets

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

(1) Initial measurement

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

(2) Subsequent measurement

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

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

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

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

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

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

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

(18) Intangible assets

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

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

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

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

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

(1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) Where the management is intended to finish and use or sell the intangible assets;

(3) It can be demonstrated how the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

(5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Development expenditures not meeting the said conditions will be included in the current profits and losses when incurring. The development expenditures that have been included in the profits and losses previously shall not be recognized as assets in the subsequent period. The capitalized expenditures in the development stage shall be presented as development expenditures on the balance sheet and shall be transferred into intangible assets from the date when the project meets the expected conditions for use.

(19) Impairment of long-term assets

As for fixed asset, construction in progress, right-of-use assets, intangible asset with limited service life, investment properties measured at cost model, long-term equity investment on subsidiaries, joint ventures and associates, the Target Group will make impairment test if there is an indication of impairment on assets on the balance sheet date. Where the measurement result of the impairment test indicates that an asset's book value exceeds the recoverable amount, impairment provision shall be made based on its balances and recorded into the impairment loss. The recoverable amount of assets refers to the higher one of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. Asset impairment provision shall be calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable value of the single assets, the recoverable value shall be recognized as per the asset portfolio to which the single asset belongs. The asset group refers to the minimum combination of assets that can independently generate cash inflow.

Goodwill separately listed in the Historical Financial Information shall be tested for impairment at least once each year no matter whether there exists impairment indication. In conducting the impairment test, the book value of goodwill shall be amortized to the assets group or asset portfolio benefit from the synergy of business merger. 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 values of other assets within the asset portfolios or groups of asset portfolios in proportion to the book values of assets other than goodwill.

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

(20) Long-term deferred expenses

Long-term deferred expenses of the Target Group refer to paid expenses with amortization term above 1 year (excluded) in the current and later periods, and such expenses are under average amortization in benefit period. If the long-term deferred expenses will not benefit in the future accounting period, the amortized value of unamortized expenditures shall be all transferred to the current profits and losses.

(21) Contractual liabilities

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

(22) Employee compensation

The compensation for employees of the Target Group is short-term compensation. The short-term compensation mainly include salaries, bonuses, allowances & subsidy, staff welfare, social insurance premium, provident funds, labor union expenditures, personnel education fund and relevant expenditures spent in obtaining the staff's service. The actually incurred short-term benefits shall be recognized as liability in the accounting period when the staff are rendering their services and be included in the current profits and losses or relevant asset costs according to the beneficiaries.

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 Target 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.

(23) Lease liabilities

(1) Initial measurement

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

2) Discount rate

In calculating the present value of the lease payment, the Target 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 Target 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 Target Group should pay to borrow funds under similar mortgage conditions during a similar period in order to obtain assets with a value close to the value of the right-to-use assets under similar economic circumstances. The interest rate is related to the following matters: ① the Target Group's own situation, namely, the Target 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 Target Group's similar asset mortgage interest rate in the latest period, the Target 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 Target 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 Target Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Target 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 Target Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the book value of the right-to-use asset accordingly. If the book value of the right-to-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Target 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.

(24) Estimated liabilities

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

Estimated liabilities are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future cash outflow. On the balance sheet date, the book value of the estimated liabilities shall be reviewed and adjusted (if any change) to reflect current best estimate.

(25) Recognition principles and measuring methods of revenue

The Target 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 Target Group. Revenue should be recognized when it can be measured reliably or when future economic benefits may flow into the Target Group or the activities of the Target Group as described below meet certain standards.

The Target 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 Target 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 Target 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 Target 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 element in the contract, the Target Group determines the transaction price on the basis of the amount payable in cash assuming that the customer acquired control of the goods or services at the time of acquisition. The difference between the transaction price and the contract consideration shall be amortized over the contract period using the effective interest rate method. By the commence date of the contract, if the Target Group estimates that the interval between customer's control rights of goods or services and the payments of the customer is not more than one year, the significant financing components existing in the contract shall not be considered.

In case one of the following conditions is met, the Target 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 Target Group while performing the contract.

(2) The customer can control the goods under construction during the Target Group's performance.

(3) The goods generated during the performance of the Target Group are irreplaceable, and the Target 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 Target 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 Target 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.

For performance obligations performed at a certain time point, the Target 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 Target Group shall take the following indications into consideration:

(1) The Target Group enjoys the current collection right in regard to such goods or services.

(2) The Target Group has transferred the legal ownership of such goods to the customer.

(3) The Target Group has transferred to the physical goods to the customer.

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

(26) Government grants

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

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

Asset-related government grants shall be recognized as deferred incomes, and they shall be distributed with a reasonable and systematic method within the service life of related assets and included in the current profits and losses. When the related assets are sold, assigned, scraped or damaged before the end of service life, all the undistributed deferred incomes shall be transferred to current profit or loss for assets disposal.

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

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

(27) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Target Group shall be recognized by calculating the difference (temporary difference) between the tax base and book value thereof. As to taxable income with deductible loss and tax deduction that can be deducted in the future as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred income tax liabilities will not be recognized. For the temporary difference from initial recognition of assets or liabilities incurred in transaction which is not business combination and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred income tax assets and deferred income tax liabilities will 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 Target Group.

(28) 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 Target 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 Target 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 Target 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 Target Group will split the lease and non-lease parts and then carry out accounting treatment.

(2) The Target Group as the lessee

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

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

2) Lease change

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

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

If the lease change is not taken as a separate lease for the accounting treatment, the Target 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 Target 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 Target 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 Target Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-to-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-to-use asset accordingly.

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

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Target Group chooses not to recognize the right-to-use asset and lease liabilities. The Target 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.

(3) The Target Group as the lessor

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

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

If a lease has one or more of the following circumstances, the Target 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 leased assets are special in nature, and only the lessee can use them without major modification. If a lease has one or more of the following signs, the Target 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 profit 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 financial lease

Initial measurement

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

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

Subsequent measurement

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

Accounting treatment of lease change

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

If the change in financial lease is not taken as a separate lease for the accounting treatment, and takes effect on the lease commencement date, the lease will be classified as an operating lease condition, and the Target 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.

2) Accounting treatment of operating lease

Treatment of rent

In each lease term, the Target 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 Target 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 Target Group assumes some expenses of the lessee, such expenses will be deducted from the total rent income and distribute the balance of rental income, and the balance of the deducted rental income will be apportion in the lease term.

Initial direct expense

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

Variable lease payment

The Target 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 is actually occurs.

Change in operating lease

If there is a change in the operating lease, the Target 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.

4. TAXES

(1) Main taxes and tax rates

Tax type	Tax basis	Tax rate
VAT	Taxable amount of added value	16%, 13%, 6%
City maintenance and construction tax	VAT payable	7%
Educational surcharges	VAT payable	5%
Corporate income tax	Taxable income	25%, 15%

Note: According to the Notice on Adjusting the VAT Rates issued by the Ministry of Finance and the State Taxation Administration (CS [2018] No. 32), since 1 May 2018, if taxpayers had VAT taxable sales or imported goods and the original tax rates were 17% and 11%, the tax rates were adjusted to 16% and 10%, respectively. According to the Announcement on Policies Concerning Deepening VAT Reform issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Announcement No. 39 of 2019 by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), since 1 April 2019, if taxpayers have engaged in VAT taxable sales or imported goods and the original tax rates were 16% and 10%, the tax rates were adjusted to 13% and 9%, respectively. During the reporting period, the VAT rates adopted by the Target Group were 16%, 13% and 6%.

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

Name of taxpayer	Income tax rate
Qingdao BYTQ United Digital Intelligence Co., Ltd.	15%
Dongguan Tiancheng Intelligent Robot Technology Co., Ltd.	25%
Qingdao Beiyang Tianhe Vision Technology Co., Ltd.	25%

(2) Tax preference

(1) According to the relevant provisions of the Administrative Measures for Accreditation of High-tech Enterprises (GKFH [2016] No. 32) and the Guidelines for Accreditation of High-tech Enterprises (GKFH [2016] No. 195), the Target Company was recognized as a high-tech enterprise. On 30 November 2018, the Target Company obtained the high-tech enterprise certificate (No. GR201837101173), which is valid for three years.

(2) According to the relevant provisions of the Administrative Measures for Accreditation of High-tech Enterprises (GKFH [2008] No. 172) and the Guidelines for Accreditation of High-tech Enterprises (GKFH [2008] No. 362), the Target Company was recognized as a high-tech enterprise. On 4 December 2015, the Target Company obtained the high-tech enterprise certificate (No. GR201537100326), which is valid for three years.

5. FIXED ASSETS

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB	*RMB*	*RMB*	*RMB*
Fixed assets	1,091,674.43	1,284,647.54	3,268,198.19	3,857,965.25
Fixed assets pending for disposal	–	–	–	–
Total	1,091,674.43	1,284,647.54	3,268,198.19	3,857,965.25

Details of fixed assets

Item	**Machinery equipment**	**Transportation equipment**	**Electronic equipment**	**Office equipment**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original book amount					
1. Balance at 31 December 2016	178,162.44	504,349.57	184,945.40	104,601.33	972,058.74
2. Amount increased for the year	376,312.82	132,991.45	56,409.40	48,157.53	613,871.20
(1) Purchase	376,312.82	132,991.45	56,409.40	48,157.53	613,871.20
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2017	554,475.26	637,341.02	241,354.80	152,758.86	1,585,929.94
II. Accumulated depreciation					
1. Balance at 31 December 2016	47,671.00	99,307.39	49,428.64	43,760.51	240,167.54
2. Amount increased for the year	78,365.20	114,777.66	38,321.53	22,623.58	254,087.97
(1) Provision	78,365.20	114,777.66	38,321.53	22,623.58	254,087.97
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2017	126,036.20	214,085.05	87,750.17	66,384.09	494,255.51
III. Provision for impairment					
1. Balance at 31 December 2016	–	–	–	–	–
2. Amount increased for the year	–	–	–	–	–
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2017	–	–	–	–	–
IV. Book values					
1. Book value on 31 December 2017	428,439.06	423,255.97	153,604.63	86,374.77	1,091,674.43
1. Book value on 31 December 2016	130,491.44	405,042.18	135,516.76	60,840.82	731,891.20

Item	**Machinery equipment** *RMB*	**Transportation equipment** *RMB*	**Electronic equipment** *RMB*	**Office equipment** *RMB*	**Total** *RMB*
I. Original book amount					
1. Balance at 31 December 2017	554,475.26	637,341.02	241,354.80	152,758.86	1,585,929.94
2. Amount increased for the year	260,988.65	161,017.24	118,932.13	3,999.14	544,937.16
(1) Purchase	260,988.65	161,017.24	118,932.13	3,999.14	544,937.16
3. Amount decreased for the year					
4. Balance at 31 December 2018	815,463.91	798,358.26	360,286.93	156,758.00	2,130,867.10
II. Accumulated depreciation					
1. Balance at 31 December 2017	126,036.20	214,085.05	87,750.17	66,384.09	494,255.51
2. Amount increased for the year	135,542.94	131,908.20	55,382.81	29,130.10	351,964.05
(1) Provision	135,542.94	131,908.20	55,382.81	29,130.10	351,964.05
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2018	261,579.14	345,993.25	143,132.98	95,514.19	846,219.56
III. Provision for impairment					
1. Balance at 31 December 2017	–	–	–	–	–
2. Amount increased for the year	–	–	–	–	–
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2018	–	–	–	–	–
IV. Book values					
1. Book value on 31 December 2018	553,884.77	452,365.01	217,153.95	61,243.81	1,284,647.54
1. Book value on 31 December 2017	428,439.06	423,255.97	153,604.63	86,374.77	1,091,674.43

Item	Machinery equipment *RMB*	Transportation equipment *RMB*	Electronic equipment *RMB*	Office equipment *RMB*	Total *RMB*
I. Original book amount					
1. Balance at 31 December 2018	815,463.91	798,358.26	360,286.93	156,758.00	2,130,867.10
2. Amount increased for the year	1,519,385.45	717,321.26	147,814.31	137,584.10	2,522,105.12
(1) Purchase	1,519,385.45	717,321.26	147,814.31	137,584.10	2,522,105.12
3. Amount decreased for the year					
4. Balance at 31 December 2019	2,334,849.36	1,515,679.52	508,101.24	294,342.10	4,652,972.22
II. Accumulated depreciation					
1. Balance at 31 December 2018	261,579.14	345,993.25	143,132.98	95,514.19	846,219.56
2. Amount increased for the year	181,727.63	215,892.60	95,497.91	45,436.33	538,554.47
(1) Provision	181,727.63	215,892.60	95,497.91	45,436.33	538,554.47
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2019	443,306.77	561,885.85	238,630.89	140,950.52	1,384,774.03
III. Provision for impairment					
1. Balance at 31 December 2018	–	–	–	–	–
2. Amount increased for the year	–	–	–	–	–
3. Amount decreased for the year	–	–	–	–	–
4. Balance at 31 December 2019	–	–	–	–	–
IV. Book values					
1. Book value on 31 December 2019	1,891,542.59	953,793.67	269,470.35	153,391.58	3,268,198.19
1. Book value on 31 December 2018	553,884.77	452,365.01	217,153.95	61,243.81	1,284,647.54

Item	Machinery equipment *RMB*	Transportation equipment *RMB*	Electronic equipment *RMB*	Office equipment *RMB*	Total *RMB*
I. Original book amount					
1. Balance at 31 December 2019	2,334,849.36	1,515,679.52	508,101.24	294,342.10	4,652,972.22
2. Amount increased from January to September 2020	414,407.09	677,431.95	130,735.39	–	1,222,574.43
(1) Purchase	414,407.09	677,431.95	130,735.39	–	1,222,574.43
3. Amount decreased from January to September 2020					
4. Balance at 30 September 2020	2,749,256.45	2,193,111.47	638,836.63	294,342.10	5,875,546.65
II. Accumulated depreciation					
1. Balance at 31 December 2019	443,306.77	561,885.85	238,630.89	140,950.52	1,384,774.03
2. Amount increased from January to September 2020	216,686.64	277,298.73	95,136.61	43,685.39	632,807.37
(1) Provision	216,686.64	277,298.73	95,136.61	43,685.39	632,807.37
3. Amount decreased from January to September 2020	–	–	–	–	–
4. Balance at 30 September 2020	659,993.41	839,184.58	333,767.50	184,635.91	2,017,581.40
III. Provision for impairment					
1. Balance at 31 December 2019	–	–	–	–	–
2. Amount increased from January to September 2020	–	–	–	–	–
3. Amount decreased from January to September 2020	–	–	–	–	–
4. Balance at 30 September 2020	–	–	–	–	–
IV. Book values					
1. Book value on 30 September 2020	2,089,263.04	1,353,926.89	305,069.13	109,706.19	3,857,965.25
1. Book value on 31 December 2019	1,891,542.59	953,793.67	269,470.35	153,391.58	3,268,198.19

6. INTANGIBLE ASSETS

	Patents *RMB*	Total *RMB*
I. Original book amount		
1. Balance at 31 December 2016	96,000.00	96,000.00
2. Amount increased for the year	–	–
3. Amount decreased for the year	–	–
4. Balance at 31 December 2017	96,000.00	96,000.00
II. Accumulated amortization		
1. Balance at 31 December 2016	20,000.25	20,000.25
2. Amount increased for the year	9,600.12	9,600.12
(1) Provision	9,600.12	9,600.12
3. Amount decreased for the year	–	–
4. Balance at 31 December 2017	29,600.37	29,600.37
III. Provision for impairment		
1. Balance at 31 December 2016	–	–
2. Amount increased for the year	–	–
3. Amount decreased for the year	–	–
4. Balance at 31 December 2017	–	–
IV. Book values		
1. Book value on 31 December 2017	66,399.63	66,399.63
1. Book value on 31 December 2016	75,999.75	75,999.75

	Patents *RMB*	Software *RMB*	Total *RMB*
I. Original book amount			
1. Balance at 31 December 2017	96,000.00	–	96,000.00
2. Amount increased for the year	–	129,379.31	129,379.31
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2018	96,000.00	129,379.31	225,379.31
II. Accumulated amortization			
1. Balance at 31 December 2017	29,600.37	–	29,600.37
2. Amount increased for the year	9,600.12	3,234.48	12,834.60
(1) Provision	9,600.12	3,234.48	12,834.60
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2018	39,200.49	3,234.48	42,434.97
III. Provision for impairment			
1. Balance at 31 December 2017	–	–	–
2. Amount increased for the year	–	–	–
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2018	–	–	–
IV. Book values			
1. Book value on 31 December 2018	56,799.51	126,144.83	182,944.34
1. Book value on 31 December 2017	66,399.63	–	66,399.63

	Patents *RMB*	Software *RMB*	Total *RMB*
I. Original book amount			
1. Balance at 31 December 2018	96,000.00	129,379.31	225,379.31
2. Amount increased for the year	–	–	–
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2019	96,000.00	129,379.31	225,379.31
II. Accumulated amortization			
1. Balance at 31 December 2018	39,200.49	3,234.48	42,434.97
2. Amount increased for the year	9,600.12	12,937.92	22,538.04
(1) Provision	9,600.12	12,937.92	22,538.04
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2019	48,800.61	16,172.40	64,973.01
III. Provision for impairment			
1. Balance at 31 December 2018	–	–	–
2. Amount increased for the year	–	–	–
3. Amount decreased for the year	–	–	–
4. Balance at 31 December 2019	–	–	–
IV. Book values			
1. Book value on 31 December 2019	47,199.39	113,206.91	160,406.30
1. Book value on 31 December 2018	56,799.51	126,144.83	182,944.34

	Patents *RMB*	Software *RMB*	Total *RMB*
I. Original book amount			
1. Balance at 31 December 2019	96,000.00	129,379.31	225,379.31
2. Amount increased from January to September 2020	–	–	–
3. Amount decreased from January to September 2020	–	–	–
4. Balance at 30 September 2020	96,000.00	129,379.31	225,379.31
II. Accumulated amortization			
1. Balance at 31 December 2019	48,800.61	16,172.40	64,973.01
2. Amount increased from January to September 2020	7,200.09	9,703.44	16,903.53
(1) Provision	7,200.09	9,703.44	16,903.53
3. Amount decreased from January to September 2020	–	–	–
4. Balance at 30 September 2020	56,000.70	25,875.84	81,876.54
III. Provision for impairment			
1. Balance at 31 December 2019	–	–	–
2. Amount increased from January to September 2020	–	–	–
3. Amount decreased from January to September 2020	–	–	–
4. Balance at 30 September 2020	–	–	–
IV. Book values			
1. Book value on 30 September 2020	39,999.30	103,503.47	143,502.77
1. Book value on 31 December 2019	47,199.39	113,206.91	160,406.30

7. DEFERRED TAX ASSETS/LIABILITIES

(1) Deferred income tax assets not offset

	Deferred income tax assets	Deductible temporary difference
	RMB	*RMB*
As at 31 December 2017		
Provision for impairment of assets	73,135.38	487,569.21
Estimated liabilities	–	–
Uninvoiced cost	–	–
Total	73,135.38	487,569.21
As at 31 December 2018		
Provision for impairment of assets	30,973.70	206,491.35
Estimated liabilities	–	–
Uninvoiced cost	–	–
Total	30,973.70	206,491.35
As at 31 December 2019		
Provision for impairment of assets	146,901.32	979,156.93
Estimated liabilities	164,495.58	1,096,637.23
Uninvoiced cost	196,558.11	1,310,387.43
Total	507,955.01	3,386,181.59
As at 30 September 2020		
Provision for impairment of assets	446,443.92	2,976,014.99
Estimated liabilities	126,149.76	840,998.37
Uninvoiced cost	1,253,802.43	8,358,682.95
Total	1,826,396.11	12,175,696.31

(2) Details of unrecognized deferred income tax assets

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB	*RMB*	*RMB*	*RMB*
Deductible loss	–	–	2,188,027.63	3,954,751.20

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

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Year:				
– 2021	–	–	–	–
– 2022	–	–	–	–
– 2023	–	–	–	–
– 2024	–	–	2,188,027.63	2,188,027.63
– 2025	–	–	–	1,766,723.57
Total	–	–	2,188,027.63	3,954,751.20

8. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Cash on hand	5,611.10	15,893.61	1,143.66	7,051.66
Cash at bank	10,173,196.45	23,478,944.73	22,276,392.86	32,087,533.74
Other cash at bank and on hand	8,460.06	3,812,413.65	4,348,807.11	25,352,832.82
Total	10,187,267.61	27,307,251.99	26,626,343.63	57,447,418.22

9. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Financial assets measured at fair value through profit or loss	6,054,621.38	8,379,078.72	8,322,530.58	5,072,542.46
Including: Equity instrument investments	6,054,621.38	8,379,078.72	8,322,530.58	5,072,542.46

10. NOTES RECEIVABLE

(1) Presentation of notes receivable by types

	Book balance	Bad debt provision	Book value
	RMB	*RMB*	*RMB*
As at 31 December 2017			
Bank acceptance notes	0.00	–	0.00
Trade acceptance notes	–	–	–
Total	0.00	–	0.00
As at 31 December 2018			
Bank acceptance notes			
Trade acceptance notes	164,700.00	1,535.26	163,164.74
Total	164,700.00	1,535.26	163,164.74
As at 31 December 2019			
Bank acceptance notes	3,520,000.00	–	3,520,000.00
Trade acceptance notes	854,700.00	40,613.19	814,086.81
Total	4,374,700.00	40,613.19	4,334,086.81
As at 30 September 2020			
Bank acceptance notes	25,018,280.00	–	25,018,280.00
Trade acceptance notes	345,000.00	5,553.76	339,446.24
Total	25,363,280.00	5,553.76	25,357,726.24

(2) Notes receivables which have been pledged at the end of the year

	As at 31 December			As at 30 September 2020
	2017	2018	2019	
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptance notes	1,010,000.00	–	3,520,000.00	25,018,280.00

11. ACCOUNTS RECEIVABLE

(1) Classification

	Book balance		Bad debt provision		
	Amount	Proportion	Amount	Proportion	Book value
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
As at 31 December 2017					
Provision for bad debts made as per portfolio	13,094,868.79	100.00	487,521.79	3.72	12,607,347.00
As at 31 December 2018					
Provision for bad debts made as per portfolio	14,430,950.62	100.00	204,406.55	1.42	14,226,544.07
As at 31 December 2019					
Provision for bad debts made as per portfolio	32,195,789.41	100.00	933,146.90	2.90	31,262,642.51
As at 30 September 2020					
Provision for bad debts made as per portfolio	52,868,173.36	100.00	2,925,650.88	5.53	49,942,522.48

Provision for bad debts of accounts receivable made by portfolio

	Book balance		Bad debt
	Amount	**Proportion**	**provision**
	RMB	*(%)*	*RMB*
As at 31 December 2017			
Within 1 year	8,875,446.85	67.78	82,733.17
1-2 years	3,247,590.37	24.80	251,271.09
2-3 years	971,831.57	7.42	153,517.53
Total	13,094,868.79	100.00	487,521.79
As at 31 December 2018			
Within 1 year	13,403,950.62	92.88	124,945.97
1-2 years	1,027,000.00	7.12	79,460.58
2-3 years	–	–	–
Total	14,430,950.62	100.00	204,406.55
As at 31 December 2019			
Within 1 year	29,761,767.39	92.44	479,100.67
1-2 years	2,289,022.02	7.11	410,073.67
2-3 years	145,000.00	0.45	43,972.56
Total	32,195,789.41	100.00	933,146.90
As at 30 September 2020			
Within 1 year	40,675,597.40	76.94	654,789.94
1-2 years	11,494,930.15	21.74	2,059,293.53
2-3 years	697,645.81	1.32	211,567.41
Total	52,868,173.36	100.00	2,925,650.88

(2) Bad debt provision of accounts receivable

	Stage I Expected credit loss in the future 12 months *RMB*	Stage II Expected credit loss within whole duration (no credit impairment occurred) *RMB*	Stage III Expected credit loss within whole duration (credit impairment has occurred) *RMB*	Total *RMB*
Balance on 31 December 2016	–	295,203.77	–	295,203.77
Book balance of accounts receivable as at 31 December 2016 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	192,318.02	–	192,318.02
Transferred back for the year	–	–	–	–
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2017	–	487,521.79	–	487,521.79
Balance on 31 December 2017	–	487,521.79	–	487,521.79
Book balance of accounts receivable as at 31 December 2017 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	–	–	–
Transferred back for the year	–	283,115.24	–	283,115.24
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2018	–	204,406.55	–	204,406.55

	Stage I Expected credit loss in the future 12 months *RMB*	Stage II Expected credit loss within whole duration (no credit impairment occurred) *RMB*	Stage III Expected credit loss within whole duration (credit impairment has occurred) *RMB*	Total *RMB*
Balance on 31 December 2018	–	204,406.55	–	204,406.55
Book balance of accounts receivable as at 31 December 2018 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	728,740.35	–	728,740.35
Transferred back for the year	–	–	–	–
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2019	–	933,146.90	–	933,146.90
Balance on 31 December 2019	–	933,146.90	–	933,146.90
Book balance of accounts receivable as at 31 December 2019 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued from January to September 2020	–	1,992,503.98	–	1,992,503.98
Transferred back from January to September 2020	–	–	–	–
Resold from January to September 2020	–	–	–	–
Written-off from January to September 2020	–	–	–	–
Other changes	–	–	–	–
Balance on 30 September 2020	–	2,925,650.88	–	2,925,650.88

(3) Bad debt provisions made, recovered or reversed

	Balance brought forward	Provision	Accounts recovered or transferred back	Write-off	Balance carried forward
		Movements during the year/period			
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Year ended 31 December 2017					
Accounts receivable	295,203.77	192,318.02	–	–	487,521.79
Year ended 31 December 2018					
Accounts receivable	487,521.79	–	283,115.24	–	204,406.55
Year ended 31 December 2019					
Accounts receivable	204,406.55	728,740.35	–	–	933,146.90
Nine months ended 30 September 2020					
Accounts receivable	933,146.90	1,992,503.98	–	–	2,925,650.88

(4) Accounts receivable with top five balances collected as per the borrowers are as followings:

	Carrying amount	Aging	Proportion in total accounts receivable	Bad debt provision
	RMB		*(%)*	*RMB*
Year ended 31 December 2017				
INXA LIMITED	3,234,690.37	1-2 years	24.70	250,273.00
Aucma Company Limited Manufacturing Branch	2,608,814.04	Within 1 year	19.92	24,318.26
Hisense Rongsheng (Guangdong) refrigerator Co., Ltd	2,245,000.00	Within 1 year	17.14	20,926.94
Foshan Qunzhi photoelectric Co., Ltd	1,062,208.00	Within 1 year	8.11	9,901.45
INXIGHT LIMITED	971,831.57	2-3 years	7.42	153,517.53
Total	10,122,543.98		77.29	458,937.18
Year ended 31 December 2018				
Aucma Company Limited Manufacturing Branch	4,863,316.35	Within 1 year	33.70	45,333.78
Hefei Haier roller washing machine Co., Ltd	2,516,000.00	Within 1 year	17.43	23,453.09
Qingdao Haier Electronic Plastic Co., Ltd	2,131,034.48	Within 1 year	14.77	19,864.60
Qingdao Jiaonan Haier washing machine Co., Ltd	1,665,638.65	Within 1 year	11.54	15,526.38
Qingdao haopin Haizhi Information Technology Co., Ltd	1,175,820.00	Within 1 year	8.15	10,960.50
Total	12,351,809.48		85.59	115,138.35

	Carrying amount *RMB*	Aging	Proportion in total accounts receivable *(%)*	Bad debt provision *RMB*
Year ended 31 December 2019				
Qingdao Jiaonan Haier washing machine Co., Ltd	10,459,685.51	Within 1 year, 1-2 year	32.49	216,067.20
Qingdao Haier dishwasher Co., Ltd	4,124,546.72	Within 1 year, 1-2 year	12.81	179,810.96
Qingdao Haier special refrigeration appliance Co., Ltd	3,978,022.89	Within 1 year	12.36	64,037.64
Aucma Company Limited Manufacturing Branch	3,813,143.46	Within 1 year, 1-2 year	11.84	67,203.07
Qingdao Haier Intelligent Electrical Equipment Co., Ltd	2,026,127.28	Within 1 year	6.29	32,616.31
Total	24,401,525.86		75.79	559,735.18
Nine months ended 30 September 2020				
Qingdao Haier Smart Electrics Equipment Co., Ltd.	9,753,206.90	Note 1	18.45	487,366.03
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	8,709,159.65	Note 2	16.47	988,248.53
Qingdao Haier Refrigerator Co., Ltd.	4,850,523.17	Within 1 year	9.17	78,083.03
Aucma Company Limited Manufacturing Branch	4,592,465.25	Within 1 year	8.69	73,928.85
Haier Smart Home Co., Ltd.	4,077,460.35	Within 1 year	7.71	129,139.93
Total	31,982,815.32		60.49	1,756,766.37

Note 1: The ending balance on 30 September 2020 totals RMB 9,753,206.90, including RMB 7,727,079.62 aged within one year and RMB 2,026,127.28 aged within one to two years.

Note 2: The ending balance on 30 September 2020 totals RMB 8,709,159.65, including RMB 3,508,000.00 aged within one year and RMB 5,201,159.65 aged within one to two years.

12. RECEIVABLES FINANCING

	As at 31 December			As at 30 September
	2017 *RMB*	2018 *RMB*	2019 *RMB*	2020 *RMB*
Notes receivable	4,379,463.00	–	1,497,090.00	1,242,180.00

13. ADVANCES TO SUPPLIERS

(1) Aging of advances to suppliers

	Amount *RMB*	Proportion *(%)*
As at 31 December 2017		
Within 1 year	1,719,675.09	96.42
1 to 2 years	63,766.00	3.58
Total	1,783,441.09	100.00
As at 31 December 2018		
Within 1 year	4,052,216.60	96.79
1 to 2 years	99,462.20	2.38
2 to 3 years	34,837.00	0.83
Total	4,186,515.80	100.00
As at 31 December 2019		
Within 1 year	1,347,801.97	100.00
1 to 2 years	–	–
Total	1,347,801.97	100.00
As at 30 September 2020		
Within 1 year	19,381,291.50	100.00
1 to 2 years	–	–
Total	19,381,291.50	100.00

(2) Advances to suppliers with top five balances collected as per the suppliers are as followings:

	Carrying value	Aging	Proportion in total balance of advances to suppliers
	RMB		*(%)*
As at 31 December 2017			
Shanghai ABB Engineering Co., Ltd	1,461,480.00	Within 1 year	81.95
Shandong Wenkang law firm	103,773.58	Within 1 year	5.82
Qingdao Lutao automation equipment Co., Ltd	52,258.00	Within 1 year	2.93
Guangzhou Baiyun District Hengtong conveying machinery factory	35,600.00	Within 1 year	2.00
Qingdao Kailin Auto Parts Co., Ltd	23,084.47	Within 1 year	1.29
Total	1,676,196.05		93.99
As at 31 December 2018			
Qingdao haopin Haizhi Information Technology Co., Ltd	1,764,280.85	Within 1 year	42.14
Shanghai ABB Engineering Co., Ltd	1,231,613.60	Within 1 year	29.42
Qingdao forerunner Automation Technology Co., Ltd	500,000.00	Within 1 year	11.94
Nuoxin (China) Co., Ltd	286,350.00	Within 1 year	6.84
ACCENT PACKAGING INC.DBA ACCENT WIRE TIE	272,295.10	Within 1 year	6.50
Total	4,054,539.55		96.84
As at 31 December 2019			
Shanghai ABB Engineering Co., Ltd	544,387.49	Within 1 year	40.39
Xuzhou forging Heng Precision Machinery Technology Co., Ltd	135,000.00	Within 1 year	10.02
Qingdao Xinsheng Ruixiang Intelligent Equipment Manufacturing Co., Ltd	99,000.00	Within 1 year	7.35
Qingxi branch of Dongguan Jinzheng Machinery Co., Ltd	90,900.00	Within 1 year	6.74
Qingdao Ruitong Machine Tool Co., Ltd	62,750.00	Within 1 year	4.66
Total	932,037.49		69.16
As at 30 September 2020			
Anhui Kingpower Equipment and Mould Manufacture Co., Ltd.	7,076,000.00	Within 1 year	36.51
Anhui Kechang Machinery Manufacturing Incorporated Co., Ltd.	3,532,000.00	Within 1 year	18.22
Qingdao HDMECH Intelligent Equipment Co., Ltd.	3,312,000.00	Within 1 year	17.09
Guangdong Topstar Technology Co., Ltd.	2,118,500.00	Within 1 year	10.93
Xiangtan Fangleng Polyurethane Equipment Co., Ltd.	1,206,000.00	Within 1 year	6.22
Total	17,244,500.00		88.97

14. OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Interest receivable	–	–	–	–
Dividends receivable	–	–	–	–
Other receivables	140,489.08	304,132.20	516,429.75	794,509.49
Total	140,489.08	304,132.20	516,429.75	794,509.49

(1) Classification

	Book balance		Bad debt provision		
	Amount	**Proportion**	**Amount**	**Proportion**	**Book value**
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
As at 31 December 2017					
Provision for bad debts of other receivables made individually	–	–	–	–	–
Provision for bad debts of other receivables made as per portfolio	140,603.75	100.00	114.67	0.08	140,489.08
Total	140,603.75	100.00	114.67	0.08	140,489.08
As at 31 December 2018					
Provision for bad debts of other receivables made individually	–	–	–		–
Provision for bad debts of other receivables made as per portfolio	304,681.74	100.00	549.54	0.18	304,132.20
Total	304,681.74	100.00	549.54	0.18	304,132.20
As at 31 December 2019					
Provision for bad debts of other receivables made individually					
Provision for bad debts of other receivables made as per portfolio	521,826.59	100.00	5,396.84	1.03	516,429.75
Total	521,826.59	100.00	5,396.84	1.03	516,429.75
As at 30 September 2020					
Provision for bad debts of other receivables made individually	38,100.00	4.04	38,100.00	100	–
Provision for bad debts of other receivables made as per portfolio	801,219.84	95.96	6,710.35	0.84	794,509.49
Total	839,319.84	100.00	44,810.35	5.34	794,509.49

(2) Other receivables with provision for bad debts made individually

	Book balance *RMB*	Bad debt provision *RMB*	Provision proportion *(%)*	Reason of provision
As at 30 September 2020				
Huang Min	22,400.00	22,400.00	100	Expected to be irrecoverable
Li Gang	10,000.00	10,000.00	100	Expected to be irrecoverable
Tang Deqi	3,000.00	3,000.00	100	Expected to be irrecoverable
Liu Kejia	2,700.00	2,700.00	100	Expected to be irrecoverable
Total	38,100.00	38,100.00		

(3) Other receivables with provision for bad debts made as per portfolio

	Book value		
	Amount *RMB*	Provision proportion *(%)*	Bad debt provision *RMB*
As at 31 December 2017			
Within 1 year	140,523.75	99.94	112.42
1-2 years			
2-3 years	80.00	0.06	2.25
3-4 years			
4-5 years			
Over 5 years			
Total	140,603.75	100.00	114.67
As at 31 December 2018			
Within 1 year	254,601.74	83.56	191.14
1-2 years	50,000.00	16.41	348.94
2-3 years			
3-4 years	80.00	0.03	9.46
4-5 years			
Over 5 years			
Total	304,681.74	100.00	549.54
As at 31 December 2019			
Within 1 year	500,746.59	95.96	4,194.87
1-2 years	3,000.00	0.57	89.83
2-3 years	18,000.00	3.45	1,085.48
3-4 years	–	–	–
4-5 years	80.00	0.02	26.66
Over 5 years	–	–	–
Total	521,826.59	100.00	5,396.84
As at 30 September 2020			
Within 1 year	774,921.06	96.72	5,490.59
1-2 years	21,578.78	2.69	646.14
2-3 years	–	–	–
3-4 years	4,640.00	0.58	493.62
4-5 years	–	–	–
Over 5 years	80.00	0.01	80.00
Total	801,219.84	100.00	6,710.35

(4) Other receivables – bad debt provision withdrawn

	Stage I **Expected credit loss in the future 12 months** *RMB*	**Stage II** **Expected credit loss within whole duration (no credit impairment occurred)** *RMB*	**Stage III** **Expected credit loss within whole duration (credit impairment has occurred)** *RMB*	**Total** *RMB*
Balance on 31 December 2016	–	6,428.72	–	6,428.72
Book balance of other receivables as at 31 December 2016 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	–	–	–
Transferred back for the year	–	6,314.05	–	6,314.05
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2017	–	114.67	–	114.67
			–	
Balance on 31 December 2017	–	114.67	–	114.67
Book balance of other receivables as at 31 December 2017 in the current period	–		–	
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	434.87	–	434.87
Transferred back for the year	–	–	–	–
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2018	–	549.54	–	549.54

	Stage I Expected credit loss in the future 12 months *RMB*	Stage II Expected credit loss within whole duration (no credit impairment occurred) *RMB*	Stage III Expected credit loss within whole duration (credit impairment has occurred) *RMB*	Total *RMB*
Balance on 31 December 2018	–	549.54	–	549.54
Book balance of other receivables as at 31 December 2018 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued for the year	–	4,847.30	–	4,847.30
Transferred back for the year	–	–	–	–
Resold for the year	–	–	–	–
Written-off for the year	–	–	–	–
Other changes	–	–	–	–
Balance on 31 December 2019	–	5,396.84	–	5,396.84
Balance on 31 December 2019	–	5,396.84	–	5,396.84
Book balance of other receivables as at 31 December 2019 in the current period				
– Be transferred to Stage II	–	–	–	–
– Be transferred to Stage III	–	–	–	–
– Be transferred back to Stage II	–	–	–	–
– Be transferred back to Stage I	–	–	–	–
Accrued from January to September 2020	–	1,313.51	38,100.00	39,413.51
Transferred back from January to September 2020	–	–	–	–
Resold from January to September 2020	–	–	–	–
Written-off from January to September 2020	–	–	–	–
Other changes	–	–	–	–
Balance on 30 September 2020	–	6,710.35	38,100.00	44,810.35

(5) Other receivables – bad debt provision

	Balance brought forward *RMB*	Provision *RMB*	Accounts recovered or transferred back *RMB*	Amounts charged or written off *RMB*	Balance carried forward *RMB*
	Movements during the year/period				
Year ended 31 December 2017					
Other receivables	6,428.72	–	6,314.05	–	114.67
Year ended 31 December 2018					
Other receivables	114.67	434.87		–	549.54
Year ended 31 December 2019					
Other receivables	549.54	4,847.30	–	–	5,396.84
Nine months ended 30 September 2020					
Other receivables	5,396.84	39,413.51	–	–	44,810.35

(6) Other receivables with top five balances collected as per the borrowers are as followings:

	Payment nature	Carrying value *RMB*	Aging	Proportion in total other receivables *(%)*	Balance carried forward *RMB*
		Movements during the year/period			
Year ended 31 December 2017					
Qingdao Hisense Hitachi air conditioning system Co., Ltd	Cash deposit	70,000.00	Within 1 year	49.79	56.00
Hisense (Shandong) refrigerator Co., Ltd	Cash deposit	20,000.00	Within 1 year	14.22	16.00
Qingdao Liding automation equipment Co., Ltd	Cash deposit	16,010.00	Within 1 year	11.39	12.81
Qingdao Oriental International Tendering Co., Ltd	Cash deposit	15,800.00	Within 1 year	11.24	12.64
Qingdao Jinhui lanbowan Industrial Co., Ltd	Cash deposit	14,317.45	Within 1 year	10.18	11.45
Total		136,127.45		96.82	108.90
Year ended 31 December 2018					
Cui Zhaohuai	Petty cash	150,000.00	Within 1 year	49.23	112.61
Xiao Zhonghai	Petty cash	40,000.00	Within 1 year	13.13	30.03
Xu Binglei	Petty cash	22,175.10	Within 1 year	7.28	16.65
Ying Rucai	Petty cash	16,060.00	Within 1 year	5.27	12.06
Qingdao Liding automation equipment Co., Ltd	Cash deposit	30,000.00	1 to 2 years	9.85	209.36
Total		258,235.10		84.76	380.71

	Payment nature	Carrying value *RMB*	Aging	Movements during the year/period Balance carried forward *(%)*	Proportion in total other receivables *RMB*
Year ended 31 December 2019					
Qingdao Haier International Travel Agency Co., Ltd	Cash deposit	206,570.00	Within 1 year	39.59	1,730.48
Zhou Yerong	Petty cash	161,891.46	Within 1 year	31.02	1,356.20
Huang Min	Petty cash	22,400.00	Within 1 year	4.29	187.65
Qingdao Hisense HVAC Equipment Co., Ltd	Cash deposit	20,000.00	Within 1 year	3.83	167.54
Beijing wankun Certification Service Co., Ltd	Cash deposit	19,000.00	Within 1 year	3.64	159.17
Total		429,861.46		82.37	3,601.04
Nine months ended 30 September 2020					
Qingdao Zhengli Technology Co., Ltd.	Cash deposit	200,000.00	Within 1 year	23.83	1,675.44
Tao Chao	Petty cash	123,780.00	Within 1 year	14.75	1,036.93
Qingdao High-tech Zone Juxianqiao Road Gas Station Co., Ltd.	Current accounts	66,803.38	Within 1 year	7.96	559.63
Withholding social insurance premiums	Advance payments made on behalf of other party	59,886.42	Within 1 year	7.14	0.00
Zhou Yerong	Petty cash	50,000.00	Within 1 year	5.96	418.86
Hisense (Guangdong) Kitchen & Bath System Co., Ltd.	Cash deposit	50,000.00	Within 1 year	5.96	418.86
Total		550,469.80		65.60	4,109.72

15. INVENTORIES

	Book balance *RMB*	Provision for inventory depreciation or contract performance cost impairment *RMB*	Book value *RMB*
As at 31 December 2017			
Raw materials	1,971,420.11	–	1,971,420.11
Goods in transit	1,692,307.69	–	1,692,307.69
Products in process	9,809,030.45	–	9,809,030.45
Total	13,472,758.25	–	13,472,758.25
As at 31 December 2018			
Raw materials	1,875,132.71	–	1,875,132.71
Products in process	20,494,981.73	–	20,494,981.73
Total	22,370,114.44	–	22,370,114.44
As at 31 December 2019			
Raw materials	1,349,250.25	–	1,349,250.25
Products in process	16,132,686.02	–	16,132,686.02
Total	17,481,936.27	–	17,481,936.27
As at 30 September 2020			
Raw materials	1,604,210.64	–	1,604,210.64
Products in process	32,513,648.26	–	32,513,648.26
Total	34,117,858.90	–	34,117,858.90

16. OTHER CURRENT ASSETS

	As at 31 December			As at 30 September
	2017 *RMB*	**2018** *RMB*	**2019** *RMB*	**2020** *RMB*
Deferred expenses	–	–	–	1,057,615.46
Advance tax	259,389.24	–	–	–
Input VAT deduction	580,185.57	–	13,062.72	18,513.25
Total	839,574.81	–	13,062.72	1,076,128.71

17. NOTES PAYABLE

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptance notes	1,010,635.02	9,764,244.59	7,861,393.81	36,172,173.08

18. ACCOUNTS PAYABLE

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Within 1 year (including 1 year)	11,146,064.51	3,209,484.62	15,856,078.31	21,296,242.03
1-2 years (including 2 years)	–	2,266,005.31	149,745.94	145,195.87
2-3 years (including 3 years)	–	–	360,505.31	144,872.31
Total	11,146,064.51	5,475,489.93	16,366,329.56	21,586,310.21

19. CONTRACTUAL LIABILITIES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Goods payment received in advance	3,042,888.34	17,189,212.70	10,449,882.63	79,557,993.69
Including: more than one year	–	–	–	2,593,734.80

20. EMPLOYEE COMPENSATION PAYABLE

(1) Classification

	Balance brought forward *RMB*	Increase during the year/period *RMB*	Decrease during the year/period *RMB*	Balance carried forward *RMB*
As at 31 December 2017				
Short-term compensation	385,293.06	5,358,237.84	5,330,610.26	412,920.64
Post-employment welfare – Defined contribution plan	–	315,287.94	315,287.94	–
Total	385,293.06	5,673,525.78	5,645,898.20	412,920.64
As at 31 December 2018				
Short-term compensation	412,920.64	8,700,220.33	8,447,206.12	665,934.85
Post-employment welfare – Defined contribution plan	–	517,397.60	517,397.60	–
Total	412,920.64	9,217,617.93	8,964,603.72	665,934.85
As at 31 December 2019				
Short-term compensation	665,934.85	14,484,578.87	14,089,743.48	1,060,770.24
Post-employment welfare – Defined contribution plan	–	1,391,054.65	1,383,453.34	7,601.31
Total	665,934.85	15,875,633.52	15,473,196.82	1,068,371.55
As at 30 September 2020				
Short-term compensation	1,060,770.24	13,389,225.00	13,118,095.65	1,331,899.59
Post-employment welfare – Defined contribution plan	7,601.31	79,779.53	87,147.14	233.70
Total	1,068,371.55	13,469,004.53	13,205,242.79	1,332,133.29

(2) Short-term compensation

	Balance brought forward *RMB*	Increase during the year/period *RMB*	Decrease during the year/period *RMB*	Balance carried forward *RMB*
As at 31 December 2017				
Salaries, bonuses, allowances and subsidies	385,293.06	4,712,393.64	4,684,766.06	412,920.64
Employee welfare	–	336,760.50	336,760.50	–
Social insurance premium	–	181,683.60	181,683.60	–
Including: medical insurance premium	–	151,807.38	151,807.38	–
Work-related injury insurance premium	–	12,995.64	12,995.64	–
Birth insurance premium	–	16,880.58	16,880.58	–
Housing provident fund	–	127,200.00	127,200.00	–
Employee education fund	–	200.10	200.10	–
Total	385,293.06	5,358,237.84	5,330,610.26	412,920.64
As at 31 December 2018				
Salaries, bonuses, allowances and subsidies	412,920.64	7,556,460.08	7,303,445.87	665,934.85
Employee welfare	–	631,362.92	631,362.92	–
Social insurance premium	–	294,962.57	294,962.57	–
Including: medical insurance premium	–	243,502.76	243,502.76	–
Work-related injury insurance premium	–	10,012.27	10,012.27	–
Birth insurance premium	–	41,447.54	41,447.54	–
Housing provident fund	–	173,000.00	173,000.00	–
Employee education fund	–	44,434.76	44,434.76	–
Total	412,920.64	8,700,220.33	8,447,206.12	665,934.85
As at 31 December 2019				
Salaries, bonuses, allowances and subsidies	665,934.85	11,991,686.22	11,596,850.83	1,060,770.24
Employee welfare	–	1,307,173.32	1,307,173.32	–
Social insurance premium	–	811,343.07	811,343.07	–
Including: medical insurance premium	–	677,875.03	677,875.03	–
Work-related injury insurance premium	–	17,920.73	17,920.73	–
Birth insurance premium	–	115,547.31	115,547.31	–
Housing provident fund	–	374,376.26	374,376.26	–
Employee education fund	–	–	–	–
Total	665,934.85	14,484,578.87	14,089,743.48	1,060,770.24

	Balance brought forward *RMB*	Increase during the year/period *RMB*	Decrease during the year/period *RMB*	Balance carried forward *RMB*
As at 30 September 2020				
Salaries, bonuses, allowances and subsidies	1,060,770.24	12,070,216.65	11,799,087.30	1,331,899.59
Employee welfare	–	755,635.81	755,635.81	–
Social insurance premium	–	353,363.54	353,363.54	–
Including: medical insurance premium	–	349,437.20	349,437.20	–
Work-related injury insurance premium	–	1,753.98	1,753.98	–
Birth insurance premium	–	2,172.36	2,172.36	–
Housing provident fund	–	203,899.00	203,899.00	–
Employee education fund	–	6,110.00	6,110.00	–
Total	1,060,770.24	13,389,225.00	13,118,095.65	1,331,899.59

(3) Defined contribution plan

	Balance brought forward *RMB*	Increase during the year/period *RMB*	Decrease during the year/period *RMB*	Balance carried forward *RMB*
As at 31 December 2017				
Basic endowment insurance	–	303,472.68	303,472.68	–
Unemployment insurance premium	–	11,815.26	11,815.26	–
Total	–	315,287.94	315,287.94	–
As at 31 December 2018				
Basic endowment insurance	–	498,025.62	498,025.62	–
Unemployment insurance premium	–	19,371.98	19,371.98	–
Total	–	517,397.60	517,397.60	–
As at 31 December 2019				
Basic endowment insurance	–	1,337,133.01	1,329,531.70	7,601.31
Unemployment insurance premium	–	53,921.64	53,921.64	–
Total	–	1,391,054.65	1,383,453.34	7,601.31
As at 30 September 2020				
Basic endowment insurance	7,601.31	76,269.38	83,636.99	233.70
Unemployment insurance premium	–	3,510.15	3,510.15	–
Total	7,601.31	79,779.53	87,147.14	233.70

21. TAXES PAYABLE

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
VAT	–	505,575.51	345,448.54	918,288.26
Corporate income tax	–	261,406.29	100,200.28	500,148.08
Individual income tax	–	8,274.28	13,796.44	16,087.43
City maintenance and construction tax	–	15,122.28	24,181.40	63,810.68
Water works construction fund	–	1,080.16	1,727.24	4,557.91
Educational surcharges	–	10,801.63	17,272.43	45,579.06
Stamp tax	964.10	15,047.55	6,005.82	3,926.40
Total	964.10	817,307.70	508,632.15	1,552,397.82

22. OTHER PAYABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Interest payable	–	–	–	–
Dividends payable	–	–	–	–
Other payables	40,000.00	138,940.62	126,346.84	139,536.00
Total	40,000.00	138,940.62	126,346.84	139,536.00

Nature of other payables

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Payment nature				
Cash deposit and guarantee deposit	40,000.00	40,000.00	80,000.00	137,120.00
Advance payments made on behalf of other party	–	87,560.62	46,346.84	2,416.00
Other funds	–	11,380.00	–	–
Total	40,000.00	138,940.62	126,346.84	139,536.00

23. PROVISION

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB	*RMB*	*RMB*	*RMB*
Quality assurance	–	–	1,096,637.23	840,998.37

24. CAPITAL STOCK

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB	*RMB*	*RMB*	*RMB*
Capital stock	19,862,800.00	19,862,800.00	19,862,800.00	19,862,800.00

25. CAPITAL SURPLUS

	Balance brought forward	Increase during the year/period	Decrease during the year/period	Balance carried forward
	RMB	*RMB*	*RMB*	*RMB*
As at 31 December 2017				
Share premiums	10,068,600.93	–	–	10,068,600.93
As at 31 December 2018				
Share premiums	10,068,600.93	–	–	10,068,600.93
As at 31 December 2019				
Share premiums	10,068,600.93	–	–	10,068,600.93
As at 30 September 2020				
Share premiums	10,068,600.93	–	–	10,068,600.93

26. SURPLUS RESERVE

	Balance brought forward	Increase during the year/period	Decrease during the year/period	Balance carried forward
	RMB	*RMB*	*RMB*	*RMB*
As at 31 December 2017				
Share premiums	301,896.20	209,240.34	–	511,136.54
As at 31 December 2018				
Share premiums	511,136.54	934,147.08	–	1,445,283.62
As at 31 December 2019				
Share premiums	1,445,283.62	1,566,461.10	–	3,011,744.72
As at 30 September 2020				
Share premiums	3,011,744.72	298,440.27	–	3,310,184.99

27. UNDISTRIBUTED PROFITS

	Year ended 31 December			Nine months ended 30 September
	2017	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*
Ending balance of the previous period	2,717,065.79	4,600,228.83	13,007,552.60	24,917,744.32
Add: adjustment of beginning undistributed profit	–	–	–	–
Including: retrospective adjustment in accordance with new provisions of the Accounting Standards for Business Enterprises	–	–	–	–
Beginning balance of the current period	2,717,065.79	4,600,228.83	13,007,552.60	24,917,744.32
Add: net profit attributable to the owners of the Target Company	2,092,403.38	9,341,470.85	13,476,652.82	1,217,609.70
Less: appropriation to the statutory surplus reserve	209,240.34	934,147.08	1,566,461.10	298,440.27
Ending balance of the current period	4,600,228.83	13,007,552.60	24,917,744.32	25,836,913.75

28. OPERATING REVENUE AND OPERATING COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Main operations					
– Revenue	33,972,281.81	61,060,872.05	103,261,380.10	87,373,726.80	66,487,996.68
– Cost of goods sold	24,478,193.28	41,134,358.52	69,119,529.43	56,790,473.76	48,744,335.86

(1) Revenue arising from the contract

	Revenue	Cost
	RMB	*RMB*
Year ended 31 December 2017		
Classification by type of goods	33,972,281.81	24,478,193.28
Including: customized integration	22,465,638.56	14,965,285.78
Robot and accessories	11,506,643.25	9,512,907.50
Classification by business area	33,972,281.81	24,478,193.28
Including: Northern region	31,120,033.54	21,825,325.76
Southern region	2,852,248.27	2,652,867.52
Year ended 31 December 2018		
Classification by type of goods	61,060,872.05	41,134,358.52
Including: customized integration	8,907,493.29	4,373,768.17
Robot and accessories	52,153,378.76	36,760,590.35
Classification by business area	61,060,872.05	41,134,358.52
Including: Northern region	54,259,147.91	36,978,337.51
Southern region	6,801,724.14	4,156,021.01
Year ended 31 December 2019		
Classification by type of goods	103,261,380.10	69,119,529.43
Including: customized integration	85,445,265.30	56,203,110.39
Robot and accessories	17,816,114.80	12,916,419.04
Classification by business area	103,261,380.10	69,119,529.43
Including: Northern region	95,334,655.96	62,913,903.48
Southern region	7,926,724.14	6,205,625.95
Nine months ended 30 September 2020		
Classification by type of goods	66,487,996.68	48,744,335.86
Including: customized integration	23,600,373.64	16,913,081.28
Robot and accessories	42,887,623.04	31,831,254.58
Classification by business area	66,487,996.68	48,744,335.86
Including: Northern region	55,775,607.35	41,787,499.85
Southern region	10,712,389.33	6,956,836.01
Nine months ended 30 September 2019 (unaudited)		
Classification by type of goods	87,373,726.80	56,790,473.76
Including: customized integration	69,557,612.00	43,874,054.72
Robot and accessories	17,816,114.80	12,916,419.04
Classification by business area	87,373,726.80	56,790,473.76
Including: Northern region	76,929,761.30	49,961,400.34
Southern region	10,443,965.50	6,829,073.42

29. TAXES AND SURCHARGES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
City maintenance and construction tax	96,216.00	423,588.12	372,483.26	348,301.86	195,840.17
Educational surcharges	68,725.71	302,562.96	266,059.48	248,787.04	139,885.85
Stamp tax	10,210.70	26,793.85	31,727.87	23,950.28	34,327.28
Water works construction fund	15,436.07	30,256.30	26,605.95	24,878.71	13,988.59
Vehicle and vessel use tax	–	854.61	5,202.34	4,842.34	2,880.00
Total	190,588.48	784,055.84	702,078.90	650,760.23	386,921.89

30. SELLING EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Sales service expenses	–	283,275.60	909,325.90	836,827.79	767,799.99
Employee compensation	412,440.00	277,709.64	366,621.29	241,428.24	710,104.24
After-sales maintenance	–	82,081.95	1,447,141.98	560,663.84	838,275.36
Transportation cost	165,769.61	–	–	256,805.71	–
Entertainment expenses	36,832.69	241,114.18	208,638.00	208,638.00	7,139.00
Depreciation and amortization charges	1,159.56	1,810.73	23,025.96	17,269.47	18,368.90
Office allowance	–	–	28,742.24	27,125.86	–
Advertising expenses	–	5,000.00	18,000.00	18,000.00	–
Traveling expenses	341,263.91	128,835.86	18,170.91	2,080.00	13,550.26
Others	10,525.86	41,335.28	15,299.18	–	1,000.00
Total	967,991.63	1,061,163.24	3,034,965.46	2,168,838.91	2,356,237.75

31. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Employee compensation	1,926,560.78	2,358,772.82	5,216,118.28	4,211,395.00	3,706,962.61
Depreciation expense of fixed assets	125,686.10	180,861.42	274,618.87	181,475.76	311,288.09
Amortization of intangible assets	–	12,834.60	22,538.04	17,887.21	16,903.53
Housing rental and property fees	66,823.77	158,709.67	285,613.16	232,550.09	132,233.28
Cost on employment of intermediary organizations	1,024,523.23	601,408.65	401,556.32	165,978.20	238,883.16
Office allowance	233,951.91	115,386.28	243,173.62	204,875.64	102,840.57
Vehicle fees	168,463.13	259,598.29	397,498.10	323,545.10	229,392.31
Traveling expenses	266,673.71	645,257.75	544,939.08	480,861.96	155,716.47
Repair fee	–	–	39,612.63	38,183.41	11,255.90
Business entertainment expenses	256,175.68	856,300.51	996,735.72	911,881.38	489,533.52
Litigation costs	–	31,359.00	156,758.27	156,758.27	3,900.00
Insurance expenses	–	–	50,895.04	–	35,196.00
Conference expenses	–	35,849.06	–	–	2,766.00
Others	147,991.98	99,184.57	385,253.50	278,288.63	88,700.63
Total	4,216,850.29	5,355,522.62	9,015,310.63	7,203,680.65	5,525,572.07

32. RESEARCH AND DEVELOPMENT EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Staff salaries	1,908,517.31	2,047,444.80	5,140,399.54	3,641,567.27	4,089,997.47
Material cost	445,526.82	1,413,156.74	2,631,114.34	1,301,768.97	3,171,550.26
Fuel and power cost	326.00	13,469.07	23,125.36	15,809.69	–
Traveling expenses	1,488.00	24,760.64	194,664.39	115,968.16	113,234.89
Fees for publication/ documentation/information dissemination/intellectual property issues	59,023.50	48,817.83	9,178.17	9,178.17	–
Labor cost	–	34,951.46	43,525.08	44,855.00	–
Depreciation expense	17,130.48	34,323.67	63,712.12	38,286.34	81,982.32
Equipment cost	–	2,266.00	131,058.43	58,940.00	–
Others	2,455.00	3,149.53	16,707.56	16,129.72	91,051.82
Total	2,434,467.11	3,622,339.74	8,253,484.99	5,242,503.32	7,547,816.76

33. FINANCIAL EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Interest expenses	60.36	464.40	–	–	–
Less: interest income	76,227.09	105,787.71	246,806.23	189,662.57	175,605.96
Add: exchange losses	469,905.93	(41,145.52)	(55,070.56)	(59,215.61)	82,298.53
Add: handling charge	0.00	19,401.44	7,857.18	5,887.39	31,454.44
Add: others	(10,044.26)	(109,221.61)	(90,781.48)	(29,693.11)	(48,059.98)
Total	383,694.94	(236,289.00)	(384,801.09)	(272,683.90)	(109,912.97)

34. OTHER INCOMES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Tax incentives for attracting investment	–	–	944,000.00	–	–
High-tech enterprises assessment subsidies in 2018	–	–	–	–	210,000.00
Subsidy for R&D investment	–	–	–	–	221,000.00
Special funds for industrial special development	–	–	600,000.00	600,000.00	900,000.00
Employment subsidy absorbed at one time in April 2020	–	–	–	–	16,000.00
Subsidy for enterprises assisting enterprises to stabilize their posts in 2020	–	–	–	–	18,382.92
Grant for patent authorization	–	–	–	–	4,000.00
Supporting funds	–	257,000.00	232,000.00	232,000.00	–
The third batch of special funds for science and technology	–	40,700.00	–	–	20,000.00
Special funds for technology from central transfer payment for demonstration of small and micro enterprises in double-innovation cities	–	350,040.00	–	–	–
Main body design and manufacture of industrial robots	500,000.00	–	–	–	–
Total	500,000.00	647,740.00	1,776,000.00	832,000.00	1,389,382.92

35. INVESTMENT INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Financial products	393,140.99	327,473.97	340,225.74	247,611.28	454,421.95

36. GAINS OR LOSSES ARISING FROM CHANGES IN FAIR VALUE

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Gains or losses arising from changes in fair value	54,621.38	37,993.08	225,789.36	–	(245,861.36)

37. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Loss on bad debts of notes receivable	(192,318.02)	(1,535.26)	(39,077.93)	–	35,059.43
Loss on bad debt of accounts receivable	6,314.05	283,047.99	(728,740.35)	–	(1,992,503.98)
Loss on bad debt of other receivables	(1,070.45)	(434.87)	(4,847.30)	–	(65,213.51)
Total	(187,074.42)	281,077.86	(772,665.58)	–	(2,022,658.06)

38. INCOMES FROM DISPOSAL OF ASSETS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Income from disposal of non-current assets	–	–	(7,027.26)	(7,027.26)	–
Including: income from disposal of fixed assets	–	–	(7,027.26)	(7,027.26)	–

39. NON-OPERATING REVENUE

(1) Details

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Penalty income	–	–	338,748.33	338,748.33	–
Government grants	100,000.00	–	100,000.00	100,000.00	–
Others	–	13,276.80	–	–	30,936.00
Total	100,000.00	13,276.80	438,748.33	438,748.33	30,936.00

(2) Details

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Awards for enterprises of above designated size	–	–	100,000.00	100,000.00	–
Qingdao Municipal Award of Science and Technology	100,000.00	–	–	–	–
Total	100,000.00	–	100,000.00	100,000.00	–

40. NON-OPERATING EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Fines and late payment fees or liquidated damages	40.07	1,518.26	2,658.80	2,658.80	13,276.00
Donations	–	–	–	–	500,000.00
Total	40.07	1,518.26	2,658.80	2,658.80	513,276.00

41. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Current income tax expenses	3,303.33	1,262,132.01	2,519,552.06	2,419,351.78	1,230,802.17
Deferred income tax expenses	65,437.25	42,161.68	(476,981.31)	–	(1,318,441.10)
Total	68,740.58	1,304,293.69	2,042,570.75	2,419,351.78	(87,638.93)

42. DIVIDENDS

No dividend has been paid or declared by the Target Company and any of its subsidiaries in respect of the Track Record Period.

43. ITEMS OF CASH FLOW STATEMENT

(1) Supplementary information to consolidated cash flow statement

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
1. Reconciliation of net profit to cash flows of operating activities:					
Net profit	1,587,822.36	9,341,470.85	13,476,652.82	14,679,475.60	1,217,609.70
Add: losses from credit asset impairment	780,699.16	(281,077.86)	772,665.58	–	(2,022,658.06)
Depreciation of fixed assets	254,087.97	351,964.05	579,527.21	352,942.75	632,807.37
Amortization of intangible assets	9,600.12	12,834.60	22,538.04	17,887.21	16,903.53
Amortization of long-term deferred expenses	–	–	–		–
Loss on disposal of fixed assets, intangible assets and other long-term assets	–	–	7,027.26	7,027.26	–
Loss on retirement of fixed assets	–	–	–		–
Profits and losses of changes in fair value	-54,621.38	(37,993.08)	(225,789.36)	–	245,861.36
Financial expenses	426,088.99	143,917.37	18,770.16	–	78,132.66
Loss on investment	(393,140.99)	(327,473.97)	(340,225.74)	247,611.28	(454,421.95)
Decrease of deferred income tax asset	(23,606.47)	42,161.68	(476,981.31)	–	(1,318,441.10)
Increase of deferred income tax liabilities	–	–	–	–	–
Decrease of inventory	(6,018,078.00)	(8,897,356.19)	4,888,178.17	8,806,117.56	(16,635,922.63)
Decrease of operational receivables	(1,163,565.22)	313,063.73	(20,655,336.96)	(21,598,038.64)	(33,537,760.24)
Increase of operating payables	(2,356,490.81)	15,291,099.10	(5,089,981.72)	(4,107,242.24)	59,679,623.87
Others	(8,460.06)	–	–		–
Net cash flows from operating activities	(6,959,664.33)	15,952,610.28	(7,022,955.85)	(1,594,219.22)	7,901,734.51
2. Major investment and financing activities not relating to cash deposit and withdrawal:					
Transfer of debt into capital	–	–	–	–	–
Current portion of convertible corporate bonds	–	–	–	–	–
Fixed assets acquired under finance leases	–	–	–	–	–
Investing with non-monetary assets	–	–	–	–	–
3. Net changes in cash and cash equivalents:					
Ending balance of cash	10,178,807.55	17,543,007.40	22,277,536.52	29,238,834.13	32,094,585.40
Less: beginning balance of cash	13,856,927.05	10,178,807.55	17,543,007.40	17,543,007.40	22,277,536.52
Add: ending balance of cash equivalents	–	–	–	–	–
Less: ending balance of cash equivalents	–	–	–	–	–
Net increase in cash and cash equivalents	(3,678,119.50)	7,364,199.85	4,734,529.12	11,695,826.73	9,817,048.88

(2) Cash and cash equivalents

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB	*RMB*	*RMB*	*RMB*
Cash	10,178,807.55	17,543,007.40	22,277,536.52	32,094,585.40
Including: Cash on hand	5,611.10	15,778.95	1,143.66	22,532.69
Cash at bank available for payments at any time	10,173,196.45	17,527,228.45	22,276,392.86	32,072,052.71
Other cashes at bank and on hand available for payment at any time	–	–	–	–
Cash equivalents	–	–	–	–
Ending balance of cash and cash equivalents	10,173,196.45	35,086,014.80	44,555,073.04	64,189,170.80

44. MONETARY ITEMS IN FOREIGN CURRENCY

	Foreign currency balance	Exchange rate	Translated to RMB balance
			RMB
As at 31 December 2017			
Cash at bank and on hand	–	–	–
Including: USD	798,208.91	6.5342	5,215,656.66
Accounts receivable	–	–	–
Including: USD	782,757.00	6.5342	5,114,690.80
Accounts payable	–	–	–
Including: USD	476,000.00	6.5342	3,110,279.20
As at 31 December 2018			
Cash at bank and on hand	–	–	–
Including: USD	479,959.66	6.8632	3,294,059.14
Accounts receivable	–	–	–
Including: USD	10,080.00	6.8632	69,181.06
As at 31 December 2019			
Cash at bank and on hand	–	–	–
Including: USD	472,233.36	6.9762	3,294,394.37
Accounts receivable	–	–	–
Including: USD	–	–	–
As at 30 September 2020			
Cash at bank and on hand			
Including: USD	472,473.44	6.8101	3,217,591.37
Accounts receivable			
Including: USD	10,080.00	6.8101	68,645.81

45. ASSETS WITH LIMITED OWNERSHIP AND USE RIGHT

	Book value	Reasons
As at 31 December 2017		
Cash at bank and on hand	8,460.06	Bank acceptance deposits
Notes receivable	1,010,000.00	Bank acceptance deposits
As at 31 December 2018		
Cash at bank and on hand	3,812,413.65	Bank acceptance deposits
Notes receivable	–	
As at 31 December 2019		
Cash at bank and on hand	4,348,807.11	Bank acceptance deposits
Notes receivable	3,520,000.00	Bank acceptance deposits
As at 30 September 2020		
Cash at bank and on hand	25,352,832.82	Bank acceptance deposits
Notes receivable	25,018,280.00	Bank acceptance deposits

III. PARTICULARS OF SUBSIDIARY

Name of subsidiary	Dongguan Tiancheng Intelligent Robot Technology Co., Ltd.
Principal place of business	Dongguan
Registration place	Dongguan
Nature of business	R&D
Shareholding proportion (%)	100%
Acquisition method	Establishment

(1) Details of the Target Company's investment in a subsidiary

	Book balance	Impairment provision	Book value
	RMB	*RMB*	*RMB*
As at 31 December 2019			
Investment in Dongguan Tiancheng Intelligent Robot Technology Co., Ltd.	2,000,000.00	–	2,000,000.00
As at 30 September 2020			
Investment in Dongguan Tiancheng Intelligent Robot Technology Co., Ltd.	2,000,000.00	–	2,000,000.00

IV. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder and ultimate controller

The controlling shareholder of the Target Company is Li Hong, and the actual controllers are Li Hong and Huang Xiaofeng.

2. Subsidiaries

See the related contents of note "VIII. 1. Equity in the subsidiaries" for the details of subsidiary.

3. Joint ventures and associates

The Target Group has no joint ventures or associates.

4. Other related parties

Name of other related parties	Relationship with the Target Company
Xiao Zhonghai	Shareholder/Deputy General Manager
Xu Binglei	Supervisor
Ying Rucai	Shareholder

(II) Balances of current accounts of related parties

Receivables

	Book balance *RMB*	**Bad debt provision** *RMB*
As at 31 December 2017		
Other receivables		
– Xiao Zhonghai	–	–
– Xu Binglei	–	–
Total	–	–
As at 31 December 2018		
Other receivables		
– Xiao Zhonghai	40,000.00	1,200.00
– Xu Binglei	22,175.10	665.25
– Ying Rucai	16,060.00	481.80
Total	78,235.10	2,347.05
As at 31 December 2019		
Other receivables		
– Xiao Zhonghai	10,145.63	84.99
– Xu Binglei	13,000.00	108.90
Total	23,145.63	193.89
As at 30 September 2020		
Other receivables		
– Xiao Zhonghai	–	–
– Xu Binglei	33,979.70	284.66
Total	33,979.70	284.66

V. CONTINGENCIES

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

VI. COMMITMENTS

As at 30 September 2020, the Target Group has no significant commitment that needs to be disclosed.

VII. EVENTS AFTER THE BALANCE SHEET DATE

The outbreak of the novel coronavirus (COVID-19) has affected to the Target Company. Given the ongoing nature of these circumstances, the related impact on the consolidated results of operations, cash flows and financial conditions of the Target Company could not be reasonably estimated at this stage and will be reflected in their Historical Financial Information for the year ending 31 December 2020.

As at 30 September 2020, the Target Group has no matters after the balance sheet date that needs to be disclosed.

VIII.OTHER SIGNIFICANT MATTERS

The Target Company held its first extraordinary general meeting in 2020 on 8 January 2020, and reviewed and approved the Proposal on Applying for Discontinuation of Listing in the National Equities Exchange and Quotations, the Proposal on Protecting the Rights and Interests of Dissenting Shareholders by Applying for Discontinuation of Listing, and the Proposal on Authorizing the Board of Directors to Handle Matters Related to Applying for Termination of Listing in the National Equities Exchange and Quotations. On 7 February 2020, National Equities Exchange and Quotations Co., Ltd. issued the Letter on Agreeing Qingdao BYTQ United Digital Intelligence Co., Ltd. to Stop Listing in the National Equities Exchange and Quotations (GZXTH [2020] No. 265), which will stop listing the Target Company in the National Equities Exchange and Quotations from 12 February 2020.

IX. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies now comprising the Target Group in respect of any period subsequent to 30 September 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of the companies now comprising the Target Group in respect of any period subsequent to 30 September 2020.

This appendix sets out the English translation of the Chinese version of the Summary of Report on Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds (Draft) (Revised Edition). Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

Stock Code: 600860.SH Stock Abbreviation: *ST京城
Stock Code: 00187.HK Stock Abbreviation: JINGCHENG MAC

京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司
Beijing Jingcheng Machinery Electric Company Limited

SUMMARY OF REPORT ON ASSET ACQUISITION BY WAY OF SHARE ISSUANCE AND CASH PAYMENT AND RAISING OF SUPPORTING FUNDS (DRAFT) (REVISED EDITION)

Items	Counterparties	
Counterparties of Asset Acquisition by way of Share Issuance and Cash Payment	Li Hong（李紅）	Xiu Jun（修軍）
	Zhao Qing（趙慶）	Fu Dun（傅敦）
	Qingdao Eternal Economic Information Consulting Co., Ltd.	Chen Zhengyan（陳政言）
	Yang Ping（楊平）	Zhang Li（張利）
	Wang Xiaohui（王曉輝）	Xu Binglei（徐炳雷）
	Xiao Zhonghai（肖中海）	Yang Lunsheng（陽倫勝）
	Xia Tao（夏濤）	Xin Lan（辛蘭）
	Wang Huadong（王華東）	Ying Rucai（英入才）
	Qian Yuyan（錢雨嫣）	Li Wei（李威）

Independent Financial Adviser

中信建投证券股份有限公司
CHINA SECURITIES CO., LTD.

December 2020

DEFINITION

In this Summary of Report, unless otherwise indicated in the context, the following terms shall have the meanings set out below:–

"Summary of Report" or "Summary of Restructuring Report"	summary of the report on Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds (Draft) (Revised Edition) of Beijing Jingcheng Machinery Electric Company Limited
"Listed Company" or "JINGCHENG MAC"	Beijing Jingcheng Machinery Electric Company Limited
"Jingcheng Machinery Electric" or "Controlling Shareholder" or "Controlling Shareholder of the Listed Company"	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
"Qingdao Eternal"	Qingdao Eternal Economic Information Consulting Co., Ltd（青島艾特諾經濟信息諮詢有限公司）
"BYTQ" or "Target Company"	Qingdao BYTQ United Digital Intelligence Co., Ltd（青島北洋天青數聯智能股份有限公司）
"Counterparties"	17 natural persons (including Li Hong) and Qingdao Eternal
"Valuation Adjustment Parties"	Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan
"Target Assets"	80% shares in BYTQ held by 17 natural persons (including Li Hong) and Qingdao Eternal
"Asset Acquisition by way of Share Issuance and Cash Payment" or "Issuance"	the transactions of acquiring the Target Assets by way of share issuance and cash payment by the Listed Company from 17 natural persons (including Li Hong) and Qingdao Eternal
"Raising of Supporting Funds "	raising of supporting funds by way of non-public issuance of shares by the Listed Company to not more than 35 investors
"Transactions" or "Restructuring" or "Acquisition"	Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds

"Asset Acquisition Agreement by way of Share Issuance and Cash Payment"	the Asset Acquisition Agreement by way of Share Issuance and Cash Payment between Beijing Jingcheng Machinery Electric Company Limited, certain shareholders of Qingdao BYTQ United Digital Intelligence Co., Ltd, Huang Xiaofeng and Tao Feng
"Performance Compensation Agreement"	the Performance Compensation Agreement between Beijing Jingcheng Machinery Electric Company Limited, certain shareholders of Qingdao BYTQ United Digital Intelligence Co., Ltd, Huang Xiaofeng and Tao Feng
"Asset Valuation Report"	the Asset Valuation Report of the Total Equity Value of Qingdao BYTQ United Digital Intelligence Co., Ltd involved in the Proposed Asset Acquisition by way of Share Issuance and Cash Payment to specific target by Beijing Jingcheng Machinery Electric Company Limited
"Valuation Benchmark Date"	30 June 2020
"Issuance Completion Date"	the date of the new shares being registered under the name of the Counterparties
"last three years"	years of 2017, 2018 and 2019
"past two years and one period"	years of 2018, 2019 and January to September of 2020
"Reporting Period"	years of 2018, 2019 and January to September of 2020
"Independent Financial Adviser" or "CSC Financial"	CSC Financial Co., Ltd.
"Audit Institution" or "ShineWing"	ShineWing Certified Public Accountants (Special General Partnership)
"Valuation Institution" or "China Alliance"	China Alliance Appraisal Co., Ltd.*（北京中同華資產評估有限公司）
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"Company Law"	the Company Law of the People's Republic of China
"Securities Law"	the Securities Law of the People's Republic of China

"Administration Measures for Reorganisations"	the Administrative Measures for the Material Asset Reorganisations of Listed Companies (Revised 2020)
"Administrative Measures on Information Disclosure "	the Administrative Measures on Information Disclosure by Listed Companies
"Administration of the Takeover of Listed Companies Procedures"	the Administration of the Takeover of Listed Companies Procedures (Revised 2020)
"Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Revised in April 2019)
"Articles of Association"	according to the context above and below, the Articles of Association of the relevant companies currently/then in force
"A Shares"	ordinary shares as approved by the CSRC which are issued to domestic investors, listed on domestic stock exchange, denominated, subscribed for and traded in RMB
"RMB" or "RMB'0,000" or "RMB'00,000,000" or "RMB/share"	Renminbi yuan, Renminbi ten thousand yuan, Renminbi hundred million yuan, Renminbi yuan/share

Unless otherwise indicated, all the figures in the Summary of Report are rounded off to 2 or 3 decimal places. If there is a discrepancy between the total amount of figures and the mantissa of the sum of each sub-item value, it is caused by the rounding off.

STATEMENT

I. Statement of the Listed Company

The Listed Company and all directors, supervisors, senior management warrant the truthfulness, accuracy and completeness of the relevant contents of the Restructuring Report and its summary and accept several or joint legal responsibilities for false information, misleading statement or material omission contained in the Summary of Report.

The directors, supervisors and senior management of the Listed Company undertake that, in the event that the Transactions are filed for investigation by judiciary authorities due to suspected false information, misleading statement or material omission from the information provided or disclosed, or in the event that an investigation is filed by the CSRC, the Listed Company shall not transfer its shares in JINGCHENG MAC（京城股份）until the conclusion of the investigations.

The Transactions still need to be approved and authorized by the relevant approving authorities. Any decisions or opinion of the CSRC, the SSE and other government bodies on matters relating to the Transactions are not expression of substantive judgment or warrant of the value of the shares of the Listed Company or investors' gain.

After the Completion of the Transactions, the Listed Company will be responsible for the changes in the operation and revenue of the Listed Company; investors are responsible for the investment risk caused by the Transactions.

In evaluating the asset restructuring, apart from the content of the Summary of Report and the relevant documents disclosed along with the Summary of Report, investors should also seriously consider various risk factors disclosed in the Summary of Report. If investors have any doubt on the Summary of Report, they should consult their own stock brokers, lawyers, professional accountants or other professional consultants.

II. Statement of the Counterparties of the Asset Acquisition by way of the Share Issuance

The Counterparties of the Asset Acquisition by way of the Share Issuance and Cash Payment have issued a letter of undertaking, warranting the truthfulness, accuracy and completeness of the related information provided by them for the asset restructuring and that it does not contain false information, misleading statement or material omission and accept several and joint legal responsibilities for the truthfulness, accuracy and completeness of the information provided.

The Counterparties undertake that: If the Transactions have been filed for investigation by a judiciary organ or the CSRC due to false information, misleading statements or material omissions in information provided or disclosed, the transfer of their equity interest in the Listed Company will be suspended, before the investigation results are determined.

III. Statement of the relevant securities services agencies

The securities services agencies and personnel of the Transactions state that: the contents of the application documents issued for the Transactions is true, accurate, complete, and does not contain false information, misleading statement, or material omission, and will bear the corresponding legal responsibility for the truthfulness, accuracy and completeness of the information provided. If the application documents issued for the Transactions contain false information, misleading statement, or material omission, the agencies will bear the corresponding legal responsibility if they fail to discharge their duties conscientiously.

SIGNIFICANT MATTERS

The Listed Company invites the shareholders and investors to pay attention to the significant matters disclosed herein, and carefully read the announcements of board resolutions in relation to the Transactions, the full text of the Report, the legal opinion letter, the Accountant's Report and the Asset Valuation Report and other relevant information disclosure.

I. OVERVIEW OF THE PROPOSAL OF THE TRANSACTIONS

The Transactions comprise of the asset acquisition by way of share issuance and cash payment and the raising of supporting funds. The Asset Acquisition by way of Share Issuance is not conditional upon the successful implementation of raising of supporting funds, and whether the raising of supporting funds can succeed or not in the end does not affect the implementation of the Asset Acquisition by way of Share Issuance.

(I) The Asset Acquisition by way of Share Issuance and Cash Payment

The Listed Company intends to acquire 80% equity interests of BYTQ from the Counterparties by way of share issuance and cash payment, specific details are as follows:

No.	Name	Percentage of equity interests in BYTQ to be transferred in the Transactions	Percentage of remaining equity interests in BYTQ following the Transactions	Proportion of payment in cash	Proportion of payment by shares
1	Li Hong (李紅)	32.628%	13.13%	35.00%	65.00%
2	Zhao Qing (趙慶)	11.174%	2.79%	35.00%	65.00%
3	Yang Ping (楊平)	9.235%	0.00%	35.00%	65.00%
4	Qingdao Eternal	8.007%	2.00%	35.00%	65.00%
5	Wang Xiaohui (王曉暉)	6.900%	1.73%	35.00%	65.00%
6	Xia Tao (夏濤)	3.442%	0.00%	35.00%	65.00%
7	Wang Huadong (王華東)	3.442%	0.00%	35.00%	65.00%
8	Qian Yuyan (錢雨嫣)	1.377%	0.34%	35.00%	65.00%
9	Xiao Zhonghai (肖中海)	1.007%	0.00%	35.00%	65.00%
10	Xiu Jun (修軍)	0.899%	0.00%	35.00%	65.00%
11	Fu Dun (傅敦)	0.647%	0.00%	35.00%	65.00%
12	Chen Zhengyan (陳政言)	0.645%	0.00%	35.00%	65.00%
13	Zhang Li (張利)	0.344%	0.00%	100.00%	–
14	Xu Binglei (徐炳雷)	0.224%	0.00%	100.00%	–

No.	Name	Percentage of equity interests in BYTQ to be transferred in the Transactions	Percentage of remaining equity interests in BYTQ following the Transactions	Proportion of payment in cash	Proportion of payment by shares
15	Yang Lunsheng (陽倫勝)	0.009%	0.00%	100.00%	–
16	Xin Lan (辛蘭)	0.009%	0.00%	100.00%	–
17	Ying Rucai (英入才)	0.009%	0.00%	100.00%	–
18	Li Wei (李威)	0.003%	0.00%	100.00%	–

(II) The Raising of Supporting Funds

The Listed Company intends to raise supporting funds by way of non-public share issuance to no more than 35 target subscribers. The shares to be issued will not exceed 30% of the total issued share capital of the Listed Company prior to the issuance, and the total amount of the raising of supporting funds will not exceed 100% of the consideration of the transactions of the asset acquisition by way of share issuance. It is intended that the Raising of Supporting Funds shall be used for payment of cash consideration for the Transactions, taxes and intermediaries' fees involved in the Transactions, and replenishment of working capital of the Listed Company and the Target Assets, of which the proportion used to replenish its working capital shall not exceed 25% of the transaction price, or not exceed 50% of its total amount of proceeds raised from the raising of supporting funds.

The above raising of supporting funds will be implemented based on the asset acquisition by way of share issuance and cash payment. However, whether or not the raising of supporting funds is implemented or whether the supporting funds are raised in full, the implementation of the asset acquisition by way of share issuance and cash payment shall not be affected.

II. NATURE OF THE TRANSACTIONS

(I) The Transactions do not constitute a material asset restructuring

According to the audited financial information of the Listed Company for year of 2019, the audited financial information of the Target Company for year of 2019 and the consideration of the Transactions, the relevant financial information is compared as follows:

Unit: RMB'0,000

Item	The Listed Company	Target Company	Consideration of the Transactions	Indicators selected	Percentage	Whether it meets the material asset restructuring standards
Total assets	167,083.95	9,533.85		24,640.00	14.75%	No
Operating Revenue	119,584.71	10,326.14	24,640.00	10,326.14	8.63%	No
Net assets	70,062.53	5,786.09		24,640.00	35.17%	No

Each of total assets, operating revenue, and net assets acquired in the Transactions accounted for no more than 50% of total assets, operating revenue, and net assets of the Listed Company in the audited consolidated financial statements for the latest financial year. According to the relevant provisions of the "Administration Measures for Reorganisations", the Transactions do not constitute a material asset restructuring.

The Transactions involve the asset acquisition by way of share issuance and cash payment to target subscribers. Pursuant to the requirements under the "Administration Measures for Reorganisations", the implementation of the Transactions is subject to the review of the Review Committee of Mergers, Acquisitions and Reorganizations of Listed Companies of the CSRC and the approval of the CSRC.

(II) The Transactions do not constitute a related party transaction

Under the Transactions, the Listed Company will issue shares and pay cash to the 17 natural persons (including Li Hong) and Qingdao Eternal to acquire assets, and raise supporting funds from no more than 35 target subscribers by way of non-public share issuance. Pursuant to the relevant requirements under the "Administration Measures for Reorganisations" and the Listing Rules, there is no related party relationship between the 17 natural persons (including Li Hong) and Qingdao Eternal and the Listed Company as defined under the relevant provisions. The Transactions do not constitute a related party transaction.

(III) The Transactions do not constitute a restructuring for listing

Before the Transactions, the Controlling Shareholder of JINGCHENG MAC is Jingcheng Machinery Electric.

Following the completion of the Transactions, Jingcheng Machinery Electric will remain to be the Controlling Shareholder and the actual controller of JINGCHENG MAC.

Therefore, the Transactions do not result in a change in control of JINGCHENG MAC, and the Transactions do not constitute a restructuring for listing.

III. THE VALUATION OF CONSIDERATION OF THE TRANSACTIONS

According to the "Assets Valuation Report" (Zhong Tong Hua Ping Bao Zi [2020] No. 051655) issued by China Alliance Appraisal and filed with Jingcheng Machinery Electric, the valuation benchmark date is 30 June 2020, and the valuation results of the Target Assets are as follows:

Unit: RMB'0,000

Item		**100% equity interest in BYTQ**
Appraised value		30,800.00
The parent company	Book value of owners' equity	6,355.80
	Increase or decrease	24,444.20
	Appreciation rate	384.60%
On consolidation basis	Book value of owner's equity attributable to the parent company	6,013.95
	Increase or decrease	24,786.05
	Appreciation rate	412.14%
Acquisition percentage		80%

After negotiations between the parties, the consideration of the 80% equity interests in BYTQ was determined based on the above valuation results, being RMB246,400,000.

IV. SPECIFIC PROPOSAL OF THE ASSET ACQUISITION BY WAY OF SHARE ISSUANCE

(I) Type and nominal value of shares to be issued

The type of shares to be issued under the Asset Acquisition by way of Share Issuance shall be domestically listed RMB denominated ordinary shares (A Shares), with nominal value of RMB1.00 per share.

(II) Pricing benchmark date, pricing basis and issue price

1. Pricing benchmark date

The pricing benchmark date of the Asset Acquisition by way of Share Issuance and Cash Payment shall be the announcement date of the first resolution of the meeting of the Board of Directors for the consideration of the relevant matters in relation to the Transactions by the Listed Company, being the announcement date of the resolution of the fifth extraordinary meeting of the tenth session of the Board of Directors.

2. Pricing basis and issue price

Pursuant to Article 45 of "Administration Measures for Reorganisations", the issue price of the shares of the listed companies shall not be less than 90% of the benchmark price. The benchmark price shall be one of the average trading prices of the shares of the Company over the 20 trading days, 60 trading days or 120 trading days preceding the announcement date of the Board resolution on the Transactions. The average trading price of the shares of the Company for the last certain number of trading days preceding the pricing benchmark date = the total trading amount of the shares of the Company for the last certain number of trading days preceding the pricing benchmark date / the total trading volume of the shares of the Company for the last certain number of trading days preceding the pricing benchmark date.

Details of the average trading prices of the shares of the Listed Company over the 20 trading days, 60 trading days or 120 trading days preceding the pricing benchmark date are shown in the table below:

Unit: RMB/share

Selected Period	**Average trading price**	**90% of the average trading price**
20 trading days preceding the pricing benchmark date	3.79	3.42
60 trading days preceding the pricing benchmark date	3.65	3.29
120 trading days preceding the pricing benchmark date	3.99	3.59

The issue price of the shares to be issued under the Asset Acquisition by way of Share Issuance and Cash Payment is RMB3.42/share, being no less than 90% of the average trading price of the shares of the Listed Company for the 20 trading days preceding the pricing benchmark date, which is in compliance with the relevant provisions of the "Administration Measures for Reorganisations". During the period from the pricing benchmark date of the asset acquisition by way of share issuance and cash payment to the Issuance Completion Date, in the event of any ex-rights or ex-dividends events including distribution of dividends, bonus shares issue, rights issue and the conversion of capital reserve into share capital, etc. by the Listed Company, corresponding adjustments will be made to the above issue price according to the relevant rules of the CSRC and the SSE. The final issue price of the shares to be issued under the Asset Acquisition by way of Share Issuance and Cash Payment is subject to the approval at the general meeting of the Listed Company and approval by the CSRC.

(III) Counterparties and number of shares to be issued

1. Counterparties

The Counterparties of the Asset Acquisition by way of Share Issuance and Cash Payment are 17 natural persons (including Li Hong) and Qingdao Eternal.

2. Number of shares to be issued

In the Transactions, the calculation method of the number of shares issued by the Listed Company for the acquisition of the Target Assets is: the number of shares issued by the Listed Company to any one of the Counterparties = the proportion of shares paid by the Listed Company to the Counterparty for the acquisition of the Target Assets × the total transaction consideration paid by the

Listed Company to the Counterparty for the acquisition of the Target Assets/price of shares issuance. The number of shares issued by the Listed Company to each Counterparty is rounded to the nearest share unit. Any portion which is less than one share in the Target Assets will be renounced by each Counterparty to the Listed Company at nil consideration. The final number of shares to be issued shall be considered and approved at the general meeting of the Listed Company and is subject to the approval of the CSRC. The specific number of shares to be issued is as follows:

No.	Counterparty	Target Assets	Transaction consideration	Share consideration	Number of shares to be issued
		(0,000 shares)	*(RMB'0,000)*	*(RMB'0,000)*	*(0,000 shares)*
1	Li Hong (李紅)	648.08	10,049.31	6,532.05	1,909.96
2	Zhao Qing (趙慶)	221.94	3,441.46	2,236.95	654.08
3	Yang Ping (楊平)	183.43	2,844.32	1,848.81	540.59
4	Qingdao Eternal	159.04	2,466.06	1,602.94	468.70
5	Wang Xiaohui (王曉暉)	137.06	2,125.35	1,381.48	403.94
6	Xia Tao (夏濤)	68.38	1,060.27	689.17	201.51
7	Wang Huadong (王華東)	68.38	1,060.27	689.17	201.51
8	Qian Yuyan (錢雨嫣)	27.35	424.11	275.67	80.60
9	Xiao Zhonghai (肖中海)	20.00	310.13	201.58	58.94
10	Xiu Jun (修軍)	17.86	276.90	179.98	52.63
11	Fu Dun (傅敦)	12.86	199.37	129.59	37.89
12	Chen Zhengyan (陳政言)	12.82	198.80	129.22	37.78
13	Zhang Li (張利)	6.84	106.03	–	–
14	Xu Binglei (徐炳雷)	4.44	68.92	–	–
15	Yang Lunsheng (陽倫勝)	0.17	2.65	–	–
16	Xin Lan (辛蘭)	0.17	2.65	–	–
17	Ying Rucai (英入才)	0.17	2.65	–	–
18	Li Wei (李威)	0.05	0.78	–	–
Total			**24,640.00**	**15,896.61**	**4,648.13**

During the period from the pricing benchmark date of the asset acquisition by way of share issuance to the Issuance Completion Date, in the event of any ex-rights or ex-dividend events including distribution of dividends, bonus share issue, rights issue and conversion of capital reserve into share capital, etc. of the Listed Company, corresponding adjustments would be made to the above number of shares to be issued according to the relevant rules of the CSRC and the SSE.

(IV) Lock-up period arrangement

After completion of the issuance, the additional shares of the Listed Company received by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan of the target subscribers through the acquisition shall not be transferred in any way nor pledged nor encumbered within 12 months from the Issuance Completion Date.

After the expiry of the above-mentioned 12-months lock-up period, additional shares of the Listed Company acquired by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan through the acquisition will be unlocked in phases according to the following arrangement:

1st phase: After 12 months from the Issuance Completion Date of the Restructuring and upon performance of their corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement, the remaining portion of 50% of the shares received by them less the number of shares (if any) compensated for the year shall be unlocked;

2nd phase: If they have fully performed their compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreement, the remaining portion of 20% of the shares received by them less the number of shares (if any) compensated for the year shall be unlocked;

3rd phase: If they have fully performed their compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreement (i.e. the four financial years of 2020, 2021, 2022 and 2023), the remaining shares in the newly acquired shares received by them that have not been unlocked shall be unlocked.

The shares of the Listed Company received by Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan under the Transactions shall not be transferred in any way nor pledged nor encumbered within 12 months from the Issuance Completion Date.

If the Transactions is investigated by judiciary authorities or the CSRC due to false information, misleading statements or material omissions in the information provided or disclosed, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan shall not transfer the shares of the Listed Company they acquired under the Transactions until the investigation results are determined.

During the lock-up period for the shares, the additional shares of the Listed Company acquired by the above-mentioned targets of issuance through the acquisition from the issuance of bonus shares, conversion of share capital or ex-dividend etc. is also subject to the above-mentioned lock-up arrangements.

In the event of inconsistency between the above-mentioned share lock-up undertakings and the latest regulatory opinions of the securities regulatory department, each party will make corresponding adjustments to the above-mentioned lock-up period agreement according to the regulatory opinions of the relevant securities regulatory department.

(V) Place of listing

SSE is the place of listing of the shares to be issued hereunder.

(VI) Attribution of profit and loss during the transitional period

The parties to the Transactions agreed that, the Listed Company shall engage an accounting firm which meets the requirements of the Securities Law to audit the profit or loss arising from Target Assets during the transitional period. The special audit report issued by that accounting firm will be used as the basis for all parties in recognizing the profit or loss arising from the Target Assets during the transitional period.

During the transitional period, if the Target Company realizes profit or its net assets increase for other reasons, the appreciated portion corresponding to Target Assets would be attributed to the Listed Company. If the net assets of the Target Company decrease due to loss incurred or other reasons, the depreciated portion corresponding to the Target Assets shall be compensated to the Listed Company in cash by the 17 natural persons (including Li Hong) and Qingdao Eternal based on their respective shareholding proportion in BYTQ prior to the Transactions within 10 days after the issuance of the special audit report.

(VII) Accumulated profit arrangement

The accumulated profit of the Listed Company prior to the issuance would be shared by the new and existing shareholders after the issuance based on the shareholding proportion after the issuance.

(VIII) Validity period of resolution

The validity period of the resolution on the Asset Acquisition by way of Share Issuance is 12 months from the date when the resolution in relation to the Transactions is considered and approved at general meeting of the Listed Company.

V. SPECIFIC PROPOSAL OF THE RAISING OF SUPPORTING FUNDS

(I) Type and nominal value of shares to be issued

The type of shares to be issued under the Raising of Supporting Funds shall be domestically listed RMB denominated ordinary shares (A Shares), with nominal value of RMB1.00 per share.

(II) Target subscribers and way of issuance

The Listed Company intends to make the non-public share issuance to no more than 35 target subscribers for raising supporting funds.

(III) Pricing benchmark date and pricing basis

The non-public issuance of shares for raising supporting funds will be conducted based on the prices offered by the target subscribers, and the issue price shall not be lower than 80% of the average trading price of shares of the Listed Company for 20 trading days preceding the first day of the period of non-public issuance of shares for the raising of supporting funds.

(IV) Number of shares to be issued

The Listed Company intends to non-publicly issue shares to not more than 35 target subscribers for raising supporting funds. The number of shares to be issued shall not exceed 30% of the total issued share capital of the Listed Company prior to the issuance, and the total amount of the raising of supporting funds shall not exceed 100% of the consideration of the asset acquisition by way of share issuance. The Raising of Supporting Funds is intended to be used for payment of cash consideration, taxes and intermediaries' fees incurred in the Transactions and replenishment of working capital of the Listed Company and the Target Assets, of which the proportion used to replenish its working capital shall not exceed 25% of the transaction price, or not exceed 50% of the amount of proceeds raised from the raising of supporting funds.

The above-mentioned raising of supporting funds will be implemented based on the asset acquisition by way of share issuance and cash payment. However, whether or not the raising of supporting funds is implemented or whether the supporting funds are raised in full, the implementation of the asset acquisition by way of share issuance and cash payment shall not be affected.

(V) Lock-up period arrangement

The shares to be issued for raising supporting funds for subscription by the target subscribers in the non-public share issuance shall not be transferred in any way within 6 months from the date of completion of the non-public issuance. Upon completion of Raising of Supporting Funds, the increased shareholding of subscribers due to reasons such as bonus shares issuance and conversion of capital reserve into share capital, etc. of the Listed Company shall also be subject to the above lock-up undertakings.

In the event of inconsistency between the above-mentioned lock-up period arrangement and the latest regulatory opinions of the securities regulatory institution, corresponding adjustments shall be made according to the regulatory opinions of the relevant securities regulatory institution.

(VI) Uses for the Raising of Supporting Funds

The Raising of Supporting Funds raised are intended to be used for payment of cash consideration, taxes and intermediaries' fees incurred in the Transactions and replenishment of working capital of the Listed Company and the Target Assets, of which the proportion used to replenish its working capital shall not exceed 25% of the transaction price, or shall not exceed 50% of the amount of proceeds raised from the raising of supporting funds.

(VII) Accumulated undistributed profit arrangement

The accumulated undistributed profit of the Listed Company prior to the share issuance under the Raising of Supporting Funds would be shared by the new and existing shareholders after the issuance based on the shareholding proportion after the issuance.

(VIII) Place of listing

The additional shares to be issued under the Raising of Supporting Funds will be listed and traded on the SSE.

(IX) Validity period of resolution

The resolution in relation to the issuance of shares and the raising of supporting funds is valid for twelve months from the date of submission to the general meeting of the Listed Company for consideration and approval.

VI. IMPACT OF THE TRANSACTIONS ON THE LISTED COMPANY

(I) Impact of the Transactions to the principal business of the Company

Prior to the Transactions, the Listed Company mainly engaged in research and development, production and processing and sales of pressure vessels. Through the Transactions, the Listed Company will acquire the controlling interest in BYTQ and expand its business scope to the overall business solution for construction, upgrading and transformation of intelligent production lines.

Quality assets will be injected to the Listed Company through the Transactions, which would benefit the synergic development between the overall business solution for construction, upgrading and transformation of intelligent production lines and the original pressure vessels business of the Listed Company, optimize its industrial layout and strengthen its capability for ongoing business operation. Through the Transactions, the Listed Company will be able to share fully the Target Company's accumulated technologies and advantageous resources in smart manufacture and promote the industrial transformation of the Listed Company.

(II) Impact of the Transactions on the profitability of the Company

According to the accountant's report and pro forma review report of the Listed Company, without considering the supporting funds, the main financial information and key financial indicators of the Listed Company before and after the Transactions are as follows:

Unit: RMB'0,000

	As at 30 September 2020/January – September 2020		As at 31 December 2019/ for the year 2019	
Item	**Before the Transactions**	**After the Transactions (pro forma)**	**Before the Transactions**	**After the Transactions (pro forma)**
Total assets	170,329.50	212,093.22	167,083.95	198,687.39
Total liabilities	87,139.50	110,856.05	97,021.42	110,417.36
Equity attributable to owners of the parent company	50,837.48	66,734.09	33,728.61	49,753.49
Total operating revenue	81,566.97	88,205.77	119,584.71	129,910.85
Net profit attributable to shareholders of the parent company	-3,536.55	-3,664.81	-13,003.68	-12,226.44
Basic earnings per share (RMB/share)	-0.081	-0.076	-0.31	-0.26

After the Transactions, the size of net assets, the total operating revenue and the earnings per share of the Listed Company will increase to a certain extent, which is conducive to enhancing the Listed Company's ability to resist risks, sustainable development and profitability, and will improve the asset quality and overall operating performance of the Listed Company. It is in the interests of all shareholders of the Listed Company.

(III) Impact of the Transactions on the shareholding structure of the Company

Based on the consideration and issue price of the Target Assets, after the completion of the Restructuring, the changes in the shareholding structure of the Listed Company are as follows:

Unit: 0,000 shares

Name of shareholders	Before the Transactions (30 September 2020) Number of shares held	Before the Transactions (30 September 2020) Percentage of shareholding	After the Transactions (without considering the raising of supporting funds) Number of shares held	After the Transactions (without considering the raising of supporting funds) Percentage of shareholding
Original shareholders of the Listed Company				
Jingcheng Machinery Electric	24,573.51	50.67%	24,573.51	46.24%
HKSCC NOMINEES LIMITED	9,931.51	20.48%	9,931.51	18.69%
Li Qidong (李奇冬)	250.66	0.52%	250.66	0.47%
Huang Zhiping (黃芝萍)	179.43	0.37%	179.43	0.34%
Xu Zihua (徐子華)	170.84	0.35%	170.84	0.32%
Xu Jiali (徐加力)	168.98	0.35%	168.98	0.32%
Xu Rui (徐瑞)	168.12	0.35%	168.12	0.32%
He Yong (何勇)	154.63	0.32%	154.63	0.29%
Jin Xuanfeng (金炫鋒)	136.00	0.28%	136.00	0.26%
Hong Kong Securities Clearing Company Limited	130.90	0.27%	130.90	0.25%
Other Shareholders of A Shares	12,635.42	26.05%	12,635.42	23.77%
Total original shareholders of the Listed Company	**48,500.00**	**100.00%**	**48,500.00**	**91.25%**

Name of shareholders	Before the Transactions (30 September 2020) Number of shares held	Percentage of shareholding	After the Transactions (without considering the raising of supporting funds) Number of shares held	Percentage of shareholding
Counterparties of the Transactions				
Li Hong（李紅）	–	–	1,909.96	3.59%
Zhao Qing（趙慶）	–	–	654.08	1.23%
Yang Ping（楊平）	–	–	540.59	1.02%
Qingdao Eternal	–	–	468.70	0.88%
Wang Xiaohui（王曉暉）	–	–	403.94	0.76%
Xia Tao（夏濤）	–	–	201.51	0.38%
Wang Huadong（王華東）	–	–	201.51	0.38%
Qian Yuyan（錢雨嫣）	–	–	80.60	0.15%
Xiao Zhonghai（肖中海）	–	–	58.94	0.11%
Xiu Jun（修軍）	–	–	52.63	0.10%
Fu Dun（傅敦）	–	–	37.89	0.07%
Chen Zhengyan（陳政言）	–	–	37.78	0.07%
Total Counterparties of the Transactions	**–**	**–**	**4,648.13**	**8.75%**
Total			**53,148.13**	**100.00%**

Before and after the Transactions, the Controlling Shareholder and actual controller of the Listed Company remain unchanged. The Transactions will not result in a change in control and does not constitute a restructuring for listing.

VII. Decision-making procedures of the Transactions

(I) Decision-making and approval procedures of the Transactions that have already been performed

As of the signing date of the Summary of Report, the decision-making and approval procedures of the Transactions that have already been performed include:

1. The proposal of the Transactions have received the approval of Jingcheng Machinery Electric;

2. The proposal of the Transactions was considered and approved by the fifth extraordinary meeting of the tenth session of the Board of Directors of the Listed Company;

3. The valuation report on the Transactions has been reviewed and filed by Jingcheng Machinery Electric;

4. The audit and valuation of the Transactions and the proposal of the Transactions were considered and approved at the eighth extraordinary meeting and the ninth extraordinary meeting of the tenth session of the Board of Directors of the Listed Company.

(II) Approval procedures of the Transactions to be performed

The decision-making and approval procedures of the Transactions to be performed include, but not limited to:

1. The proposal of the Transactions is to be approved at the general meeting of the Listed Company;

2. The proposal of the Transactions is to be approved by the CSRC;

3. Other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities.

There are uncertainties regarding whether the Transactions will be considered and approved at the general meeting and whether it will be filed, approved, or authorized by the relevant competent departments, and there are uncertainties regarding the actual timing in obtaining such filing, approvals, or authorization in respect of such matters. Investors are advised to pay attention to the investment risks.

VIII. MATERIAL UNDERTAKINGS OF THE PARTIES TO THE TRANSACTIONS

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding the truthfulness, accuracy and completeness of the information provided	The Listed Company	1. The company has provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). The company guarantees that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. The company also guarantees the information provided regarding the Transactions is true, accurate and complete, does not contain false information, misleading statement or material omission, and the company shall severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information provided. 2. There is no false information, misleading statement or material omission in the company's information disclosure and application documents regarding the Transactions. In the event of false information, misleading statement or material omission of information provided or disclosed in connection with the Transactions causing losses to investors, the company shall be liable for compensation according to the law.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Directors, Supervisors and senior management of the Listed Company	1. I have provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). I guarantee that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. I also guarantee the information provided regarding the Transactions is true, accurate and complete, does not contain false information, misleading statement or material omission, and I shall severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information provided. 2. There is no false information, misleading statement or material omission in my information disclosure and application documents regarding the Transactions. In the event of false information, misleading statement or material omission of information provided or disclosed in connection with the Transactions causing losses to JINGCHENG MAC or investors, I shall be liable for compensation according to the law.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		3. 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 held in JINGCHENG MAC (if any) before the conclusion of the investigation is reached, and shall, within two trading days of receiving the notice of filing, submit a 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 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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Controlling Shareholder and actual controller of the Listed Company	1. The company has provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). The company guarantees that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. The company also guarantees the information provided regarding the Transactions is true, accurate and complete, does not contain false information, misleading statement or material omission, and the company shall severally and jointly severally accept legal responsibility for the truthfulness, accuracy and completeness of the information provided. 2. The company guarantees there is no false information, misleading statement or material omission in information disclosure and application documents regarding the Transactions. In the event of false information, misleading statement or material omission of information provided or disclosed in connection with the Transactions causing losses to JINGCHENG MAC or investors, the company shall be jointly and severally liable for compensation according to the law.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		3. 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 held in JINGCHENG MAC before the conclusion of the investigation is reached, 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 undertake to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	BYTQ	The company has provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). The company guarantees that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. The company also guarantees the information provided regarding the Transactions is true, accurate and complete, does not contain false information, misleading statement or material omission, and the company shall severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information provided.
	Counterparties (17 natural persons including Li Hong)	1. I have provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). After reviewing the relevant documents, I guarantee that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. I also guarantee the information provided regarding the Transactions is true, accurate, and complete, does not contain false information, misleading statement, or material omission, and I shall severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information provided.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		2. There is no false information, misleading statement or material omission in my information disclosure and application documents regarding the Transactions. In the event of false information, misleading statement or material omission of information provided or disclosed in connection with the Transactions causing losses to JINGCHENG MAC or investors, I shall be jointly liable for compensation according to the law.
	Counterparty (Qingdao Eternal)	1. The company has provided information and documents related to the Transactions (including but not limited to original written material, copy materials or oral information, etc.). The company guarantees that the copies or duplicates of the documents provided are consistent with their originals, the signatures and seals of the documents are authentic, and the signers of the documents are legally authorized and the documents are effectively signed. The company also guarantees the information provided regarding the Transactions is true, accurate, and complete, does not contain false information, misleading statement, or material omission, and the company shall severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information provided.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		2. The company guarantees there is no false information, misleading statement or material omission in information disclosure and application documents regarding the Transactions. In the event of false information, misleading statement or material omission of information provided or disclosed in connection with the Transactions causing losses to investors, the company shall be jointly liable for compensation according to the law.
Letter of undertaking regarding the lock-up period of shares	Counterparties (Li Hong, Zhao Qing, Wang Xiaohui and Qian Yuyan)	1. I shall not transfer shares of the Listed Company acquired under the Transactions within 12 months from the Issuance Completion Date for the Restructuring. After the expiration of the aforementioned lock-up period, for the shares of the Listed Company acquired under the Asset Acquisition by way of Share Issuance and Cash Payment, it shall be unlocked in phases according to the following arrangement: 1st phase: After 12 months from the Issuance Completion Date of the Restructuring and upon performance of my corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement, the remaining portion of 50% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		2nd phase: If I have fully performed the compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreement, 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;
		3rd phase: If I have fully performed the compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreement (i.e. the four financial years of 2020, 2021, 2022 and 2023), the remaining shares in the newly acquired shares received that have not been unlocked shall be unlocked.
		2. During the above-mentioned share lock-up periods, the additional shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up periods. In case the lock-up periods as required by regulatory opinions or relevant provisions of the securities regulatory authority are longer than the above-mentioned lock-up periods or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions.
		3. I undertake that the shares of the Listed Company acquired in the Transactions shall strictly conform to the restriction of the lock-up periods and be issued in priority to satisfy the performance compensation obligations. I undertake not to avoid the compensation obligations by any means including share pledges.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		4. Before completion of performance compensation obligations, if I need to pledge the shares acquired in the Transactions (including additional shares held after completion of the issue due to conversion of capital reserve of the Listed Company into share capital, distribution of dividend, etc.), I undertake to inform the pledgee in writing that the shares to be pledged are subject to potential performance undertaking compensation obligations under the Performance Undertaking and Compensation Agreement and express agreement will be provided in the pledge agreement with the pledgee for the use of relevant shares for performance compensation, etc. and shall inform the Listed Company in writing regarding the relevant pledge later than the date of signing of the pledge agreement.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		5. In the event that the Transactions are filed for investigation by the judicial authorities or the Chinese Securities Regulatory Commission due to the false information, misleading statement or material omission contained in the information provided or disclosed, I shall not transfer the shares of the Listed Company acquired in the Transactions before the investigation results are determined, and shall, within two trading days of receiving the notice of filing, submit the written application for suspension of the transfer and the stock account to the Board of Directors, the Board of Directors shall apply to the stock exchanges and the depository and clearing companies for lock-up on my behalf. If the lock-up application is not submitted within two trading days, the Board of Directors is authorized to submit my identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the Board of Directors fails to submit my identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock-up the relevant shares. If the investigation concludes that there are violations of laws and regulations, I undertake to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		6. If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Listed Company with my own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company.
	Counterparty (Qingdao Eternal)	1. The company shall not transfer shares of the Listed Company acquired under the Transactions within 12 months from the Issuance Completion Date the Restructuring. After the expiration of the aforementioned lock-up period, the shares of the Listed Company acquired under the Asset Acquisition by way of Share Issuance and Cash Payment, shall be unlocked in phases according to the following arrangement: 1st phase: After 12 months from the Issuance Completion Date of the Restructuring and upon performance of its corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement, the remaining portion of 50% of the newly acquired shares received less the number of shares (if any) compensated for the year shall be unlocked; 2nd phase: If the company has fully performed its compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreement, 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;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		3rd phase: If the company has fully performed its compensation obligations corresponding to the entire performance commitment period under the Performance Compensation Agreement (i.e. the four financial years of 2020, 2021, 2022 and 2023), the remaining shares in the newly acquired shares received by the company that have not been unlocked shall be unlocked. 2. During the above-mentioned share lock-up periods, the additional shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up periods. In case the lock-up periods as required by regulatory opinions or relevant provisions of the securities regulatory authority are longer than the above-mentioned lock-up periods or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions of the securities regulatory authority.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		3. The company undertakes that the shares of the Listed Company acquired in the Transactions shall strictly conform to the restriction of the lock-up periods and be used in priority to satisfy the performance compensation obligations. The company undertakes not to avoid the compensation obligations by any means including share pledges.
		4. Before completion of performance compensation obligations, if the company needs to pledge the shares acquired in the Transactions (including additional shares held after completion of the issue due to conversion of capital reserve of the Listed Company into share capital, distribution of dividend, etc.), the company undertakes to inform the pledgee in writing that the shares to be pledged are subject to potential performance compensation obligations under the Performance Undertaking and Compensation Agreement and express agreement will be provided in the pledge agreement with the pledgee for the use of relevant shares for performance compensation, etc. and shall inform the Listed Company in writing regarding the relevant pledge later than the date of signing of the pledge agreement.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		5. In the event that the Transactions are filed for investigation by the judicial authorities or the Chinese Securities Regulatory Commission due to the false information, misleading statement or material omission contained in the information provided or disclosed, the company shall not transfer the shares of the Listed Company acquired in the Transactions before the investigation results are determined, and shall, within two trading days of receiving the notice of filing, submit the written application for suspension of the transfer and the stock account to the Board of Directors of JINGCHENG MAC, the Board of Directors shall apply to the stock exchanges and the depository and clearing companies for lock-up on the company's behalf. If the lock-up application is not submitted within two trading days, the Board of Directors is authorized to submit the company's identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the Board of Directors fails to submit the company's identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock-up the relevant shares. If the investigation concludes that there are violations of laws and regulations, the company undertakes to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		6. If the above undertakings are violated, the company shall bear all legal liabilities. The company shall fully compensate the Listed Company with the company's own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company.
	Counterparties (Yang Ping, Xiao Zhonghai, Xia Tao, Wong Huadong, Xiu Jun, Fu Dun and Chen Zhengyan)	1. The shares of the Listed Company acquired by me in the Transactions shall not be transferred within 12 months from the Issuance Completion date of the Restructuring. 2. During the above-mentioned share lock-up period, the additional Listed Company's shares acquired due to the issue of bonus shares and conversion of capital reserve into share capital of the Listed Company shall also be subject to the regulation of the above-mentioned lock-up period. In case the lock-up period as required by regulatory opinions or relevant provisions of the securities regulatory authority is longer than the above-mentioned lock-up period or there are other requirements, corresponding adjustments should be made according to such regulatory opinions or relevant provisions of the securities regulatory authority. 3. If the above undertakings are violated, I shall bear all legal liabilities. I shall fully compensate the Listed Company with my own funds for any damage caused to the Listed Company or for any administrative penalty or regulatory measures suffered by the Listed Company.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Undertaking on legal compliance	The Listed Company	1. There are no circumstances in which the company has been investigated by judicial organs for suspected crime or by the CSRC for suspected violation of laws and regulations; 2. As at the issue date of this statement and the undertaking, except for the public disclosure of the company in accordance with the relevant requirements of information disclosure of listed companies, there has been no material incident in the last three years in which the company was subject to administrative penalties in breach of laws, administrative regulations, rules and regulations and the situation is serious, criminal punishment or economic disputes related to significant civil proceedings or arbitration; 3. There are no other circumstances that the company has seriously impaired the legitimate rights and interests of investors and public interests; 4. The company has been in good credit standing in the last 36 months as there is no failure to fulfill commitments nor has the company received public condemnation by the stock exchanges, and there have been no other major acts of dishonesty; 5. In the past 12 months, the company did not provide external guarantee or funding in violation of regulations which has been appropriated by the actual controller of the company and other companies under its control through loans, debts, advances, or other means. The company hereby confirms that the above statements are true and is willing to bear the legal liabilities arising from violation of the above statements.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Directors, supervisors and senior management of the Listed Company	1. I have not been subject to administrative penalty by the Chinese Securities Regulatory Commission within the last 36 months, or publicly condemned by the stock exchanges within the past 12 months;
		2. I do not have any case of being investigated by the judicial organs for suspected crime or by the Chinese Securities Regulatory Commission for suspected violation of laws and regulations;
		3. I have not been subject to administrative penalty or criminal penalty in the past five years, nor have I been involved in major civil litigation or arbitration in relation to economic disputes;
		4. I have no outstanding or foreseeable cases of material litigation, arbitration, or administrative penalty;
		5. I strictly abide by the provisions of the national laws, regulations, and regulatory documents. There is no situation as stipulated in Article 146 of the Company Law of the People's Republic of China, and no violation of the acts under provisions of Articles 147 and 148 of the Company Law of the People's Republic of China;
		6. In the past five years, I have good credit standing and have not failed to repay large amount of debts on time or fulfill my commitments, nor have I been subject to administrative supervision and control measures adopted by the Chinese Securities Regulatory Commission or disciplined by the stock exchanges;
		7. There are no material violations where I have seriously impaired the legitimate rights and interests of investors and public interests.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		The above-mentioned content of undertaking is true, complete, accurate, and does not contain false information, misleading statement, or material omission. I am fully aware of the possible consequences of making false declaration and am willing to bear all legal consequences arising therefrom.
	Controlling Shareholder and actual controller of the Listed Company	1. The company has not been subject to administrative penalty by the Chinese Securities Regulatory Commission within the last 36 months, or publicly condemned by the stock exchanges within the past 12 months; 2. The company does not have any case of being investigated by the judicial organs for suspected crime or by the Chinese Securities Regulatory Commission for suspected violation of laws and regulations; 3. There are no other circumstances that the company has seriously impaired the legitimate rights and interests of investors and public interests, or other major acts of dishonesty; 4. The company has no outstanding or foreseeable cases of material litigation, arbitration or administrative penalty, and has no criminal punishment. The above-mentioned content of undertaking is true, complete, accurate, and does not contain false information, misleading statement, or material omission. The company is fully aware of the possible consequences of making false declaration and is willing to bear all legal consequences arising therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	BYTQ	1. The company and the directors, supervisors, senior management of the company have not been subject to administrative penalty (except those that are apparently not related to the stock market) or criminal penalty in the past five years, nor have been involved in major civil litigation or arbitration in relation to economic disputes;
		2. In the past five years, the company and the directors, supervisors, senior management of the company have good credit standing as we have not failed to repay large amount of debts on time or fulfill our commitments, nor have been subject to administrative supervision and control measures adopted by the Chinese Securities Regulatory Commission or disciplined by the stock exchanges, and there is no circumstance which the Company still in a prohibition period under prohibited measures taken by the Chinese Securities Regulatory Commission for securities market entry;
		3. As of the signing date of the Letter of Undertaking, the company, directors, supervisors, and senior management of the company were not subject to investigation by the judicial authorities for suspected crimes or by the Chinese Securities Regulatory Commission for suspected violation of laws and regulations;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		4. The company and the directors, supervisors, senior management of the company do not have major violations that seriously impair the legitimate rights and interests of investors and public interests. The company guarantees that the above-mentioned content of information is true, accurate, complete, and does not contain false information, misleading statement, or material omission, and will bear the corresponding legal responsibility for the truthfulness, accuracy and completeness of the information provided. If the above undertakings are violated and thus any impact or loss is caused to the Restructuring, the company will bear the corresponding compensation liability according to the law.
	Counterparties (17 natural persons including Li Hong) and Huang Xiaofeng	1. I have not been subject to administrative penalty (excluding penalty which is not related to securities market) or criminal penalty in the past five years, nor have I been involved in major civil litigation or arbitration in relation to economic disputes; 2. I have no outstanding or foreseeable cases of material litigation, arbitration or administrative penalty, no criminal punishment, no suspected crimes which are investigated by the judicial organs or by the Chinese Securities Regulatory Commission for suspected violation of laws and regulations in which no clear conclusion has been reached;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		3. In the past five years, I have good credit standing as I have not failed to repay large amount of debts on time or fulfill my commitments, nor have I been subject to administrative supervision and control measures adopted by the Chinese Securities Regulatory Commission or disciplined by the stock exchanges; 4. There are no material violations where I have seriously impaired the legitimate rights and interests of investors and public interests. The above-mentioned content of undertaking is true, complete, accurate, and does not contain false information, misleading statement, or material omission. I am fully aware of the possible consequences of making false declaration and am willing to bear all legal consequences arising therefrom.
	Counterparty (Qingdao Eternal)	1. The company and the directors, supervisors, senior management of the company have not been subject to administrative penalty (excluding penalty which is not related to securities market) or criminal penalty in the past five years, nor have been involved in major civil litigation or arbitration in relation to economic disputes;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		2. The company and the directors, supervisors, senior management of the company have no outstanding or foreseeable cases of material litigation, arbitration or administrative penalty, no criminal punishment, no suspected crimes which are investigated by the judicial organs or by the Chinese Securities Regulatory Commission for suspected violation of laws and regulations in which no clear conclusion has been reached; 3. In the past five years, the company and the directors, supervisors, senior management of the company have good credit standing as we have not failed to repay large amount of debts on time or fulfill our commitments, nor have been subject to administrative supervision and control measures adopted by the Chinese Securities Regulatory Commission or disciplined by the stock exchanges; 4. There is no material violations where that the company and the directors, supervisors, senior management of the company have seriously impaired the legitimate rights and interests of investors and public interests. The above-mentioned content of undertaking is true, complete, accurate, and does not contain false information, misleading statement, or material omission. The company is fully aware of the possible consequences of making false declaration and is willing to bear all the legal consequences arising therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Statement and letter of undertaking in relation to the qualification of the subject	BYTQ	1. The company and its subsidiaries are established in accordance with the law and existed effectively, and there is no circumstance where termination is required according to the relevant laws and regulations or the Articles of Association of the company;
		2. The company has made capital contribution to its subsidiaries in accordance with the requirements of the Articles of Association of its controlled subsidiaries;
		3. The company legally holds equity interests in its subsidiaries, and there is no entrusted shareholding, trust shareholding, income right arrangement, option arrangement, equity holding on trust or under any other circumstances that it has interests on behalf of other parties, and there is no inaccurate capital contributions, false capital contributions, delayed capital contributions, or evasion of capital contributions; there are no disputes and potential disputes, no mortgages, pledges and other guarantees for such equity; there is no possibility of auction, seizure, freezing, or expropriation by relevant judicial or administrative agencies or restrictions on transfer, and there is no pending or potential litigation, arbitration and any other administrative or judicial procedures relating to asset ownership;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		4. The business operations of the company and its subsidiaries are in compliance with the relevant laws and administrative regulations. The Transactions are in line with the national industrial policy and have complied with the national anti-monopoly laws and administrative regulations; 5. Since its establishment, the company and its subsidiaries have not been investigated by judicial organs for suspected crimes or investigated by the CSRC for suspected violations of laws and regulations; 6. Since its establishment, the company, its subsidiaries, and its directors, supervisors and senior management have not been subject to major administrative or criminal penalties, nor have they been suspected of major violations of laws and regulations; 7. There is no ongoing major civil litigation or arbitration related to economic disputes in the company, its subsidiaries, and its directors, supervisors, and senior management; 8. The company has the legal entity qualifications required by the relevant laws, regulations, rules, and regulatory documents to sign various commitments and agreements relating to the Restructuring, and to enjoy and perform corresponding rights and obligations. The contents stated by the company in the confirmation letter are objective and true, and there are no false records, misleading statements, and major omissions, and the company bears legal responsibility for its truthfulness, accuracy, and completeness.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparties (17 natural persons including Li Hong)	1. I have the legal capacity to sign various undertakings and agreements regarding the Transactions as well as enjoy and perform corresponding rights and obligations as required by the relevant laws, regulations, rules, and regulatory documents. 2. The business activities carried out by BYTQ are in compliance with national laws and administrative regulations. The situation described in this confirmation letter is objective and true, it does not contain false information, misleading statement and material omission, and that I bear legal responsibility for its truthfulness, accuracy, and completeness.
	Huang Xiaofeng	1. I have the legal capacity to sign various undertakings and agreements regarding the Transactions (if necessary) as well as enjoy and perform corresponding rights and obligations as required by the relevant laws, regulations, rules, and regulatory documents. 2. The business activities carried out by BYTQ are in compliance with national laws and administrative regulations. The situation described in this confirmation letter is objective and true, it does not contain false information, misleading statement and material omission, and that I bear legal responsibility for its truthfulness, accuracy, and completeness.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparty (Qingdao Eternal)	1. The company is a limited liability company established and validly existing in compliance with the laws of the People's Republic of China. As of the date of signing this confirmation letter, the company is under no circumstances requiring it to be terminated in accordance with the relevant laws and regulations or the Articles of Association of the company. The company has the legal capacity to sign various undertakings and agreements regarding the Transactions as well as enjoy and perform corresponding rights and obligations as required by the relevant laws, regulations, rules, and regulatory documents. 2. The business activities carried out by the Target Company in which the company holds equity interests are in compliance with national laws and administrative regulations. The situation described in this confirmation letter is objective and true, it does not contain false information, misleading statement and material omission, and that the company shall bear legal responsibility for its truthfulness, accuracy, and completeness.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding matters in relation to the ownership of Target Assets	Counterparties (17 natural persons including Li Hong)	1. The ownership of the Target Assets which I hold is clear and complete. My capital contribution to BYTQ or funds for the transfer of equity interests in it are legally obtained self-owned funds and have been paid in full. There is no false capital contribution, evasive capital contribution, or inaccurate capital contribution and other activities that violate the obligations and responsibilities of shareholders. I am the ultimate and authentic owner of the Target Assets, and there are no cases in which the Target Assets are held by means of trust, entrustment or acceptance of entrustment, and no cases of title disputes or other potential disputes. There are no commitments or arrangements prohibiting or restricting the transfer of the Target Assets held by me, nor are there any rights restriction such as pledges, freezing, seizures, property preservation, or other circumstances that impede the transfer of the ownership of the Target Assets, and there is no legal obstacle to the transfer of the equity interests as agreed. 2. As of the date of issuance of this letter of undertaking, BYTQ was under no circumstances which affected its legal existence, and there are no outstanding or foreseeable lawsuits, arbitrations or administrative penalties affecting the Transactions. 3. In the event that I violate the undertakings under items 1 and 2 of this letter of undertaking, I shall be willing to compensate JINGCHENG MAC for all losses incurred therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparty (Qingdao Eternal)	1. The ownership of the Target Assets which the company holds is clear and complete. Its capital contribution to BYTQ or funds for the transfer of equity interests in it are legally obtained self-owned funds and have been paid in full. There is no false capital contribution, evasive capital contribution, or inaccurate capital contribution and other activities that violate the obligations and responsibilities of shareholders. The company is the ultimate and authentic owner of the Target Assets, and there are no cases in which the Target Assets are held by means of trust, entrustment or acceptance of entrustment, and no cases of title disputes or other potential disputes. There are no commitments or arrangements prohibiting or restricting the transfer of the Target Assets held by the company, nor are there any rights restriction such as pledges, freezing, seizures, property preservation, or other circumstances that impede the transfer of the ownership of the Target Assets, and there is no legal obstacle to the transfer of the equity interests as agreed.
		2. As of the date of issuance of this letter of undertaking, BYTQ was under no circumstances which affected its legal existence, and there are no outstanding or foreseeable lawsuits, arbitrations or administrative penalties affecting the Transactions.
		3. In the event that the company violates the undertakings under items 1 and 2 of this letter of undertaking, the company shall be willing to compensate JINGCHENG MAC for all losses incurred therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking for maintaining the independence of the Listed Company	Controlling Shareholder and actual controller of the Listed Company	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 (五分開，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. 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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding unleaked inside information and insider trading that has not been conducted	Directors, supervisors, and senior management of the Listed Company	I have not leaked the inside information of the Transactions and used the information of the Transactions to conduct insider trading, and there is no case investigated as a result of suspected insider trading related to the Transactions, and there is no case of administrative penalties imposed by the CSRC or criminal liabilities investigated by judicial organs by law as a result of any suspected insider trading in the last 36 months. There is no case in prohibiting the participation in major asset restructuring in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies". If I violate the above-mentioned undertaking, I am willing to bear all the economic losses caused to JINGCHENG MAC therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Controlling Shareholder and actual controller of the Listed Company	The company, its directors, supervisors and senior management have not leaked the inside information of the Transactions and used the information of the Transactions to conduct insider trading, and there is no case investigated as a result of suspected insider trading related to the Transactions, and there is no case of administrative penalties imposed by the CSRC or criminal liabilities investigated by judicial organs by law as a result of any suspected insider trading in the last 36 months. There is no case in prohibiting the participation in major asset restructuring in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies". If the company violates the above-mentioned undertaking, which causes losses to JINGCHENG MAC, the company will bear the responsibilities of compensation in accordance with laws.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	BYTQ	The company, its directors, supervisors and senior management have not leaked the inside information of the Transactions and used the information of the Transactions to conduct insider trading, and there is no case investigated as a result of suspected insider trading related to the Transactions, and there is no case of administrative penalties imposed by the CSRC or criminal liabilities investigated by judicial organs by law as a result of any suspected insider trading in the last 36 months. There is no case in prohibiting the participation in major asset restructuring in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies". If the company violates the above-mentioned undertaking, which causes losses to JINGCHENG MAC, the company will bear the responsibilities of compensation in accordance with laws.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparties (17 natural persons including Li Hong) and Huang Xiaofeng	I have not leaked the inside information of the Transactions and used the information of the Transactions to conduct insider trading, and there is no case investigated as a result of suspected insider trading related to the Transactions, and there is no case of administrative penalties imposed by the CSRC or criminal liabilities investigated by judicial organs by law as a result of any suspected insider trading in the last 36 months. There is no case in prohibiting the participation in major asset restructuring in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies". If I violate the above-mentioned undertaking, which causes losses to JINGCHENG MAC, I will bear the responsibilities of compensation in accordance with laws.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparty (Qingdao Eternal)	The company, its directors, supervisors and senior management have not leaked the inside information of the Transactions and used the information of the Transactions to conduct insider trading, and there is no case investigated as a result of suspected insider trading related to the Transactions, and there is no case of administrative penalties imposed by the CSRC or criminal liabilities investigated by judicial organs by law as a result of any suspected insider trading in the last 36 months. There is no case in prohibiting the participation in major asset restructuring in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies". If the company violates the above-mentioned undertaking, which causes losses to JINGCHENG MAC, the company will bear the responsibilities of compensation in accordance with laws.
Statement and undertaking of the counterparty(ies) regarding concerted and related party relationships	Counterparties (17 natural persons including Li Hong)	1. Up to now, JINGCHENG MAC and I have no related party relationship as specified in the "Administration Measures for the Material Asset Reorganisations of Listed Companies" and the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange". 2. Up to now, I have not recommended directors, supervisors or senior management to JINGCHENG MAC. The contents described by me in this statement are objective and true, and there are no false records, misleading statements and major omissions, and I assume legal responsibility for its truthfulness, accuracy and completeness.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparty (Qingdao Eternal)	1. Up to now, the company, its directors, supervisors and senior management and JINGCHENG MAC have no related party relationship as specified in the "Administration Measures for the Material Asset Reorganisations of Listed Companies" and the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange". 2. Up to now, the company has not recommended directors, supervisors or senior management to JINGCHENG MAC. The contents described by the company in this statement are objective and true, and there are no false records, misleading statements and major omissions, and the company assumes legal responsibility for its truthfulness, accuracy and completeness.
Letter of undertaking for replenishing the diluted immediate return	Controlling Shareholder and actual controller of the Listed Company	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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.
	Directors and senior management of the Listed Company	1. Undertake 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. Undertake to restrain the duty consumption behavior;
		3. Undertake not to utilize the assets of JINGCHENG MAC to engage in investment and consumption activities which are unrelated to the performance of duties;
		4. Undertake 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. Undertake 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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		If I violate or fail to fulfill the above undertakings, I: 1. 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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding avoidance of funds appropriation	Counterparties (17 natural persons including Li Hong)	From the Valuation Date of 80% equity interests of BYTQ to the date of registration under the name of JINGCHENG MAC (that is, the date when competent industrial and commercial department of BYTQ changed the ownership of 80% equity interests of BYTQ to the name of JINGCHENG MAC), I will not appropriate BYTQ's funds and conduct other actions that affect the integrity and compliance of BYTQ. After the completion of the Transactions, I will strictly comply with the relevant rules of the CSRC and the SSE and the relevant requirements of the Articles of Association to equally exercise the shareholders' rights and fulfill the shareholders' obligations. I will not seek improper interests by using the position of shareholders and guarantee the Listed Company and BYTQ will continue to be completely separate from other enterprises under my control in terms of personnel, assets, finance, institutions and business to maintain the independence of the Listed Company in terms of personnel, assets, finance, institutions and business.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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 Guaranties Provided by Listed Companies, to regulate the external guarantees of the Listed Company and its subsidiaries. Other companies under my control (if any) will not appropriate the Listed Company's or BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with the Listed Company or BYTQ that is not related to normal business operations. If I breach the above-mentioned undertakings, causing any impact or loss to the Transactions, I will bear the compensation liabilities in accordance with laws accordingly.
	Huang Xiaofeng	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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		After the completion of the Transactions, other companies under my control (if any) will not appropriate BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with BYTQ that is not related to normal business operations.
		If I breach the above-mentioned undertakings, causing any impact or loss to the Transactions, I will bear the compensation liabilities in accordance with laws accordingly.
	Counterparty (Qingdao Eternal)	From the Valuation Date of 80% equity interests of BYTQ to the date of registration under the name of JINGCHENG MAC (that is, the date when competent industrial and commercial department of BYTQ changed the ownership of 80% equity interests of BYTQ to the name of JINGCHENG MAC), the company will not appropriate BYTQ's funds and conduct other actions that affect the integrity and compliance of BYTQ.
		After the completion of the Transactions, the company will strictly comply with the relevant rules of the CSRC and the SSE and the relevant requirements of the Articles of Association to equally exercise the shareholders' rights and fulfill the shareholders' obligations. The company will not seek improper interests by using the position of shareholders and guarantee the Listed Company and BYTQ will continue to be completely separate from other enterprises under the company's control in terms of personnel, assets, finance, institutions and business to maintain the independence of the Listed Company in terms of personnel, assets, finance, institutions and business.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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 Guaranties Provided by Listed Companies, to regulate the external guarantees of the Listed Company and its subsidiaries. Other companies under the company's control (if any) will not appropriate BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., to avoid any flow of funds with the BYTQ not related to normal business operations, the Listed Company's or BYTQ's funds by any means such as reimbursement of expenses or other expenditures, direct or indirect borrowings, debt repayment, etc., so as to avoid any flow of funds with the Listed Company or BYTQ that is not related to normal business operations. If the company breaches the above-mentioned undertakings, causing any impact or loss to the Transactions, the company will bear the compensation liabilities in accordance with laws accordingly.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding the share reduction plan	Directors, supervisors and senior management of the Listed Company	I confirm that there will be no share reduction plan from the date of trading resumption related to the Restructuring to the completion date. From the date of first announcement of the resolution of the Board passed by the Listed Company for the Transactions up to the completion of implementation of the Transactions, if I plan to reduce my shareholding in the Listed Company due to my funding needs, I will operate in strict accordance with the relevant laws, regulations, regulatory documents, and relevant requirements of the stock exchanges. If I breach the above-mentioned undertaking, I am willing to bear all the economic losses to JINGCHENG MAC caused therefrom.
	Controlling Shareholder and actual controller of the Listed Company	The company confirms that there will be no share reduction plan from the date of trading resumption related to the Restructuring to the completion date. From the date of first announcement of the resolution of the Board passed by the Listed Company for the Transactions up to the completion of implementation of the Transactions, if the company plans to reduce the shareholding in the Listed Company due to the company's funding needs etc., the company will operate in strict accordance with the relevant laws, regulations, regulatory documents, and relevant requirements of the stock exchanges. If the company breaches the above-mentioned undertaking, the company is willing to bear all the economic losses to JINGCHENG MAC caused therefrom.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding avoidance of peer competition	Controlling Shareholder and actual controller of the Listed Company	1. Unless the company no longer directly or indirectly holds the shares of JINGCHENG MAC, the company and the enterprises effectively controlled or influenced significantly by the company shall not engage in, participate in, or assist others to engage in any business activities that are directly or indirectly in competition with the businesses of JINGCHENG MAC and its subsidiaries by any means (including but not limited to independently operating or jointly operating and cooperating with other parties within or outside China), nor directly or indirectly invest in economic entities which are in direct or indirect competition with the businesses that JINGCHENG MAC and its subsidiaries are engaged in.
		2. If the company breaches the agreement in item 1 above, which causes losses to JINGCHENG MAC and its subsidiaries, the company will be liable for compensation based on the actual losses to be suffered by JINGCHENG MAC and its subsidiaries at that time.
	Counterparties (Huang Xiaofeng, Li Hong, Qian Yuyan, Tao Feng, Wang Xiaohui, Zhao Qing)	1. I and the other enterprises effectively controlled or influenced significantly by me currently do(es) not own and operate any business directly or indirectly competing with the businesses engaged by the Listed Company and BYTQ in terms of business.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.
	Counterparty (Qingdao Eternal)	1. The company and the other enterprises effectively controlled or influenced significantly by the company currently do(es) not own and operate any business directly or indirectly competing with the businesses engaged by the Listed Company and BYTQ in terms of business.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
Letter of undertaking regarding reduction and regulation of related party transactions	Controlling Shareholder and actual controller of the Listed Company	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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		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.
	Directors, supervisors and senior management of the Listed Company	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.

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
	Counterparties (Huang Xiaofeng, Li Hong)	After the completion of the Transactions, other companies and other related parties effectively controlled or significantly influenced by me and I will try to avoid to have related party transactions with JINGCHENG MAC and its controlled subsidiaries (including BYTQ which is to be turned into a subsidiary controlled by JINGCHENG MAC). For related party transactions that are necessary and unavoidable, they will be conducted in accordance with the principles of fairness, justice, and price equality. The consideration shall be determined at a price generally accepted as reasonable by the market, and shall perform transaction approval procedures and information disclosure obligations in accordance with relevant laws, regulations, rules and regulatory documents to effectively protect the interests of JINGCHENG MAC and its small and medium shareholders. If I breach the above-mentioned undertakings to enter into transaction with JINGCHENG MAC and its controlled subsidiaries, and incurs losses to JINGCHENG MAC and its shareholders and the subsidiaries of JINGCHENG MAC, I will bear the compensation liabilities in accordance with laws accordingly.
Letter of undertaking regarding the non-existence of the circumstances of the prohibition of non-public issuance of shares	The Listed Company	The Listed Company undertakes that, the following circumstances of prohibition of non-public issuance of shares specified in Article 39 of the "Administrative Measures for the Issuance of Securities by Listed Companies" do not exist: 1. Application documents of the issuance contain false information, misleading statements, or material omissions;

Name of the Undertaking	Parties to the Undertaking	Main Content of the Undertaking
		2. The equity of the Listed Company is severely prejudiced by the Controlling Shareholder or actual controller and has not yet been eliminated;
		3. The external guarantee provided by the Listed Company and its subsidiaries is in violation of the rules and has not yet eliminated;
		4. The current directors, senior management have experienced administrative punishment within the latest 36 months by the CSRC or have been openly reprimanded by the stock exchanges within the latest 12 months;
		5. The Listed Company or its current directors, senior management are now being investigated by the judiciary authorities for suspected offences or are now being investigated by the CSRC for suspected violations of regulations;
		6. The certified accountants issued an audited report with a qualified opinion, negative opinion or unable to express opinion on the most recent year and period, except for qualified opinions, negative opinions, or inability to express opinions relating to the significant impact of the matters that has been eliminated or the issuance that involves a major restructuring;
		7. Other circumstances under which the legitimate rights and interests of the investors, and social and public interests are severely damaged.

IX. OPINIONS IN PRINCIPLE OF THE CONTROLLING SHAREHOLDER OF THE LISTED COMPANY IN RELATION TO THE RESTRUCTURING

Jingcheng Machinery Electric, the Controlling Shareholder of the Listed Company, has agreed to the implementation of the Restructuring by the Listed Company.

X. DESCRIPTION OF THE SHAREHOLDING REDUCTION PLAN OF THE LISTED COMPANY'S DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, THE CONTROLLING SHAREHOLDER OF THE LISTED COMPANY AND PARTIES ACTING IN CONCERT FROM THE DATE OF TRADING RESUMPTION RELATED TO THE RESTRUCTURING TO THE COMPLETION OF ITS IMPLEMENTATION

(I) Description of the shareholding reduction plan of the Listed Company's Directors, Supervisors and Senior Management from the date of trading resumption related to the Restructuring to the completion of its implementation

According to the "Letter of Undertaking on Shares Reduction Plan" issued by the directors, supervisors and senior management of the Listed Company, it is confirmed that the directors, supervisors, and senior management of the Listed Company currently have no shareholding reduction plan. From the date of the first announcement on the resolution of the Board in relation to the approval of the Transactions by the Listed Company to the completion of the Transactions, if relevant persons intend to reduce their shares in the Listed Company due to capital requirements and other reasons, they shall strictly follow the relevant laws and regulations, regulatory documents, and relevant provisions of the stock exchanges. The relevant persons will bear the responsibilities of compensating JINGCHENG MAC for its losses caused by their breach of the above undertaking.

(II) Description of the shareholding reduction plan of the Controlling Shareholder of the Listed Company and parties acting in concert with it from the date of trading resumption related to the Restructuring to the completion of its implementation

According to the "Letter of Undertaking on Shares Reduction Plan" issued by the Controlling Shareholder of the Listed Company, it is confirmed that the Controlling Shareholder of the Listed Company currently has no shareholding reduction plan. From the date of the first announcement on the resolution of the Board in relation to the approval of the Transactions by the Listed Company to the completion of the Transactions, if the Controlling Shareholder of the Listed Company intends to reduce its shares in the Listed Company due to capital requirements and other reasons, it shall strictly follow the relevant laws and regulations, regulatory documents and relevant provisions of the stock exchanges. The Controlling Shareholder of the Listed Company will bear the responsibilities of compensating JINGCHENG MAC for its losses caused by its breach of the above undertaking.

XI. ARRANGEMENTS OF THE TRANSACTIONS FOR PROTECTING INTERESTS OF SMALL AND MEDIUM INVESTORS

(I) Ensuring fair and equitable pricing of Target Assets in the Transactions

Regarding the Transactions, the Listed Company has engaged accounting firm, asset valuation institution to audit and appraise the Target Assets to ensure that the pricing of the Transactions is equitable, fair and reasonable. Independent Directors have given independent opinions on the fairness of the appraised pricing involved in the Transactions. In addition, the Listed Company has engaged an independent financial advisor and solicitors to conduct due diligence and clearly express their opinions on compliance and risks relating to the implementation process of the Transactions, asset transfer and relevant follow-up matters to ensure that the pricing of the Transactions is equitable, fair and reasonable without harming the legitimate interests of shareholders, especially small and medium shareholders.

(II) Strict performance of the obligations on information disclosure of the Company

In the process of the Transactions, the Listed Company and relevant obligors for information disclosure shall effectively perform their obligations of information disclosure, and fairly disclose the significant events which may have relatively significant impact on the trading price of the shares of the Listed Company to all investors, in strict compliance with relevant requirements such as the "Securities Law", "Administrative Measures on Information Disclosure", "Measures for the Administration of Restructurings", and "Administration of the Takeover of Listed Companies Procedures". Upon the disclosure of the Report, the Listed Company will continue to disclose the progress of the restructuring of the Listed Company in a timely and accurate manner in accordance with the requirements of the relevant laws, regulations and regulatory documents, and the progress of the transactions in stages.

(III) Provision of online voting arrangement for general meetings

According to relevant requirements under the "Provisions on Strengthening the Protection of the Rights and Interests of the General Public Shareholders" issued by the CSRC, in order to bring convenience to those shareholders attending the general meeting, the Listed Company will provide a platform for online voting for the Transactions. Shareholders may either cast their votes on site or online directly.

The Listed Company will separately count and disclose the votes of the Listed Company's directors, supervisors, senior management and shareholders other than shareholders individually or collectively holding more than 5% of the shares of the Listed Company.

(IV) Arrangements of lock-up of shares

The Counterparties in relation to the Restructuring issued undertakings for the lock-up period of subscribed shares. For details, please refer to the section headed "VIII. Material Undertakings of The Parties to the Transactions" in the Report.

XII. QUALIFICATION OF INDEPENDENT FINANCIAL ADVISOR AS A SPONSOR

The Listed Company has engaged CSC Financial to act as the independent financial advisor for the Transactions. CSC Financial is established by law under the approval of the CSRC, which has the qualifications for financial advisory business and sponsorship.

SIGNIFICANT RISKS REMINDER

In evaluating the asset restructuring of the Listed Company, apart from other contents of this report and relevant documents disclosed together with this report, investors should also pay special attention to the following risk factors.

I. RISKS ASSOCIATED WITH THE TRANSACTIONS

(I) Risk that the Transactions may be suspended, terminated, or cancelled

The Transactions are exposed to the following risks of being suspended, terminated, or cancelled:

1. The Restructuring is exposed to the risk of being suspended, terminated, or cancelled resulting from abnormal fluctuations in stock prices of the Listed Company or abnormal transactions suspected of insider trading;

2. The risk that the transactions may be suspended, terminated, or cancelled resulting from failure of the Listed Company to convene general meeting in time;

3. Other risks that may cause the transactions to be suspended, terminated, or cancelled.

If the Restructuring is suspended, terminated, or cancelled for reasons other than the abovementioned and the Listed Company intends to re-initiate the Restructuring, the pricing and other trading conditions may significantly differ from the restructuring plan disclosed in the Report. Investors are advised to pay attention to such risks.

(II) Risk of Approval

As of the signing date of the Summary of Report, the decision-making and approval procedures that have not been performed for the Transactions include but not limited to:

1. The proposal of the Transactions shall be considered and approved at the general meeting of the Listed Company;

2. Approval of the CSRC on the proposal of the Transactions;

3. Other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities.

There is uncertainty on whether the Transactions will be approved at the general meeting and whether it can obtain the filing, approval or verification of the relevant competent authorities. There is also uncertainty about the timing for obtaining the relevant filing, approval and verification for the above-mentioned matters. Investors are advised to pay attention to the investment risks.

(III) Risks that the raising of supporting funds cannot be implemented or the amount of funds was lower than expected

In the Transactions, the Listed Company proposed to non-publicly issue shares of not more than 30% of its total number of issued shares of the Listed Company prior to the issuance to no more than 35 target subscribers for raising supporting funds. The total amount of the raising of supporting funds shall not exceed 100% of the consideration of the asset acquisition by way of share issuance in the transactions.

There are uncertainties on whether the raising of supporting funds will be successfully implemented in view of the impacts of stock market volatility and investor expectations. If the raising of supporting funds cannot be implemented or the amount of funds raised is lower than expected, the capital utilization arrangement and short-term solvency of the Listed Company may be affected. Investors are advised to pay attention to the relevant risks.

(IV) Risks of unrealizable cash compensations

In the Transactions, the Listed Company and the Valuation Adjustment Parties, Huang Xiaofeng and Tao Feng agreed that shares will be prioritized for compensation, and the insufficient portion will be compensated in cash. It is uncertain whether the above-mentioned personnel can have sufficient cash or can obtain the cash needed through asset pledge financing and other channels to fulfill the compensation undertaking at that time. Investors are advised to pay attention the risks of unrealizable cash compensations.

(V) Risks of suspension of listing of the Listed Company

As the Listed Company recorded negative audited net profits in 2018 and 2019, in accordance with the relevant provisions of the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange", a delisting risk warning was issued to the shares of the Listed Company on 31 March 2020. According to the relevant provisions of the "Rules Governing the Listing of Stocks on the Shanghai Stock Exchange", if the Listed Company's 2020 audited net profit continues to be negative or its net assets at the end of the period continues to be negative, it may face the risk of suspension of listing.

II. RISKS ASSOCIATED WITH THE TARGET ASSETS

(I) The risk of decline in financial results due to the novel coronavirus pandemic

Due to the prevention and control of the novel coronavirus pandemic, cities and provinces have successively introduced and strictly implemented pandemic prevention and control policies such as delaying the resumption of work and managing personnel returning from other places. The Target Company is principally engaged in providing industrial intelligence and information redevelopment plan to manufacturing enterprises, and the pandemic will have certain adverse impact on the Target Company's results for 2020 and beyond. Taking into account of the spreading of the pandemic across the world, there is a risk that the financial results of the Target Company will decline due to the continuous impact of the pandemic on the business operation if the situation of the pandemic does not improve in the short term or even deteriorate.

(II) Credit risk

The Target Company ensures that its overall credit risk is within control by monitoring the credit rating of existing customers on a quarterly basis and reviewing the aging analysis of accounts receivable on a monthly basis. For monitoring credit risk of customers, the customers are categorized according to their credit features. Customer rated as "high risk" will be included in the restricted customer list and any subsequent credit sales can only be made to it by the Target Company upon additional approval. Otherwise the customer will be required to make the relevant payment in advance.

Benefiting from the effective risk assessment policy of the Target Company and the good reputation and payment ability of its customers, the collectability of BYTQ's accounts receivable is relatively high at present. However, if the market condition changes or the Target Company expands its business, there may be a risk in respect of the difficulty in collecting accounts receivable.

(III) Risk of industry fluctuation

The Target Company is a high-tech enterprise dedicated to the construction, upgrading and transformation of intelligent production lines. The operating conditions are closely related to the fluctuations in the industrial machinery industry. The industrial machinery industry in the PRC has a strong demand for automation and intelligence transformation, its total income has resumed in growth since the publication of Made in China 2025. The development of industrial machinery industry, however, still has uncertainty to a certain extent due to the impact of factors such as the macroeconomic environment and Sino-US trade disputes.

Future changes in industry policies, international trade environment, market supply and demand, etc., may cause periodic fluctuations in the machinery manufacturing industry, which in turn will affect the market demand for intelligence production solutions. Although the Target Company can adopt measures such as strengthening supply chain management, research and development and innovation, and actively increasing the percentage of market share to actively respond, there is still a risk that the Target Company's operating results will fluctuate due to industry fluctuations.

(IV) Risk of intensified market competition

Although the Target Company has achieved a leading market position in the field of industrial intelligence with stable product quality and excellent research and development capabilities, the promising market prospects have gradually attracted the entry of competitors and intensified market competition. If the Target Company cannot continue to maintain its technological advantages, product advantages and brand advantages, and fails to further improve the Target Company's overall competitiveness through technological innovation, market exploration and strengthening operational management, the price fluctuations caused by intensified competition will cause negative impact to the operating results of the Target Company.

(V) Risk of technology research and development

The frequent technological innovation and replacement in the industry to which the Target Company belongs to determines that industrial intelligent products also need to be constantly updated and upgraded, which requires the Target Company's technical team to have good foresight, rapid response ability and continuous development capabilities for downstream demand. The Target Company has always attached importance to continuous investment in research and development, actively promoted the diversification of product lines, paid close attention to downstream technological changes, and relied on a high-quality research and development team to achieve technological innovation in products. Due to the uncertainties in the research and development and promotion of new products, the Target Company may be exposed to the risk of new product development failure or market promotion not meeting expectations.

(VI) Risk of the loss of personnel

The Target Company has always attached importance to technological innovation and has established a stable team of technical personnel. At the same time, the Target Company constantly introduces excellent technical talents in the related fields, strengthens technical cooperation, supervises and urges its technical personnel to keep abreast of the upstream and downstream technical developments as well as of the industry in order to maintain its continuous innovation ability. Although the Target Company has formulated a complete remuneration management system and established an attractive remuneration system in the market, but with the rapid development and intensified competition in the domestic machinery manufacturing industry, demand of peer companies for technical talents, especially for core technical talents, will increase. The Target Company will still be exposed to the risk of loss of core technical personnel.

(VII) Exposure to higher risk of customer concentration

The Target Company has been mainly engaged in the intelligence construction, upgrade and transformation of production lines in the home appliance industry for many years, and its principal business is relatively largely affected by the development of the home appliance industry. In recent years, the Target Company has gradually approached other customers in the industry based on its core business. Meanwhile, in the food and beverage sector, the Target Company has provided customers with corresponding automation and enterprise information services based on existing technology and software. In the 3C sector, the existing logistics will be mainly utilized as the technical basis for cutting in, intending to develop relevant robotic technologies, and introduces high-level technical and managerial personnel with senior industrial automation experience in the industry, in order to actively develop the 3C automation market and expand future businesses of BYTQ from home appliance industry to other industries. However, due to factors such as the high concentrations of brand development in the home appliance industry in the PRC and the relatively high concentrations in the regions the home appliance manufacturers are located in, the Target Company's current core customer sales still account for a relatively large proportion, and there is a risk of high customer concentration.

III. RISKS ASSOCIATED WITH THE LISTED COMPANY AFTER THE RESTRUCTURING

(I) Risk of business integration

Prior to the Transactions, the Listed Company was mainly engaged in the research and development, production and processing and sales of pressure vessels. Through the Transactions, the Listed Company will acquire the controlling interest in BYTQ and the business scope will increase the upgrade and transformation of intelligent production lines for the industrial solution business. The Listed Company and the Target Company differ in terms of geographical location, industry development prospects, business models of main business, customer resources, governance requirements, selection and allocation of core personnel, and lack operational experience in the newly entered fields. The difficulties of business integration and synergy will increase accordingly.

Upon the completion of the Restructuring, BYTQ will become a controlling subsidiary of the Listed Company. The Listed Company will manage and control the Target Company in terms of corporate governance, business, finance, personnel, etc. Although the Listed Company has accumulated a certain amount of experience in the integration of merger and acquisition, there are uncertainties in whether the synergy effect of the Transactions can be fully realized through the integration upon the completion of the Transactions. If the synergy effect of the Transactions cannot be fully realized, the Listed Company and the shareholders will be adversely impacted.

(II) Risk of fluctuation in financial results

The industry of the Target Company is at the stage of rapid development, the technologies of which are frequently updated and upgraded, if the market competition in the future intensifies and the Target Company cannot adapt to the factors such as competitive environment in the future, it may cause the operation condition of the Target Company to fall short of expectations and a decline in operating income or even a significant decrease in profit of JINGCHENG MAC may occur. Investors are advised to pay attention to the relevant risks.

(III) Risk of impairment of goodwill

The accounting treatment of the Transactions is merging of businesses not under common control. According to the "Accounting Standards for Business Enterprises", the purchaser shall recognize the difference between the merger cost and the fair value of the identifiable net assets of the vendor acquired in the merger as goodwill. According to the "Review Report and Pro-forma Consolidated Financial Statements (XYZH/2020BJA40542)" issued by ShineWing, as of 30 September 2020, the Listed Company's goodwill will be increased by an amount of RMB160.3772 million as a result of the Transactions. After completion of the Transactions, the accumulated amount of goodwill of the Listed Company will be RMB160.3772 million, accounting for -437.61% of net profit attributable to the parent company in the pro-forma financial statements of the Listed Company, and 24.03% of net assets attributable to the parent company in the pro-forma financial statements of the Listed Company. The Listed Company will record an increase in goodwill upon completion of the Transactions. The goodwill generated from the Transactions will not be amortized, but is required to undergo impairment test at the end of each year in the future. If the Target Assets of the Transactions and the assets acquired by the Listed Company in previous years are adversely affected by the external economic environment and industry policies in the following years, or there are problems in technology research and development, market expansion, and operation management, resulting in deterioration of its business operation and thus failure to achieve the revenue as expected, the Listed Company may be required to make provision for impairment of goodwill, which will have a relatively large impact on the Listed Company's operating performance.

IV. OTHER RISKS

(I) Risk of share price fluctuation

The share price of the Listed Company is not only determined by the business profitability and development prospects, but is also affected by various unpredictable factors such as market demand and supply, adjustment in national economic policy, changes in interest rates and exchange rates, stock market speculation and psychological expectation of investors, thereby the share price of the Listed Company may deviate from its value, bringing investment risk to the investors. In response to the above situation, the Listed Company will disclose material information which may affect the Listed Company's share price to the investors in a truthful, accurate, timely, complete, and fair manner in accordance with the requirements of relevant laws and regulations of the Company Law, the Securities Law, the Measures for Management of Information Disclosure and the Listing Rules, etc. However, considerable time is required for the implementation and completion of the Restructuring, during such period, there may be significant fluctuations in the share price of the Listed Company. Investors are advised to pay attention to the relevant risks.

(II) Other risks

The Listed Company does not rule out the possibility that other uncontrollable factors such as politics, economy and natural disasters may have an adverse impact on the Listed Company. Investors are advised to pay attention to the relevant risks.

SECTION 1 OVERVIEW OF THE TRANSACTIONS

I. BACKGROUND AND OBJECTIVES OF THE TRANSACTIONS

(I) Background of the Transactions

1. Implementation of the Spirit of Comprehensively Deepening Reform of the Party Central Committee and Promotion of State-owned Enterprise Mixed-ownership Reform

The Central Committee of the Chinese Communist Party, the State Council, the Central Comprehensively Deepening Reforms Commission, the CSRC, etc. further promoted the state-owned enterprise mixed-ownership reform, and issued a series of important documents such as "Guidelines on Deepening the Reform of State-owned Enterprises" (《關於深化國有企業改革的指導意見》), "Opinions on Reforming and Perfecting the State-owned Assets Management System" (《關於改革和完善國有資產管理體制的若干意見》), "Rules No. 26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities - Significant Asset Restructuring of Listed Companies" (《公開發行證券的公司信息披露內容與格式準則第26號—上市公司重大資產重組》) and "Three-Year Action Plan for State-owned Enterprise Reform" (《國企改革三年行動方案》) with a view to promote the value preservation and appreciation of state-owned assets and promote the strengthening and optimizing of state-owned assets. The Restructuring will inject high quality assets into the Listed Company, which is an important measure and a primary way to promote the state-owned enterprise mixed-ownership reform and is beneficial for enhancing the efficiency of resources allocation of stated-owned assets, increasing the functions of state-owned capital, motivating social capital and sharing the fruits of the reform.

2. Respond to the State's Appeal Actively and Capture the New Commanding Point in the Manufacturing Industry

The State issued a series of policy documents in recent years which emphasized that the manufacturing industry forms the main part of the national economy, and is the foundation of the country which ensures prosperity of the country and is fundamental for the strengthening of the country. Through the Restructuring, the Target Company which primarily engages in the business of intelligent production line overall solutions will be injected into the Listed Company. This is beneficial to giving full play to the advantages of the Listed Company such as funds, resources and channels, and will enhance the technological level of the Target Company and expand its market, and will also be beneficial for expanding the Listed Company's business scope and capturing the new commanding point in the manufacturing industry.

3. In accordance with the State Policy for Optimization of Resources Allocation through Enterprise Merger and Restructuring

In August 2010, the State Council issued the "Opinions of the State Council on Promoting Corporate Merger and Restructuring" (GF [2010] No. 27) (《國務院關於促進企業兼併重組的意見》(國發〔2010〕27號)), which stated that "it is essential to promote enterprise merger and restructuring, deepen the enterprise reform, promote the optimization and upgrading of industry structure, speed up the transformation of development method, enhance the production quality and efficiency, and strengthen the resistance to international market risk"; in March 2014, the State Council issued the "Opinion of the State Council on Further Optimizing Market Environment of Merger and Restructuring of Enterprises" (GF [2014] No. 14) (《國務院關於進一步優化企業兼併重組市場環境的意見》(國發〔2014〕14號)), which stated that "merger and restructuring is an effective measure for the enterprise to strengthen resources consolidation, to achieve rapid development and to enhance competitiveness, and is also an important way to resolve severe under-utilized capacity, to adjust and optimize industry structure and enhance quality and efficiency of the development". In August 2015, the four ministries and commissions jointly issued the "Notice on Encouraging Mergers and Reorganisation, Cash Dividend and Share Repurchase by Listed Companies" (《關於鼓勵上市公司兼併重組、現金分紅及回購股份的通知》), stating that they would "encourage state-controlled listed companies to strengthen their resource integration through the capital market, adjust and optimize the structure of industrial planning, and improve quality and efficiency of development". In November 2018, the CSRC issued the "Rules No. 26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities — Significant Asset Restructuring of Listed Companies (2018 Revision)" (《公開發行證券的公司信息披露內容與格式準則第26號－上市公司重大資產重組(2018年修訂)》) to "further encourage mergers, acquisitions and reorganisation of listed companies". The Transactions comply with the guidelines of the relevant policy of the State, strives to achieve optimization of resources allocation through merger and restructuring and enhances the performance of the Listed Company to bring better returns for small and medium investors.

(II) Objectives of the Transactions

1. Improving the profitability of the Listed Company and safeguarding the interests of small and medium investors

The Restructuring will inject high quality assets with promising prospect and high profitability into the Listed Company, which is beneficial for enhancing the Listed Company's profitability, effectively safeguarding the interests of the Listed Company's shareholders, especially the interests of small and medium shareholders. On top of the stable development of its original research and development, production and processing and sales business of pressure vessels, the Listed Company can further expand its profit sources through coordinated development between the construction, upgrade and transformation of intelligent production lines and the original pressure vessel business of the Listed Company to strengthen the Listed Company's ability to continue as a going concern.

2. Achieve complementary advantages and establish a smart manufacture business platform

The Transactions will inject a high quality privately-owned enterprise in the smart manufacture industry into the Listed Company, which will achieve complementary advantages with the Listed Company. The Transactions will refine the industrial chain, consolidate concerted efforts, enhance the overall competitiveness, and further expand the business scope and market of the Listed Company. Through the Transactions, the Listed Company will be able to share and give full play to the Target Company's accumulated technologies and advantageous resources in smart manufacture sector to support the industrial transformation of the Listed Company.

3. Utilize the function of capital operation of the Listed Company and establish an active capital operation platform

The merger and acquisition transaction, can give full play to the financing, merger and restructuring functions of the Listed Company, and establish an active capital operation platform. The Transactions can effectively promote the structural optimization of the Listed Company and better comply with the relevant requirements of the State in respect of enterprise merger and restructuring through leveraging on the advantages of the capital operation platform.

II. DECISION-MAKING PROCEDURES OF THE TRANSACTIONS

(I) Decision-making and approval procedures of the Transactions that have already been performed

As of the signing date of the Summary of Report, the decision-making and approval procedures of the Transactions that have already been performed include:

1. Jingcheng Machinery Electric has approved the proposed Transactions;

2. The proposed Transactions were considered and approved by the fifth extraordinary meeting of the tenth session of the Board of Directors of the Listed Company;

3. The valuation report on the Target Assets has been reviewed and filed by Jingcheng Machinery Electric;

4. The audit and valuation of the Transactions and the proposal of the Transactions were considered and approved at the eighth extraordinary meeting and the ninth extraordinary meeting of the tenth session of the Board of Directors of the Listed Company.

(II) Approval procedures of the Transactions to be performed

The decision-making and approval procedures of the Transactions to be performed include, but are not limited to:

1. The proposal of the Transactions shall be considered and approved at the general meeting of the Listed Company;

2. Approval of the CSRC on the proposal of the Transactions;

3. Other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities.

There are uncertainties regarding whether the Transactions will be considered and approved at the general meeting and whether it will be filed, approved, or authorized by the relevant competent departments, and there are uncertainties regarding the actual timing in obtaining such filing, approvals, or authorizations in respect of such matters. Investors are advised to pay attention to the investment risks.

III. OUTLINE OF THE PROPOSAL OF THE TRANSACTIONS

The Transactions comprise the asset acquisition by way of share issuance and cash payment and the raising of supporting funds. The Asset Acquisition by way of Share Issuance and Cash Payment is not conditional upon the successful implementation of the raising of supporting funds, and whether the raising of supporting funds can succeed or not in the end does not affect the implementation of the Asset Acquisition by way of Share Issuance and Cash Payment.

(I) Asset Acquisition by way of Share Issuance and Cash Payment

The Listed Company intends to purchase 80% equity interests of BYTQ from the Counterparties by way of share issuance and cash payment, specific details are as follows:

No.	Counterparty	Number of shares held *(share)*	Percentage of shares held	Number of shares to be transferred *(share)*	Percentage of shares to be transferred
1	Li Hong (李紅)	9,087,854	45.753%	6,480,762	32.628%
2	Zhao Qing (趙慶)	2,774,229	13.967%	2,219,384	11.174%
3	Yang Ping (楊平)	1,834,289	9.235%	1,834,289	9.235%
4	Qingdao Eternal	1,987,942	10.008%	1,590,354	8.007%
5	Wang Xiaohui (王曉暉)	1,713,286	8.626%	1,370,629	6.900%
6	Xia Tao (夏濤)	683,761	3.442%	683,761	3.442%
7	Wang Huadong (王華東)	683,761	3.442%	683,761	3.442%
8	Qian Yuyan (錢雨嫣)	341,880	1.721%	273,504	1.377%
9	Xiao Zhonghai (肖中海)	200,000	1.007%	200,000	1.007%
10	Xiu Jun (修軍)	178,571	0.899%	178,571	0.899%
11	Fu Dun (傅敦)	128,571	0.647%	128,571	0.647%
12	Chen Zhengyan (陳政言)	128,205	0.645%	128,205	0.645%
13	Zhang Li (張利)	68,376	0.344%	68,376	0.344%
14	Xu Binglei (徐炳雷)	44,444	0.224%	44,444	0.224%
15	Yang Lunsheng (陽倫勝)	1,709	0.009%	1,709	0.009%
16	Xin Lan (辛蘭)	1,709	0.009%	1,709	0.009%
17	Ying Rucai (英入才)	1,709	0.009%	1,709	0.009%
18	Li Wei (李威)	504	0.003%	504	0.003%
Total		**19,860,800**	**99.99%**	**15,890,242**	**80.00%**

(II) The Raising of Supporting Funds

The Listed Company intends to raise supporting funds by way of non-public share issuance to no more than 35 target subscribers. The shares to be issued will not exceed 30% of the total number of issued shares of the Listed Company prior to the issuance, and the total amount of Raising of Supporting Funds will not exceed 100% of the consideration of the transaction of the asset acquisition by way of share issuance. It is intended that the Raising of Supporting Funds shall be used for payment of cash consideration for the Transactions, taxes and intermediaries' fee incurred in the Transactions, and replenishment of working capital of the Listed Company and the Target Assets. The proportion of supporting funds used for replenishment of working capital will not exceed 25% of the transactions consideration or will not exceed 50% of the total amount of the raising of supporting funds.

The above raising of supporting funds will be implemented based on the asset acquisition by way of share issuance and cash payment. However, whether or not the raising of supporting funds is implemented or whether the supporting funds are raised in full, the implementation of the asset acquisition by way of share issuance and cash payment shall not be affected.

IV. SPECIFIC PROPOSAL OF THE TRANSACTIONS

(I) Asset Acquisition by way of Share Issuance

1. Type and nominal value of shares to be issued

The type of shares to be issued under the Asset Acquisition by way of Share Issuance and Cash Payment shall be domestically listed RMB denominated ordinary shares (A Shares), with nominal value of RMB1.00 per share.

2. Pricing benchmark date, pricing basis and issue price

(1) Pricing benchmark date

The pricing benchmark date of Asset Acquisition by way of Share Issuance and Cash Payment shall be the announcement date of the first resolution of the meeting of the Board of Directors for the consideration of the relevant matters in relation to the Transactions by the Listed Company, being the announcement date of the resolution of the fifth meeting of the tenth session of the Board of Directors.

(2) Pricing basis and issue price

Pursuant to Article 45 of the "Administration Measures for Reorganisations", the issue price of the shares of the listed companies shall not be less than 90% of the benchmark price. The benchmark price shall be one of the average trading prices of the shares of the Company over the 20 trading days, 60 trading days or 120 trading days preceding the announcement date of the Board resolution on the Transactions. The average trading price of the shares of the Company for the last certain number of trading days preceding the pricing benchmark date = the total trading amount of the shares of the Listed Company for the last certain number of trading days preceding the pricing benchmark date / the total trading volume of the shares of the Company for the last certain number of trading days preceding the pricing benchmark date.

Details of the average trading prices of the shares of the Listed Company over the 20 trading days, 60 trading days or 120 trading days preceding the pricing benchmark date are shown in the table below:

Unit: RMB/share

Selected Period	**Average trading price**	**90% of the average trading price**
20 trading days preceding the pricing benchmark date	3.79	3.42
60 trading days preceding the pricing benchmark date	3.65	3.29
120 trading days preceding the pricing benchmark date	3.99	3.59

The issue price of the shares to be issued under the Asset Acquisition by way of Share Issuance and Cash Payment is RMB3.42/share, being no less than 90% of the average trading price of the shares of the Listed Company for the 20 trading days preceding the pricing benchmark date, which is in compliance with the relevant provisions of the "Administration Measures for Reorganisations". During the period from the pricing benchmark date of the asset acquisition by way of share issuance and cash payment to the Issuance Completion Date, in the event of any ex-rights or ex-dividends events including distribution of dividends, bonus shares issue, rights issue and the conversion of capital reserve into share capital, etc. by the Listed Company, corresponding adjustments will be made to the above issue price according to the relevant rules of the CSRC and the SSE. The final issue price of the shares to be issued under the Asset Acquisition by way of Share Issuance and Cash Payment is subject to the approval at the general meeting of the Listed Company and approval by the CSRC.

3. *Counterparties and number of shares to be issued*

(1) Counterparties

The Counterparties of the Asset Acquisition by way of Share Issuance and Cash Payment are 17 natural persons (including Li Hong) and Qingdao Eternal.

(2) Number of shares to be issued

In the Transactions, the calculation method of the number of shares issued by the Listed Company for purchasing the Target Assets is: the number of shares issued by the Listed Company to any one of the Counterparties = the proportion of shares paid by the Listed Company to the Counterparty for the acquisition of the Target Assets × the total transaction consideration paid by the Listed Company to the Counterparty for the acquisition of the Target Assets/price of shares issuance. The number of shares issued by the Listed Company to each Counterparty is rounded to the nearest share unit. Any portion which is less than the price of one share in the Target Assets will be renounced by each Counterparty to the Listed Company at nil consideration. The final number of shares to be issued shall be considered and approved at the general meeting of the Listed Company and is subject to the approval of the CSRC. The specific number of shares to be issued is as follows:

				Consideration to be received from Transactions	
No.	**Counterparty**	**Percentage of equity interest in BYTQ to be disposed of**	**Value of the Target Assets to be disposed of** *(in RMB'0,000)*	**Cash consideration to be received** *(in RMB'0,000)*	**Share consideration to be received** *(shares)*
1	Li Hong (李紅)	32.628%	10,049.31	3,517.26	19,099,566
2	Zhao Qing (趙慶)	11.174%	3,441.46	1,204.51	6,540,785
3	Yang Ping (楊平)	9.235%	2,844.32	995.51	5,405,865
4	Qingdao Eternal	8.007%	2,466.06	863.12	4,686,960
5	Wang Xiaohui (王曉暉)	6.900%	2,125.35	743.87	4,039,404
6	Xia Tao (夏濤)	3.442%	1,060.27	371.09	2,015,123
7	Wang Huadong (王華東)	3.442%	1,060.27	371.09	2,015,123
8	Qian Yuyan (錢雨嫣)	1.377%	424.11	148.44	806,048
9	Xiao Zhonghai(肖中海)	1.007%	310.13	108.54	589,423
10	Xiu Jun (修軍)	0.899%	276.90	96.91	526,269
11	Fu Dun (傅敦)	0.647%	199.37	69.78	378,913
12	Chen Zhengyan (陳政言)	0.645%	198.80	69.58	377,835
13	Zhang Li (張利)	0.344%	106.03	106.03	–
14	Xu Binglei (徐炳雷)	0.224%	68.92	68.92	–

No.	Counterparty	Percentage of equity interest in BYTQ to be disposed of	Value of the Target Assets to be disposed of	Consideration to be received from Transactions	
				Cash consideration to be received	Share consideration to be received
			(in RMB'0,000)	*(in RMB'0,000)*	*(shares)*
15	Yang Lunsheng (陽倫勝)	0.009%	2.65	2.65	–
16	Xin Lan (辛蘭)	0.009%	2.65	2.65	–
17	Ying Rucai (英入才)	0.009%	2.65	2.65	–
18	Li Wei (李威)	0.003%	0.78	0.78	–
Total		**80.00%**	**24,640.00**	**8,743.39**	**46,481,314**

During the period from the pricing benchmark date of the asset acquisition by way of share issuance to Issuance Completion Date of the shares, in the event of any ex-rights or ex-dividend events including distribution of dividends, bonus share issue, rights issue and conversion of capital reserve into share capital, etc., by the Listed Company corresponding adjustments would be made to the above number of shares to be issued according to the relevant rules of the CSRC and the SSE.

4. Lock-up period arrangement

After the completion of this issuance, the shares of the Listed Company obtained by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan through the acquisition shall not be transferred nor pledged nor encumbered in any way within 12 months from the Issuance Completion Date.

After the expiration of the above-mentioned 12-months lock-up period, the additional shares of the Listed Company obtained by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan through the acquisition will be unlocked in phases according to the following arrangement:

1st phase: After 12 months from the Issuance Completion Date of the Restructuring and upon performance of their corresponding compensation obligations (if any) for the year of 2021 under the Performance Compensation Agreement, the remaining portion of 50% of the shares received by them less the number of shares (if any) compensated for the year shall be unlocked;

2nd phase: If they have fully performed their compensation obligations (if any) for the year of 2022 under the Performance Compensation Agreement, the remaining portion of 20% of the shares received by them less the number of share (if any) compensated for the year shall be unlocked;

3rd phase: If they have fully performed their compensation obligations (if any) corresponding to the entire performance commitment period under the Performance Compensation Agreement (i.e. the four financial years of 2020, 2021, 2022 and 2023), the remaining shares in the newly acquired shares received by them that have not been unlocked shall be unlocked.

The shares of the Listed Company received by Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan in the Transactions shall not be transferred within 12 months from the Issuance Completion Date, and no pledge nor other encumbrances thereon shall be created.

If the Transactions is investigated by judiciary authorities or the CSRC due to false information, misleading statements or material omissions in the information provided or disclosed, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, Yang Ping, Xiao Zhonghai, Xia Tao, Wang Huadong, Xiu Jun, Fu Dun and Chen Zhengyan shall not transfer the shares of the Listed Company they acquired in the Transactions until the investigation results are determined.

During the lock-up period for the shares, the additional shares of the Listed Company acquired by the above-mentioned targets of issuance through this acquisition from the issuance of bonus shares, conversion of share capital or ex-dividend is also subject to the above-mentioned lock-up arrangements.

In the event of inconsistency between the above share restriction undertakings and the latest regulatory opinions of the securities regulatory department, each party will make corresponding adjustments to the above lock-up period agreement according to the regulatory opinions of the relevant securities regulatory department.

5. *Place of listing*

SSE is the place of listing of the shares to be issued hereunder.

6. *Attribution of profit and loss during the transitional period*

The parties to the Transactions agreed that, the Listed Company shall engage an accounting firm which meets the requirements of the Securities Law to audit the profit or loss arising from Target Assets during the transitional period. The special audit report issued by that accounting firm will be used as the basis for all parties in recognizing the profit or loss arising from the Target Assets during the transitional period.

If the Target Company realizes profit or its net assets increase for other reasons during the transitional period, the appreciated portion corresponding to the Target Assets would be attributed to the Listed Company. If the net assets of the

Target Company decrease due to loss incurred or other reasons, the depreciated portion corresponding to the Target Assets shall be assumed by the 17 natural persons (including Li Hong) and Qingdao Eternal based on their respective shareholding proportion in BYTQ prior to the Transactions and compensated to the Listed Company in cash within 10 days from the date of issuing the special audit report.

7. Arrangements for performance commitments and compensations

(1) Performance commitments and determination of shortfall

The audited committed net profits of the Target Company in each accounting year during the performance commitment period, which are determined according to the principle on the lower of the net profit attributable to the owner of the parent company before and after the deduction of non-recurring gains and losses, are as follows:

Committed net profits (RMB0,000)			
2020	**2021**	**2022**	**2023**
2,750.00	3,800.00	4,100.00	4,300.00

Within the commitment period, JINGCHENG MAC shall review the shortfall between the net profit of the year and the committed profit of the Target Company when conducting annual audit, and the accounting firm that meets the requirements of the Securities Law responsible for the annual audit of JINGCHENG MAC shall issue a special review opinion on the shortfall at the publication time of the annual financial report of JINGCHENG MAC. Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall assume the corresponding compensation obligations based on the result of the special review opinion, and compensate in accordance with the agreed compensation method.

(2) Performance compensation method

Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan are the principals who undertake the compensation obligations, they have to prioritize the shares obtained through the Transactions for the assumption of the compensation obligation.

Upon the issuance of the special review opinion, if the actual net profit falls short of the committed net profit, and compensation is required to be made by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, after the issuance of announcement of annual report for that year, JINGCHENG MAC shall calculate and determine the amount to be compensated by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian

Yuyan for that year based on the following formula, and determine the number of compensation shares and the amount of compensation cash to be compensated by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan based on the compensation amount for that year. JINGCHENG MAC shall issue a written notice on the assumption of compensation obligations to Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan. After the issuance of the audit report for the year in which compensation is required to be made, JINGCHENG MAC shall convene a general meeting and a class meeting of shareholders to consider the matter of compensation shares, while the corresponding compensation shares shall be repurchased at a total price of RMB1.00 and to be cancelled.

The calculation formula for the compensation amount for the year of 2020 to 2023 is as follows:

The compensation amount for that year = (The committed profit for the year - the actual profit of the year) ÷ the sum of the committed profit from 2020 to 2023 × the final transaction price of the Target Assets

If the above-mentioned performance compensation calculation result is negative or zero, no performance compensation is needed to be made by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan. Performance compensation is made on an annual basis, and no compensation in subsequent years is allowed for previous years' compensation.

The total compensation payable to the Listed Company by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan arising from the shortfall of performance commitment and the impairment of the Target Assets shall not exceed the total consideration in the amount of RMB246,400,000 (including the transferred shares or bonus shares) obtained by 17 natural persons (including Li Hong) and Qingdao Eternal from the Transactions.

Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall determine their respective compensation amount to be borne in proportion to the relative percentage of shareholding proposed to be disposed of (i.e. the percentage of shares of Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan in BYTQ to be disposed of ÷ 60.09%).

At the time of the compensation obligation arises, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall undergo shares compensation with the shares of the Listed Company obtained from the Transactions at its first priority, where the remaining number of shares held by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan are insufficient to pay the compensation amount in full, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall compensate in cash.

The calculation formula for the compensation by shares payable by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan is as follows: The compensation shares for that year = the compensation amount payable by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan for that year ÷ the issue price. The number of shares of the Listed Company obtained by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan from the Transactions shall be the maximum amount of the compensation shares.

Where Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan are still unable to make up for the compensation amount after performing the shares compensation obligations in accordance with the above-mentioned agreements, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall compensate JINGCHENG MAC in cash for the shortfall amount, and pay the cash compensation amount to the Listed Company in accordance with requirements on the notice of payment issued by the Listed Company. With respect of the cash compensation obligations, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan bear joint liability for the debts for the Listed Company.

Huang Xiaofeng and Tao Feng agreed to bear joint liability for the debts for the Listed Company which is beared by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan.

All parties agreed that, in order to ensure Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan are able to perform their obligations as agreed, a lock-up period and instalment unlock arrangement shall be set up for the newly acquired shares of the Listed Company obtained by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan from the Transactions in accordance with the Asset Acquisition Agreement by way of Share Issuance and Cash Payment. Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan undertake that they shall not impose pledges or other rights encumbrance on its newly acquired shares that are still within the lock-up period.

In the event of any ex-rights (including but not limited to bonus shares issue, the conversion of capital reserve into share capital, etc.) or ex-dividends events (including but not limited to distribution of dividends) by JINGCHENG MAC during the performance commitment period, corresponding adjustments will be made on the issue price and the number of shares in the preceding clause.

(3) Compensation for the overall impairment test of the Target Assets

After the expiry of the performance commitment period, the Listed Company should engage an accounting firm to conduct an impairment test on the Target Assets at the publication time of the annual financial report for the year, and issue a special review opinion at the publication time of the annual financial report. After the impairment test, if: impairment of the Target Assets at the end of the period > the total number of compensated shares within the commitment period × the issue price + the amount of compensated cash, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan shall make additional compensations in accordance with the compensation procedures of the Performance Compensation Agreement.

The end-of-period impairment value of the Target Assets is the transaction consideration of the Target Assets minus the appraised value of the Target Assets as at the end of the performance commitment period, and the corresponding effects of capital increase, capital reduction, acceptance of gift and profit distribution of the Target Assets within the compensation period shall also be deducted.

The amount to be compensated by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan = the impairment amount at the end of the period – (the total number of compensated shares during the commitment period × the issue price + the amount of compensated cash).

At the same time, Huang Xiaofeng and Tao Feng agreed to bear joint liability for the above-mentioned compensation obligation for the impairment test for the Listed Company which is borne by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan.

(4) Adjustment of compensation shares

All parties agreed that, in the event where the Listed Company has cash dividends within the commitment period, according to the compensation shares calculated by the formula of the Performance Commitment Agreement, the dividends accumulatively obtained by Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan during the above-mentioned years prior to the implementation of the repurchase of shares (subject to the amount before personal income tax is paid) shall be gifted to the Listed Company accordingly. Where the Listed Company implements the bonus shares issue and the conversion of capital reserve into share capital, the amount of compensation shares shall be adjusted to: number of compensation shares × (1+ proportion of bonus shares issue or conversion).

8. Over-performance rewards

If the net profits realized by BYTQ in each year during the performance commitment period exceed the committed net profit agreed under the Performance Compensation Agreement, the Listed Company shall award 30% of the net profit realized by BYTQ in 2021 that exceeds the committed net profit, 40% of the net profit realized in 2022 that exceeds the committed net profit, and 50% of the net profit realized in 2023 that exceeds the committed net profit as a bonus to reward the core management team members who are still working in BYTQ at that time. The Listed Company shall, after the issue of 2023 special audit/review results of BYTQ, fully pay the reward amount in a lump sum in accordance with the reward plan proposed by both parties after the deduction and payment of income tax in compliance with the law.

The above-mentioned performance reward shall not exceed 20% of the transaction price of the Target Assets. In the event where the aforesaid performance reward exceeds 20% of the transaction price of the Target Assets, 20% of the transaction price of the Target Assets shall prevail as the total amount of the awards.

9. Accumulated profit arrangement

The accumulated profit of the Listed Company prior to the issuance would be shared by new and existing shareholders after the issuance based on the shareholding proportion after the issuance.

10. Validity period of resolutions

The resolution on the purchase of assets through share issuance is valid for 12 months from the date on which the resolution in relation to the Transaction is considered and approved at the general meeting of the Listed Company.

(II) Raising of Supporting Funds

1. Type and nominal value of shares to be issued

The type of shares to be issued under the Raising of Supporting Funds shall be domestically listed RMB denominated ordinary shares (A Shares), with nominal value of RMB1.00 per share.

2. Target subscribers and way of issuance

The Listed Company intends to make the non-public share issuance to no more than 35 target subscribers for raising supporting funds.

3. Pricing benchmark date and pricing basis

This non-public issuance of shares the raising supporting funds will be conducted based on the prices offered by the target subscribers, and the issue price shall not be lower than 80% of the average trading price of shares of the Listed Company for 20 trading days preceding the first day of the period of non-public issuance of shares for the raising of supporting funds. The final issue price will be determined, after the approval of the Transactions has been obtained from the CSRC, by negotiation between the Board of the Listed Company and the lead underwriter of the issuance for the Raising of Supporting Funds, pursuant to the authorization of the general meeting, and according to the provisions of relevant laws, administrative regulations and regulatory documents, as well as the bid prices offered by the target subscribers.

4. Number of shares to be issued

The Listed Company intends to raise supporting funds by way of non-public share issuance to not more than 35 target subscribers. The number of shares to be issued will not exceed 30% of the total number of issued shares of the Listed Company prior to the issuance, and the total amount of the raising of supporting funds will not exceed 100% of the consideration for the asset acquisition by way of share issuance. The Raising of Supporting Funds are intended to be used for payment of cash consideration, taxes and intermediaries' fees incurred in the Transactions and replenishment of working capital of the Listed Company and Target Assets etc. Of which, the proportion used for replenishment of working capital shall not exceed 25% of the consideration of the transactions or 50% of the total amount of the raising of supporting funds.

The above Raising of Supporting Funds will be implemented based on the Asset Acquisition by way of Share Issuance and Cash Payment. However, whether or not the Raising of Supporting Funds is implemented or whether the supporting funds are raised in full, the implementation of the Asset Acquisition by way of Share Issuance and Cash Payment shall not be affected.

5. Lock-up period arrangement

The shares to be subscribed by the target subscribers for raising supporting funds by way of non-public share issuance shall not be transferred in any way within 6 months from the completion date of the non-public issuance.

If the Asset Acquisition by way of Share Issuance and Cash Payment is investigated by judiciary authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed, the target subscribers shall not transfer the shares of the Listed Company acquired under Asset Acquisition by way of Share Issuance and Cash Payment until the investigation results are determined.

In the event of inconsistency between the above lock-up undertakings and the latest regulatory opinions of the securities regulatory department, each party will make corresponding adjustments to the above lock-up period agreement according to the regulatory opinions of the relevant securities regulatory department.

6. Uses for the raising of supporting funds

The Raising of Supporting Funds are intended to be used for payment of cash consideration for the Transactions, taxes and intermediaries' fees incurred in the Transactions and replenishment of working capital of the Listed Company and Target Assets. The proportion used for replenishment of working capital shall not exceed 25% of the consideration of the transactions or 50% of the total amount of the raising of supporting funds.

7. Accumulated undistributed profit arrangement

The accumulated undistributed profit of the Listed Company before the issuance of shares under the Raising of Supporting Funds will be shared by the new and existing shareholders in proportion to their shareholding ratio after the Issuance.

8. Place of listing

The additional shares to be issued under the Raising of Supporting Funds will be listed and traded on the SSE.

9. Validity period of resolutions

The resolution in relation to the issuance of shares and the raising of supporting funds is valid for twelve months from the date of submission to the general meeting of the Listed Company for consideration and approval.

V. NATURE OF THE TRANSACTIONS

(I) The Transactions do not constitute a material asset restructuring

Pursuant to the requirements under the "Administration Measures for Reorganisations", the Transactions do not constitute a material asset restructuring of the Listed Company.

At the same time, the Transactions involve the Asset Acquisition by way of Share Issuance and Cash Payment with specific parties. Therefore, pursuant to the requirements under the "Administration Measures for Reorganisations", the implementation of the Transactions is subject to the review of the Review Committee of Mergers, Acquisitions and Reorganizations of Listed Companies of the CSRC and the approval of the CSRC.

(II) The Transactions do not constitute a related party transaction

Under the Transactions, the Listed Company will issue shares and pay cash to the 17 natural persons (including Li Hong) and Qingdao Eternal to acquire assets, and raise supporting funds from not more than 35 target subscribers by way of non-public share issuance. Pursuant to the relevant requirements under the "Administration Measures for Reorganisations" and the Listing Rules, the 17 natural persons (including Li Hong) and Qingdao Eternal are not related parties of the Listed Company, therefore, the Transactions do not constitute a related party transaction.

III. The Transactions do not constitute a restructuring for listing

Before the Transactions, the Controlling Shareholder of the JINGCHENG MAC is Jingcheng Machinery Electric.

Following the completion of the Transactions, Jingcheng Machinery Electric will remain to be the Controlling Shareholder and the actual controller of JINGCHENG MAC.

Therefore, the Transactions do not result in a change in control of JINGCHENG MAC, and the Transactions do not constitute a restructuring for listing.

VI. IMPACT OF THE TRANSACTIONS ON THE LISTED COMPANY

(I) Impact of the Transactions to the principal business of the Listed Company

Prior to the Transactions, the Listed Company mainly engaged in research and development, production and processing and sales of pressure vessels. Through the Transactions, the Listed Company will acquire the controlling interest in BYTQ and expand its business scope to the overall business solution for construction, upgrading and transformation of intelligent production lines.

Quality assets will be injected into the Listed Company through the Transactions, which would benefit the synergic development of the business of intelligent production line overall solution and the original pressure vessels business of the Listed Company and strengthen its capability for ongoing business operation. Through the Transactions, the Listed Company will be able to share and give full play to the Target Company's accumulated technologies and advantageous resources in smart manufacture and promote the industrial transformation of the Listed Company. Leveraging on the strong industrial background and branding advantage of the Listed Company, the Target Company will be able to broaden the source of profit effectively, enhance sustainability and assure improvement in overall operating results.

(II) Impact of the Transactions to the profitability of the Listed Company

According to the accountant's report and pro forma review report of the Listed Company, without considering the supporting funds, the main financial information and key financial indicators of the Listed Company before and after the Transactions are as follows:

Unit: RMB'0,000

Item	As at 30 September 2020/January – September 2020		As at 31 December 2019/ for the year 2019	
	Before the Transactions	After the Transactions (pro forma)	Before the Transactions	After the Transactions (pro forma)
Total assets	170,329.50	212,093.22	167,083.95	198,687.39
Total liabilities	87,139.50	110,856.05	97,021.42	110,417.36
Equity attributable to owners of the parent company	50,837.48	66,734.09	33,728.61	49,753.49
Total operating income	81,566.97	88,205.77	119,584.71	129,910.85
Net profit attributable to shareholders of the parent company	-3,536.55	-3,664.81	-13,003.68	-12,226.44
Basic earnings per share (RMB/share)	-0.081	-0.076	-0.31	-0.26

After the Transactions, the size of net assets, the total operating income and the earnings per share of the Listed Company will increase to a certain extent, which is conducive to enhancing the Listed Company's ability to resist risks, sustainable development and profitability, and will improve the asset quality and overall operating performance of the Listed Company. It is in the interests of all shareholders of the Listed Company.

(III) Impact of the Transactions to the shareholding structure of the Listed Company

Based on the transaction price and issue price of the Target Assets, after the completion of the Restructuring, the changes in the shareholding structure of the Listed Company are as follows:

Unit: 0,000 shares

Name of shareholders	Before the Transactions (30 September 2020)		After the Transactions (without considering the raising of supporting funds)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Original shareholders of the Listed Company				
Jingcheng Machinery Electric	24,573.51	50.67%	24,573.51	46.24%
HKSCC NOMINEES LIMITED	9,931.51	20.48%	9,931.51	18.69%
Li Qidong （李奇冬）	250.66	0.52%	250.66	0.47%
Huang Zhiping （黃芝萍）	179.43	0.37%	179.43	0.34%
Xu Zihua （徐子華）	170.84	0.35%	170.84	0.32%
Xu Jiali （徐加力）	168.98	0.35%	168.98	0.32%
Xu Rui （徐瑞）	168.12	0.35%	168.12	0.32%
Jin Xuanfeng （金炫鋒）	154.63	0.32%	154.63	0.29%
Yang Qing （楊慶）	136.00	0.28%	136.00	0.26%
Hong Kong Securities Clearing Company Limited	130.90	0.27%	130.90	0.25%
Other A Shareholders	12,635.42	26.05%	12,635.42	23.77%
Total original shareholders of the Listed Company	**48,500.00**	**100.00%**	**48,500.00**	**91.25%**

Name of shareholders	Before the Transactions (30 September 2020)		After the Transactions (without considering the raising of supporting funds)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Counterparties of the Transactions				
Li Hong （李紅）	–	–	1,909.96	3.59%
Zhao Qing （趙慶）	–	–	654.08	1.23%
Yang Ping （楊平）	–	–	540.59	1.02%
Qingdao Eternal	–	–	468.70	0.88%
Wang Xiaohui （王曉暉）	–	–	403.94	0.76%
Xia Tao （夏濤）	–	–	201.51	0.38%
Wang Huadong （王華東）	–	–	201.51	0.38%
Qian Yuyan （錢雨嫣）	–	–	80.60	0.15%
Xiao Zhonghai （肖中海）	–	–	58.94	0.11%
Xiu Jun （修軍）	–	–	52.63	0.10%
Fu Dun （傅敦）	–	–	37.89	0.07%
Chen Zhengyan （陳政言）	–	–	37.78	0.07%
Total Counterparties of the Transactions	**–**	**–**	**4,648.13**	**8.75%**
Total			**53,148.13**	**100.00%**

Before and after the Transactions, the Controlling Shareholder and actual controller of the Listed Company remain unchanged. The Transactions will not result in a change in control and does not constitute a restructuring for listing.

This appendix sets out the English translation of the Chinese version of the Summary of the Asset Valuation Report. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

Proposed Acquisition of the Entire Equity Interests of Qingdao BYTQ United Digital Intelligence Co., Ltd. by Beijing Jingcheng Machinery Electric Company Limited involving the Issuance of Shares and Cash Payment to Specific Subscribers
Asset Valuation Report
Zhong Tong Hua Ping Bao Zi (2020) No. 051655

Summary

China Alliance Appraisal accepted the entrustment to appraise the market value of the entire equity interests of the Target Company as at the Valuation Benchmark Date by adopting the recognized valuation approach in accordance with the relevant laws, regulations, asset valuation standards and asset valuation principles, and by following the necessary valuation procedures. The summary of the asset valuation report is as follows:

The entrusting party: Beijing Jingcheng Machinery Electric Company Limited (the "**Company**")

The company being appraised: Qingdao BYTQ United Digital Intelligence Co., Ltd. (the "**Target Company**")

Purpose of valuation: To provide the Company with a value reference basis regarding the matter on acquisition of assets by issuance of shares and cash payment.

Valuation target: The entire equity interests of the Target Company

Scope of valuation: The total assets and liabilities of the Target Company as at the Valuation Benchmark Date

In particular, the balance sheet of the parent company as at the Valuation Benchmark Date is as follows:

Unit: RMB

No.	Item	Book value
1	**I. Total current assets**	**113,701,095.78**
2	Monetary funds	33,567,582.55
3	Financial assets held for trading	5,009,101.19
4	Notes receivable	3,382,291.23
5	Accounts receivable	38,335,362.13
6	Prepayments	2,915,918.66
7	Other receivables	2,527,763.24
8	Inventories	27,133,939.78
9	Other current assets	829,137.00
10	**II. Total non-current assets**	**6,934,605.41**
11	Long-term equity investments	2,000,000.00
12	Fixed assets	3,887,796.72
13	Including: Construction assets	–
14	Machineries	3,887,796.72
15	Intangible assets	149,137.28
16	Other intangible assets	149,137.28
17	Deferred income tax assets	897,671.41
18	**III. Total assets**	**120,635,701.19**
19	**IV. Total current liabilities**	**56,006,717.90**
20	Notes payable	21,557,304.79
21	Accounts payable	13,670,691.59
22	Contract liabilities	19,251,569.80
23	Employee benefits payable	1,182,724.85
24	Taxes payable	196,000.87
25	Other payable	148,426.00
26	**V. Total non-current liabilities**	**1,070,968.19**
27	Estimated liabilities	1,070,968.19
28	**VI. Total liabilities**	**57,077,686.09**
29	**VII. Net assets (owners' equity)**	**63,558,015.10**

Valuation Benchmark Date: 30 June 2020
Type of value: Market value
Valuation approach: The income approach and the market approach

Valuation conclusion: The valuation conclusion of this asset valuation report is drawn from the valuation results based on the income approach. The specific conclusion is as follows:

The valuation had adopted the income approach and the market approach respectively to appraise the value of the entire equity interests of the Target Company. Under the premise of going-concern, the audited book value of total assets of the Target Company as at the Valuation Benchmark Date, being 30 June 2020, amounted to RMB One Hundred and Twenty Million Six Hundred and Thirty-five Thousand and Seven Hundred (RMB120,635,700), the audited book value of total liabilities amounted to RMB Fifty-seven Million Seventy-seven Thousand and Seven Hundred (RMB57,077,700), and the audited book value of net assets amounted to RMB Sixty-three Million Five Hundred and Fifty-eight Thousand (RMB63,558,000).

Under the assumptions and restrictions as set out in this report, the appraised value of the entire equity interests of the Target Company when adopting the income approach amounted to RMB Three Hundred and Eight Million (RMB 308,000,000), and the increment by valuation amounted to RMB Two Hundred and Forty-four Million Four Hundred and Forty-two Thousand (RMB244,442,000), with an increment ratio of 384.60%.

This asset valuation report only serves as a value reference basis for the economic activities described in the asset valuation report. The use of valuation conclusion is in principle valid for one year from the Valuation Benchmark Date. If there are any significant changes in the asset conditions and market conditions compared with the relevant conditions as of the Valuation Benchmark Date, the entrusting party shall entrust the valuation institution to conduct a valuation on the updated business or to conduct a re-valuation.

The restrictions on the use of this asset valuation report are as follows:

(1) Scope of usage: This asset valuation report can only be used for the valuation purpose and the usage as specified in the asset valuation report;

(2) The asset valuation institution and its asset appraisers take no responsibility if the entrusting party or other users of the asset valuation report fail to use the asset valuation report in accordance with the laws, administrative regulations and requirements and the scope of usage specified in the asset valuation report;

(3) Except for the entrusting party, other users of the asset valuation report as stipulated in the entrusted agreement of the asset valuation and users of the asset valuation report as stipulated by the laws and administrative regulations and requirements, no other institutions and individuals can be users of the asset valuation report;

(4) The users of the asset valuation report should understand and use the valuation conclusion appropriately. The valuation conclusion does not represent the realizable value of the valuation target, and the valuation conclusion shall not be construed as a guarantee for the realizable value of the valuation target;

(5) The extraction, quotation or disclosure in the pubic media of all or any part of the contents of this asset valuation report requires the review of the relevant contents by the valuation institution, unless otherwise provided by the laws and regulations and otherwise agreed by the relevant parties;

(6) This asset valuation report can only be officially used after it has been signed by the asset valuer, sealed by the valuation institution, and filed with the State-owned Assets Supervision and Administration Commission.

The following is the text of a report received from ShineWing Certified Public Accountants LLP, Certified Public Accountants, the PRC, the Company's Reporting Accountant prepared for the purpose of incorporation in the Announcement and this circular.

信永中和
ShineWing

信永中和會計師事務所
ShineWing
certified public accountants

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS INCONNECTION WITH THE BUSINESS VALUATION OF BEIYANG TIANQING UNITED DIGITAL INTELLIGENCE CO., LTD.

TO THE BOARD OF DIRECTORS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED (the "Company")

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 8 December 2020 prepared by China Alliance Assets Appraisal Co., Ltd. in respect of the valuation of the entire equity interests in 青島北洋天青數聯智能股份有限公司 (Qingdao Beiyang Tianqing United Digital Intelligence Co., Ltd., the "**Target Company**") is based. The summary of the Valuation is set out in the announcement of the Company dated 29 December 2020 (the "**Announcement**") in connection with the acquisition of 80% of the equity interests in the Target Company by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants" ("**CICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies "China Standards on Quality Control 5101-Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the CICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Announcement.

ShineWing Certified Public Accountants LLP
Beijing, China
29 December 2020

29 December 2020

The Stock Exchange of Hong Kong Limited,
8th Floor, Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

Dear Sirs,

MAJOR TRANSACTION
PROPOSED ACQUISITION OF ASSETS INVOLVING THE ISSUANCE OF CONSIDERATION SHARES
AND
PROPOSED ISSUANCE AND PLACING OF A SHARES UNDER SPECIFIC MANDATE

We refer to the announcement of the Company dated 29 December 2020 (the "**Announcement**") and the valuation of the market value of the entire equity interests in Qingdao BYTQ United Digital Intelligence Co., Ltd.（青島北洋天青數聯智能股份有限公司）, a company incorporated in the PRC limited by shares, by China Alliance Appraisal Co., Ltd. (the "**Valuer**") as at 30 June 2020 (the "**Valuation**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

We understand that in accordance with Rule 14.61 of the Listing Rules, the income approach adopted by the Valuer has rendered the Valuation a profit forecast (the "**Profit Forecast**") under the Listing Rules.

We have reviewed and discussed with the Valuer the bases and assumptions of the Valuation. We have also considered the letter dated 29 December 2020 issued by ShineWing Certified Public Accountants LLP addressed to us in relation to the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based.

We hereby confirm that the Profit Forecast has been made after due and careful enquiry.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Wang Jun
Chairman

This appendix sets out the English translation of the Chinese version of the Discussion and Analysis of the Target Group. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

This appendix summarizes the management discussion and analysis of the Target Group for the years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020 (the "**Reporting Period**"). The following financial information is primarily based on the Accountant's Report on the Target Group as set out in Appendix III to this circular.

OPERATING RESULTS

Segment information and business revenue

During the Reporting Period, the Target Group had two reportable business segments but its income only covered those arising from the Target Company during the Reporting Period.

During the Reporting Period, business revenue of the Target Group included (i) customized integration business revenue; and (ii) robotics and ancillary business revenue.

Customized integration business revenue

The following table sets out the particulars of customized integration business revenue for the periods indicated below:

	For the year ended 31 December			**For the nine months ended 30 September**	
	2017 customized integration business	**2018 customized integration business**	**2019 customized integration business**	**2019 customized integration business**	**2020 customized integration business**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
	22,466	8,907	85,445	69,557.61	23,600
Total	22,466	8,907	85,445	69,557.61	23,600

Customized integration business revenue of the Target Group:

(a) decreased by 60.4% from RMB22.5 million for the year ended 31 December 2017 to RMB8.9 million for the year ended 31 December 2018; and

(b) increased by 859.3% from RMB8.9 million for the year ended 31 December 2018 to RMB85.4 million for the year ended 31 December 2019.

The aforesaid customized integration business revenue of the Target Group decreased by 60.4% from RMB22.5 million for the year ended 31 December 2017 to RMB8.9 million for the year ended 31 December 2018, which was mainly due to long construction period of certain projects and revenue therefrom was not yet recognized. The customized integration business revenue of the Target Group increased by 859.3% from RMB8.9 million for the year ended 31 December 2018 to RMB85.4 million for the year ended 31 December 2019, which was mainly due to the Target Group's emphasis on the development of customized integration business which had higher gross profit margin compared with that of robotics and ancillary business.

The customized integration business revenue of the Target Group decreased by 66.07% from RMB69.6 million for the nine months ended 30 September 2019 to RMB23.6 million for the nine months ended 30 September 2020, which was mainly due to the delay in revenue recognition of certain projects of the Target Group's customized integration business resulted from the outbreak of the pandemic.

Robotics and ancillary business revenue

The following table sets out the particulars of robotics and ancillary business revenue for the periods indicated below:

	For the year ended 31 December			For the nine months ended 30 September	
	2017 robotics and ancillary business	**2018 robotics and ancillary business**	**2019 robotics and ancillary business**	**2019 robotics and ancillary business**	**2020 robotics and ancillary business**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
	11,507	52,153	17,816	17,816.11	42,888
Total	11,507	52,153	17,816	17,816.11	42,888

Robotics and ancillary business revenue of the Target Group:

(a) increased by 353.2% from RMB11.5 million for the year ended 31 December 2017 to RMB52.2 million for the year ended 31 December 2018; and

(b) decreased by 65.8% from RMB52.2 million for the year ended 31 December 2018 to RMB17.8 million for the year ended 31 December 2019.

The aforesaid robotics and ancillary business revenue of the Target Group increased by 353.2% from RMB11.5 million for the year ended 31 December 2017 to RMB52.2 million for the year ended 31 December 2018, which was mainly due to the rapid growth in business scale of robotic integration and application projects. The robotics and ancillary business revenue of the Target Group decreased by 65.8% from RMB52.2 million for the year ended 31 December 2018 to RMB17.8 million for the year ended 31 December 2019, which was mainly due to the Target Group's emphasis on the development of customized integration business which had higher gross profit margin compared with that of robotics and ancillary business.

The robotics and ancillary business revenue of the Target Group increased by 140.73% from RMB17.8 million for the nine months ended 30 September 2019 to RMB42.9 million for the nine months ended 30 September 2020, which was mainly due to the rapid growth in business scale of robotic integration and application projects of the Target Group.

OPERATING COSTS

During the Reporting Period, the operating costs of the Target Group primarily included (i) operating costs of the customized integration business; (ii) operating costs of the robotics and ancillary business.

The following table sets out the particulars of operating costs of the Target Group for the periods indicated below:

	For the year ended 31 December			**For the nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
	24,214	40,769	68,517	56,419.64	48,095
Total	24,214	40,769	68,517	56,419.64	48,095

Operating costs of the Target Group:

(a) increased by 68.4% from RMB24.2 million for the year ended 31 December 2017 to RMB40.8 million for the year ended 31 December 2018;

(b) increased by 68.1% from RMB40.8 million for the year ended 31 December 2018 to RMB68.5 million for the year ended 31 December 2019; and

(c) increased by 8.78% from RMB43.9 million for the nine months ended 30 September 2019 to RMB48.1 million for the nine months ended 30 September 2020.

The aforesaid increase in the operating costs of the Target Group in the respective year is generally consistent with the changes in the total revenue of the customized integration business and robotics and ancillary business of the Target Group for the years, representing a continuous growth in overall business scale of the Target Group.

OTHER INCOME, NET GAINS AND LOSSES

During the Reporting Period, other income, net gains and losses of the Target Group primarily included (i) government subsidy; and (ii) investment gains on wealth management products.

Other income, net gains and losses of the Target Group:

(a) remained relatively stable at RMB1.0 million for the years ended 31 December 2017 and 2018;

(b) increased by 170.1% from RMB1.0 million for the year ended 31 December 2018 to RMB2.8 million for the year ended 31 December 2019, which was mainly due to several government subsidies received by the Target Group;

(c) decreased by 27.2% from RMB1.5 million for the nine months ended 30 September 2019 to RMB1.1 million for the nine months ended 30 September 2020, which was mainly due to an increase in charitable donations by the Target Group during the COVID-19 pandemic.

GENERAL AND ADMINISTRATIVE EXPENSES

During the Reporting Period, general and administrative expenses of the Target Group primarily included (i) staff cost of the management and officers; (ii) property management fees; (iii) travelling and accommodation expenses; (iv) water and electricity expenses; (v) legal and professional fees; (vi) office expenses; and (vii) other miscellaneous expenses.

General and administrative expenses of the Target Group:

(a) increased by 27.0% from RMB4.2 million for the year ended 31 December 2017 to RMB5.4 million for the year ended 31 December 2018, which was mainly due to the corresponding increase in staff remuneration, business entertainment expenses, travelling expenses, and others resulted from the business scale expansion of the Target Group;

(b) increased by 68.3% from RMB5.4 million for the year ended 31 December 2018 to RMB9.0 million for the year ended 31 December 2019, which was mainly due to the corresponding increase in staff remuneration brought by an increase in the number of staff resulted from the business scale expansion of the Target Group; and

(c) decreased by 23.6% from RMB7.2 million for the nine months ended 30 September 2019 to RMB5.5 million for the nine months ended 30 September 2020, which was mainly due to corresponding decrease in business entertainment expenses, property leasing and property management fees, travelling expenses as affected by the outbreak of the pandemic.

FINANCIAL INCOME

During the Reporting Period, financial income of the Target Group referred to bank interest income of the Target Group.

Financial income of the Target Group:

(a) increased by 38.8% from RMB0.0 million for the year ended 31 December 2017 to RMB0.1 million for the year ended 31 December 2018;

(b) increased by 133.3% from RMB0.1 million for the year ended 31 December 2018 to RMB0.2 million for the year ended 31 December 2019; and

(c) increased by 5.26% from RMB0.19 million for the nine months ended 30 September 2019 to RMB0.2 million for the nine months ended 30 September 2020.

The aforesaid increase in financial income of the Target Group for the respective year/period was mainly due to the increase in average bank balance.

FINANCIAL COSTS

During the Reporting Period, the Target Group almost had no financial costs.

INCOME TAX CREDIT/(EXPENSE)

During the Reporting Period, the income tax expense of the Target Group referred to the corporate income tax on the taxable profits provided in accordance with the PRC Corporate Income Tax Law.

For the year ended 31 December 2017 and the nine months ended 30 September 2019, the Target Group recorded a small amount of income tax credit in RMB.

For the year ended 31 December 2018, the Target Group recorded an income tax expense of RMB1.3 million, which was mainly derived from the production and operating activities of the Target Group.

For the year ended 31 December 2019, the Target Group recorded an income tax expense of RMB2.0 million, which was mainly derived from the production and operating activities of the Target Group.

LOSSES FOR THE YEAR/PERIOD

During the Reporting Period, the Target Group did not incur losses for the respective year/period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group finances its operation and working capital mainly through combination of net prepayments.

CASH AND CASH EQUIVALENTS

As at 31 December 2017, 2018, 2019 and 30 September 2020, cash and cash equivalents of the Target Group amounted to RMB10.2 million, RMB17.5 million, RMB22.3 million and RMB32.1 million, respectively. As at 31 December 2017, 2018 and 2019, all cash and cash equivalents held by the Target Group were denominated in RMB. As at 30 September 2020, the Target Group held US$0.5 million and its remaining cash and cash equivalents were all denominated in RMB.

BORROWINGS AND CREDIT FINANCING

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Target Group had no outstanding borrowings.

CHARGES ON ASSETS

During the Reporting Period, the Target Group had no charges on its assets.

GEARING RATIO

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Target Group had no net liability. Accordingly, the gearing ratio (net liability divided by total capital) was zero. Net liability is equivalent to the sum of the Target Group's borrowings and payables to associates and non-controlling interests minus the Target Group's cash and cash equivalents. Total capital is calculated based on the sum of the net liability and total equity of the Target Group.

FOREIGN CURRENCY EXPOSURE AND HEDGING

As at 31 December 2017, 2018 and 2019, the businesses and all transactions of the Target Group in the PRC were denominated in RMB. Accordingly, the Target Group was not exposed to foreign exchange risks. As at 30 September 2020, the Target Group held US$0.5 million.

In addition, the Target Group has not utilized any financial instruments to hedge against potential fluctuations in interest rates and exchange rates.

CONTINGENT LIABILITIES

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Target Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Target Group had approximately 144 employees in the PRC. During the Reporting Period, the staff costs of the Target Group primarily included wages and salaries, pension costs, employee benefits and other benefits, which amounted to RMB12.71 million, RMB0 million, RMB0.75 million and RMB0 million, respectively.

The Target Group is required to participate in a defined contribution retirement plan established by the PRC government. The remuneration policy of the Target Group takes into account its own human resources policy, market environment and the overall quality of employees (after consideration of relevant job requirements to unleash individual capabilities of its employees).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, there was no material acquisitions and disposal of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Target Group had no significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30 September 2020, the Target Group had no material capital commitments.

TREASURY POLICIES OF THE TARGET GROUP

Bank deposit management policy

The Target Group has formulated a bank deposit management system, details of which are as follows:

1. Bank settlement methods (online banking, cheques, and bankers' acceptances) are adopted based on the actual situation of the Target Group.

2. Financial personnel should establish a bank statement of deposits for each bank account, and cashiers should pass the bank statements to the financial personnel in a timely manner to verify whether the balance of each bank account is consistent with the actual amount. Financial personnel should ensure that the deposit balance on each bank statement is consistent with the actual balance of each bank account. In principle, no adjustments should be made in the accounts due to bank reconciliation for amounts received but not deposited with bank, amounts deposited with bank but not yet received, amounts paid but not debited from bank account and amounts debited but not yet paid out.

3. Cashiers should ensure that they obtain every settlement voucher for the receipt and payment transactions of the bank. A copy from the bank counter or an online printout should be obtained or made for any missing settlement voucher. There should be a corresponding original voucher attachment for each accounting voucher.

4. At the beginning of each month, cashiers should obtain a monthly statement stamped with the bank seal at the bank counter or the receipt counter at the bank.

5. The opening and use of bank accounts must be in compliance with bank regulations. Bank accounts are for the income and expense settlement of the business of the Target Group. Lending of accounts to outside parties or

individuals for their use, collection and advance payment on behalf of outside parties or individuals, and cash out through transfer on behalf of outside parties or individuals are strictly prohibited.

Fund planning and management policy

In order to improve the efficiency of the Target Group's fund use, strengthen the planning of fund raising and use, and standardize the management of the Target Group's fund plans, the Target Group has formulated a fund planning and management method, details of which are as follows:

1. The procurement department is responsible for preparing the procurement and payment plan for the month and submitting it to the finance department. The finance department is responsible for gathering the collection and payment plans from each department, and compiling the monthly fund plan of the Target Group.

2. The fund-using departments should fill in the fund plan request form based on their fund use plan for the following month and submit it to the finance department with signature and approval from the department head.

3. A signed version and an electronic version are required for the submission.

4. The submission time is by the end of office hours on Friday prior to each payment, which is subject to the time when the signed version is submitted to the finance department.

5. In principle, the payment of unplanned funds will not be settled. If such payment is necessary, it will be approved after such unplanned payment application stating the reason for such unplanned payment has been signed and approved by the general manager.

FUTURE PLANS AND SUBSEQUENT EVENTS

As disclosed in the section headed "Information of the Target Group and Huang Xiaofeng" in the Letter from the Board, in addition to the existing businesses, the Target Group will continue to expand and develop its principal businesses, which include:

1. It will continue to deepen the development in the home appliance industry. The future business direction will focus on customized integration and robot application projects with higher gross profit, and will not consider continuing to undertake robot body installation projects; and

2. The Target Company has already carried out part of its business in the food and beverage industry, and is working on business and technical personnel reserves in the 3C and new energy battery industries, and will expand its business from the home appliance industry to other industries in the future. It intends to develop the related robot technology mainly based on the existing logistics conveying system

as the technical basis for entry in the 3C area and actively explore the market of 3C automation by introduction of highly qualified technical and managerial personnel with extensive automation industry experience.

As at the Latest Practicable Date, the Target Group has no specific plans to implement the above future plans and does not have any other future plans to make significant investments and capital asset acquisitions.

This appendix sets out the English translation of the Chinese version of the Remedial Measures Taken in Relation to the Dilution of Immediate Returns. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

In order to protect the right to information of the small and medium investors of the Company and to safeguard their interests, according to the relevant requirements such as the "Opinion from State Council General Office on Further Strengthening the Work of Protecting the Legal Interests of Minority Shareholders in the Capital Market" (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發 [2013]110號)), the "Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market" (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發 [2014] 17號)) and the "Guiding Opinions on Matters Concerning the Dilution of Returns in Initial Public Offering, Refinancing and Material Asset Reorganisation" (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告 [2015] 31號)), the impact of the dilution of immediate returns as a result of the material assets restructuring on the Company's major financial indicators and the description of the measures to be taken by the Company are as follows:

Impact of the Proposed Acquisition on Immediate Returns

Pursuant to the audit report of the Company for the year ended 31 December 2019 and the Unaudited Pro Forma Financial Statements on the Enlarged Group as set out in Appendix II to this circular, assuming that the Proposed Acquisition is completed on 1 January 2019, the net profit attributable to the owners of the parent company and earnings per share before and after the Proposed Acquisition of the Company are as follows:

Items	January to September 2020		For the year of 2019	
	Before the transaction	After the transaction (For reference)	Before the transactions	After the transactions (For reference)
Net profit attributable to the owners of the parent company (RMB 0'000)	-24,089,791.77	-19,850,819.09	-130,036,755.55	-118,364,369.84
Earnings per share (RMB/share)	-0.08	-0.08	-0.31	-0.26

From the analysis of the above table, the Proposed Acquisition is beneficial for the increase in earnings per share of the Company and the increase in the returns to the Shareholders. In the year when the Proposed Acquisition is completed, if there is no year-on-year significant fluctuation to the operating performance of the Company and no significant non-operating gains and losses, it is expected that the Proposed Acquisition would not dilute the immediate returns of the Company.

This appendix sets out the English translation of the Chinese version of the Letter of Undertaking from Directors and Senior Management of Beijing Jingcheng Machinery Electric Company Limited on the Remedial Measures on Recovering Dilution of Immediate Returns. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

The Company proposed to acquire 80% of the equity interests in BYTQ by way of issuance of shares and cash payment. After the completion of the Proposed Acquisition, BYTQ will become a non-wholly owned subsidiary of the Company.

According to the relevant requirements of the "Guiding Opinions on Matters Concerning the Dilution of Returns in Initial Public Offering, Refinancing and Material Asset Reorganisation" (CSRC Announcement [2015] No. 31)(《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015] 31號)) issued by the CSRC, the Directors and senior management of the Company undertake the following in relation to the remedial measures on recovering dilution of immediate returns after the completion of the Proposed Acquisition:

1. I undertake not to convey benefit to other companies or individuals with no consideration or under unfair conditions, and not to damage the interests of the Company in any other ways;

2. I undertake to restrain my position-related expenditures;

3. I undertake not to use the assets of the Company to engage in investments or consumption activities unrelated to the performance of my work duties;

4. I undertake that the remuneration system formulated by the Board or the remuneration committee shall be tied with the implementation of the remedial measures on recovering the returns of the Company;

5. I undertake that the exercise conditions for the proposed share incentive scheme of the Company shall be tied with the implementation of the remedial measures on recovering the returns of the Company if a share incentive scheme is introduced by the Company.

If I violate or fail to fulfill the above-mentioned undertakings:

1. I shall publicly apologise to the Shareholders and the public investors for not complying with the above-mentioned undertakings in the general meeting of the Company and the newspapers designated by the CSRC;

2. Within 5 working days from the date of the confirmation of the breach of the above-mentioned undertakings, I shall cease to receive remuneration, allowances (if any) and dividends (if any) from the Company, and shall not transfer the shares of the Company held by me (if any) until the actual fulfillment of the undertakings or the ratification of the breach of the undertakings by me;

3. Should I fail to fulfill the above-mentioned undertakings due to reasons other than force majeure, and fail to provide justifiable and reasonable explanations, all the proceeds I obtained arising from the breach of undertakings shall belong to the Company, and the Company shall have the right to request me to remit the proceeds arising from breach of undertakings to the designated account of the Company within 10 working days from the date when the proceeds are obtained.

This appendix sets out the English translation of the Chinese version of the Letter of Undertaking form the Controlling Shareholder of Beijing Jingcheng Machinery Electric Company Limited on the Remedial Measures on Recovering Dilution of Immediate Returns. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

JINGCHENG MAC proposed to acquire 80% of the equity interest in BYTQ by way of issuance of shares and cash payment. After the completion of the Proposed Acquisition, BYTQ will become a non-wholly owned subsidiary of JINGCHENG MAC.

As the controlling shareholder of JINGCHENG MAC, Jingcheng Machinery Electric hereby undertakes the following in relation to the remedial measures on recovering dilution of immediate returns of JINGCHENG MAC after the completion of the Proposed Acquisition:

Under any circumstances, Jingcheng Machinery Electric shall not go beyond its power to interfere with the operation and management activities of JINGCHENG MAC and will not encroach the interests of JINGCHENG MAC. Jingcheng Machinery Electric shall earnestly fulfill its obligations as a controlling shareholder, perform its duties faithfully and diligently, and safeguard the legitimate rights and interests of JINGCHENG MAC and its shareholders as a whole.

From the date of issuance of the letter of undertaking to the completion of the Proposed Acquisition, if other new regulatory requirements in relation to the remedial measures on recovering the returns and the related undertakings are issued by the CSRC and if the above-mentioned undertakings fail to satisfy the requirements of the CSRC, Jingcheng Machinery Electric undertakes to make supplemental undertakings in accordance with the latest requirements of the CSRC.

If Jingcheng Machinery Electric violates or fails to fulfill the above-mentioned undertakings:

1. Jingcheng Machinery Electric shall publicly apologise to the shareholders of JINGCHENG MAC and the public investors for not complying with the above-mentioned undertakings in the general meeting of JINGCHENG MAC and the newspapers designated by the CSRC;

2. Within 5 working days from the date of confirmation of the breach of the above-mentioned undertakings, Jingcheng Machinery Electric shall cease to receive dividends from JINGCHENG MAC, and shall not transfer the shares of JINGCHENG MAC until the actual fulfillment of the undertakings or the ratification of the breach of the undertakings by Jingcheng Machinery Electric;

3. Should Jingcheng Machinery Electric fail to fulfill the above-mentioned undertakings due to reasons other than force majeure, and fail to provide justifiable and reasonable explanations, all the proceeds obtained by Jingcheng Machinery Electric shall belong to JINGCHENG MAC, and JINGCHENG MAC shall have the right to request Jingcheng Machinery Electric to remit the proceeds arising from the breach of undertakings to the designated account of JINGCHENG MAC within 10 working days from the date when the proceeds are obtained.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executives of the Company was interested in any Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company.

The following is a list of Directors who, as at the Latest Practicable Date, were also directors or employees of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director	Name of Shareholder	Capacity of Director in Shareholder	Number of Shares held by the Shareholder	Approximate percentage of shareholding in the entire share capital of the Company (A Shares and H Shares) as at the Latest Practicable Date[1]
Wang Jun	Jingcheng Machinery Electric	Deputy general manager and general counsel	245,735,052 A Shares	50.67%

Name of Director	Name of Shareholder	Capacity of Director in Shareholder	Number of Shares held by the Shareholder	Approximate percentage of shareholding in the entire share capital of the Company (A Shares and H Shares) as at the Latest Practicable Date[1]
Jin Chunyu	Jingcheng Machinery Electric	Assistant of general manager and head of planning and finance department	245,735,052 A Shares	50.67%
Wu Yanzhang	Jingcheng Machinery Electric	Head of investment and development department	245,735,052 A Shares	50.67%
Xia Zhonghua	Jingcheng Machinery Electric	Head of housing, land and resources department	245,735,052 A Shares	50.67%
Li Chunzhi	Beijing Jingcheng Machinery Electric Industrial Investment Co., Ltd.（北京京城機電產業投資有限公司）(a subsidiary of Jingcheng Machinery Electric)	Deputy general manager	245,735,052 A Shares	50.67%

Note:

1. The percentage was calculated based on 485,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any asset which had been, since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to the Company or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or may compete with the business of the Group or has or may have any other conflicts of interests with the Group pursuant to the Listing Rules.

6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material:

(a) the subscription agreement dated 6 May 2019 entered into between the Company and Jingcheng Machinery Electric, pursuant to which the Company conditionally agreed to issue, and Jingcheng Machinery Electric conditionally agreed to subscribe for not more than 84,000,000 A Shares with a total subscription money of not more than RMB462,283,000;

(b) the agreement dated 24 July 2019 entered into between Beijing Tianhai Industry Co., Ltd. ("**Beijing Tianhai**") and Shandong Yong'an Heli Steel Cylinder Co., Ltd. ("**Yong'an Heli**") pursuant to which Yong'an Heli intended to, by way of bidding, acquire 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. ("**Shandong Tianhai**") held by the Company through Beijing Tianhai at a consideration of RMB22.08 million (the "**Disposal**");

(c) the asset transaction agreement dated 25 October 2019 entered into between the Beijing Tianhai and Yong'an Heli pursuant to which the Beijing Tianhai agreed to transfer 51% equity interests in Shangdong Tianhai to Yong'an Heli in relation to the Disposal;

(d) the share transfer agreement dated 4 December 2019 entered into between BTIC America Corporation ("**BAC**") and Bill Zheng and Susan Guo (the "**Vendors**"), pursuant to which BAC agreed to purchase and the Vendors agreed to sell a total of 520 shares of BAC at a consideration of US$3,206,360; and

(e) the tangible assets transaction contract dated 21 September 2020 entered into between Beijing Tianhai and Beijing Jingcheng Machinery Electric Asset Management Co., Ltd ("**Asset Management Company**"), pursuant to which Beijing Tianhai agreed to transfer the industrial land with an area of 87,541.76 sq.m. and buildings thereon with a total floor area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing ("**Wu Fang Qiao Assets**") to the Asset Management Company at a transfer price of RMB410,195,000 (tax inclusive).

7. LITIGATION

Beijing Tianhai Cryogenic Equipment Co., Ltd. ("**Tianhai Cryogenic**"), an indirect subsidiary of the Company, is involved in a litigation concerning the production and delivery of tank containers. Tianhai Cryogenic entered into the "Tank Containers Procurement Contracts" with Sinochem International Logistics Co., Ltd.(中化國際物流有限公司)(which was later renamed as Shanghai Junzheng Logistics Co., Ltd.(上海君正物流有限公司)("**Junzheng Company**")) in February, May and June 2017 in which Tianhai Cryogenic, being a manufacturer and seller of tank containers, agreed to produce and sell, and Junzheng Company agreed to purchase tank containers for a contractual sum. Alleging that Tianhai Cryogenic had failed to manufacture and deliver certain tank containers to it as requested, Junzheng Company initiated legal proceedings against Tianhai Cryogenic at the Shanghai No. 1 Intermediate People's Court ("**Shanghai Court**") for damages and for Court's confirmation and endorsement that the outstanding part of the "Tank Containers Procurement Contracts" had already been terminated. The Notice of Response to Action in relation to this litigation had been issued by the Shanghai Court on 25 May 2020.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. EXPERTS AND CONSENT

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
China Alliance Appraisal Co., Ltd.（北京中同華資產評估有限公司）	an independent valuer and consultant
ShineWing Certified Public Accountants LLP	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

9. GENERAL

(a) The registered office of the Company is at Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC.

(b) The Hong Kong branch share registrar and transfer office of the Company (for H Shares) is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Luan Jie.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents (or copies thereof) will be available for inspection at the office of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including 2 February 2021:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2018 and 2019;

(c) the material contracts referred to in the section headed "*Material Contracts*" in this appendix;

(d) the unaudited pro proma financial statements on the Enlarged Group;

(e) the accountant's report on the Target Group;

(f) the summary of the asset valuation report;

(g) the letters from the reporting accountant of the Company and the Board on the profit forecasts;

(h) the consent letters from the experts referred to in the paragraph headed "Experts and Consent" in this appendix;

(i) the circular dated 13 October 2020 of the Company in relation to the discloseable and connected transaction on the transfer of Wu Fang Qiao Assets; and

(j) this circular.

THE COMPARISON TABLE OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
Article 9 Entry into Force of the Articles of Association The Articles of Association passed by a special resolution at the general meeting of the shareholders on July 14, 1993 and registered at Beijing Administration of Industry and Commerce and became effective on the same day. The Articles of Association was amended by a special resolution at the general meeting of the shareholders on May 28, 1995, and respectively amended by a special resolution at the general meeting on June 11, 2002, June 12, 2003, May 24, 2004, June 8, 2005, June 27, 2006, May 26, 2009 and then became effective and superseded the foregoing Articles of Association upon being filed with the competent authorities. The foregoing Articles of Association was respectively amended by a special resolution at the general meeting on May 18, 2011, December 18, 2012, December 16, 2013, June 26, 2014 and June 9, 2015. Amended by special resolutions at the general meeting of the shareholders on June 12 of 2018. Amended by special resolutions at the general meeting of the shareholders on June 21 of 2019. Amended by special resolutions at the general meeting of the shareholders on July 15 of 2019. Amended by special resolutions at the general meeting of the shareholders on 9 June of 2020. Upon its entry into force, the Company's Articles of Association shall constitute a legally binding document that regulates the Company's organizations and activities, rights and obligations between the Company and each shareholder and among the shareholders.	**Article 9** Entry into Force of the Articles of Association The Articles of Association passed by a special resolution at the general meeting of the shareholders on July 14, 1993 and registered at Beijing Administration of Industry and Commerce and became effective on the same day. The Articles of Association was amended by a special resolution at the general meeting of the shareholders on May 28, 1995, and respectively amended by a special resolution at the general meeting on June 11, 2002, June 12, 2003, May 24, 2004, June 8, 2005, June 27, 2006, May 26, 2009 and then became effective and superseded the foregoing Articles of Association upon being filed with the competent authorities. The foregoing Articles of Association was respectively amended by a special resolution at the general meeting on May 18, 2011, December 18, 2012, December 16, 2013, June 26, 2014 and June 9, 2015. Amended by special resolutions at the general meeting of the shareholders on June 12 of 2018. Amended by special resolutions at the general meeting of the shareholders on June 21 of 2019. Amended by special resolutions at the general meeting of the shareholders on July 15 of 2019. Amended by special resolutions at the general meeting of the shareholders on 9 June of 2020. Amended by special resolutions at the general meeting of the shareholders on 9 February 2021. Upon its entry into force, the Company's Articles of Association shall constitute a legally binding document that regulates the Company's organizations and activities, rights and obligations between the Company and each shareholder and among the shareholders.

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
Article 24 The Company may, based on its operation and development needs, approve the increase of its capital pursuant to the Articles of Associations. The Company may increase its capital in the following ways: (1) by collecting new shares from unspecified investors; (2) by issuing new shares to its existing shareholders; (3) by allotting bonus shares to its existing shareholders (4) by converting reserve funds into capital; (5) by other means permitted by laws and administrative regulations. Upon the approval in accordance with the Company's Articles of Association, the increasing of share capital by issuing new shares shall be conducted pursuant to the procedures set out in the relevant PRC laws and administrative regulations.	**Article 24** The Company may, based on its operation and development needs, approve the increase of its capital pursuant to the Articles of Associations. The Company may increase its capital in the following ways: (1) ~~by collecting new shares from unspecified investors~~ by public issuance of shares; (2) ~~by issuing new shares to its existing shareholders~~by non-public issuance of shares; (3) by allotting bonus shares to its existing shareholders (4) by converting reserve funds into capital; (5) by other means permitted by laws ~~and administrative regulations~~, administrative regulations, and approved by the CSRC. Upon the approval in accordance with the Company's Articles of Association, the increasing of share capital by issuing new shares shall be conducted pursuant to the procedures set out in the relevant PRC laws and administrative regulations.

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
Article 29 In any of the following circumstances, the Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authorities, repurchase its issued shares: (1) cancelling shares for the purpose of capital reduction; (2) merging with another company that holds shares in the Company; (3) using for employees ownership plans or share incentives; (4) merger or division resolutions proposed at the general meeting of the shareholders are opposed by some shareholders who ask the Company to repurchase their shares; (5) using for converting the corporate bonds issued by the Company which are convertible into shares; (6) protecting the Company's value and the shareholders' rights and interests when necessary. Unless in any of the aforesaid circumstances, the Company shall not engage in selling or purchasing its shares. Acquisition by the Company of its shares due to the circumstances referred to in the preceding items (1) and (2) shall be subject to the approval in general meeting by resolutions; acquisition by the Company of its shares due to the circumstances referred to in the preceding items (3), (5) and (6) shall be subject to the approval in board meeting attended by more than two-third of the directors by resolutions in accordance with the mandate from general meeting.	**Article 29** In any of the following circumstances, the Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authorities, repurchase its issued shares: (1) cancelling shares for the purpose of capital reduction; (2) merging with another company that holds shares in the Company; (3) using for employees ownership plans or share incentives; (4) merger or division resolutions proposed at the general meeting of the shareholders are opposed by some shareholders who ask the Company to repurchase their shares; (5) using for converting the corporate bonds issued by the Company which are convertible into shares; (6) protecting the Company's value and the shareholders' rights and interests when necessary. Unless in any of the aforesaid circumstances, the Company shall not engage in ~~selling or purchasing its~~ <u>acquisition of</u> shares. Acquisition by the Company of its shares due to the circumstances referred to in the preceding items (1) and (2) shall be subject to the approval in general meeting by resolutions; acquisition by the Company of its shares due to the circumstances referred to in the preceding items (3), (5) and (6) shall be subject to the approval in board meeting attended by more than two-third of the directors by resolutions in accordance with the mandate from general meeting.

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
Article 54 Ordinary shareholders of the Company shall enjoy the following rights: (1) to receive dividends and other distributions in proportion to the number of shares held; (2) to attend or appoint a proxy to attend the general meeting of the shareholders and to vote thereat; (3) to supervise the Company's business operations and to present proposals or to raise queries; (4) to transfer shares in accordance with laws, administrative regulations and the Company's Articles of Association; (5) to obtain relevant information in accordance with the Company's Articles of Association, including: 1. to obtain a copy of the Company's Articles of Association, subject to payment of costs; 2. subject to payment of a reasonable fee, to inspect and copy: (1) all parts of the register of shareholders; (2) personal particulars of each of the Company's directors, supervisors, managers and other senior officers, including: (a) present and former name and alias; (b) principal address (place of residence); (c) nationality;	**Article 54** Ordinary shareholders of the Company shall enjoy the following rights: (1) to receive dividends and other distributions in proportion to the number of shares held; (2) to <u>request, convene, preside at,</u> attend or appoint a proxy <u>in accordance with the laws</u> to attend the general meeting of the shareholders and to vote thereat; (3) to supervise the Company's business operations and to present proposals or to raise queries; (4) to transfer<u>, gift, or pledge its</u> shares in accordance with laws, administrative regulations and the Company's Articles of Association; (5) to obtain relevant information in accordance with the Company's Articles of Association, including: 1. to obtain a copy of the Company's Articles of Association, subject to payment of costs; 2. subject to payment of a reasonable fee, to inspect and copy: (1) all parts of the register of shareholders; (2) personal particulars of each of the Company's directors, supervisors, managers and other senior officers, including: (a) present and former name and alias; (b) principal address (place of residence); (c) nationality;

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
(d) primary and all other concurrent occupations and duties; (e) identification documents and the numbers thereof; (3) reports on the state of the Company's share capital; (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid for the Company for this purpose; (5) minutes of shareholders' meetings. (6) to know and participate in the Company's important matters prescribed by laws, administrative regulations and the Company's Articles of Association;	(d) primary and all other concurrent occupations and duties; (e) identification documents and the numbers thereof; (3) reports on the state of the Company's share capital; (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid for the Company for this purpose; (5) minutes of shareholders' meetings. (6) to know and participate in the Company's important matters prescribed by laws, administrative regulations and the Company's Articles of Association;

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
(7) to protect their lawful rights through civil action or other legal means in accordance with laws and administrative regulations; in case that any resolution adopted by the general meeting of the shareholders or the board of directors violates laws and administrative regulations and infringes upon shareholders' lawful rights and interests, shareholders shall have the right to demand the termination of the aforesaid violation or infringement; directors, supervisors or managers shall be held liable for compensation if they violate laws, administrative regulations or the Company's Articles of Association in the course of performing their duties and cause damages to the Company. Shareholders shall have the right to ask the Company to sue for compensation in accordance with law; (8) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held; (9) other rights conferred by laws, administrative regulations and the Company's Articles of Association.	(7) to protect their lawful rights through civil action or other legal means in accordance with laws and administrative regulations; in case that any resolution adopted by the general meeting of the shareholders or the board of directors violates laws and administrative regulations and infringes upon shareholders' lawful rights and interests, shareholders shall have the right to demand the termination of the aforesaid violation or infringement; directors, supervisors or managers shall be held liable for compensation if they violate laws, administrative regulations or the Company's Articles of Association in the course of performing their duties and cause damages to the Company. Shareholders shall have the right to ask the Company to sue for compensation in accordance with law; (8) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held; (9) other rights conferred by laws, administrative regulations and the Company's Articles of Association.

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
Article 70 Guarantees required to be approved at the general meeting shall not be submitted to the general meeting for consideration and approval until after being considered and passed by the board of directors, and guarantees subject to the approval at the general meeting shall include, but not limited to, the following: 1. any guarantee as provided after the total amount of guarantees provided by the Company and its controlling subsidiaries reaches or exceeds 50% of the latest audited net assets; 2. a guarantee provided to a party whose asset-liability ratio is higher than 70%; 3. a guarantee, the amount of which exceeds 10% of the latest audited net assets; 4. a guarantee provided to the shareholder, beneficial controller or their respective related parties.	**Article 70** Guarantees required to be approved at the general meeting shall not be submitted to the general meeting for consideration and approval until after being considered and passed by the board of directors, and guarantees subject to the approval at the general meeting shall include, but not limited to, the following: 1. any guarantee as provided after the total amount of guarantees provided by the Company and its controlling subsidiaries ~~reaches or~~ exceeds 50% of the latest audited net assets; 2. any guarantee as provided after the total amount of guarantee provided by the Company reaches or exceeds 30% of the latest audited total assets; 3. a guarantee provided to a party whose asset-liability ratio is higher than 70%; ~~3.~~4. a guarantee, the amount of which exceeds 10% of the latest audited net assets; ~~4.~~5. a guarantee provided to the shareholder, beneficial controller or their respective related parties.

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
When the general meeting considers a guarantee proposed for a shareholder, beneficial owner or his related party, this shareholder or other shareholders controlled by this beneficial owner shall not vote for the proposal, which shall have the affirmative votes by a majority of votes held by other shareholders attending the general meeting. A guarantee subject to the approval of the board of directors must be agreed by at least two thirds of directors attending the board of directors with a resolution being adopted. When a guarantee is provided by the Company, the recipient must provide a counter-guarantee, and the party providing the counter-guarantee shall be able to undertake relevant liabilities.	When the general meeting considers a guarantee proposed for a shareholder, beneficial owner or his related party, this shareholder or other shareholders controlled by this beneficial owner shall not vote for the proposal, which shall have the affirmative votes by a majority of votes held by other shareholders attending the general meeting. A guarantee subject to the approval of the board of directors must be agreed by at least two thirds of directors attending the board of directors with a resolution being adopted. When a guarantee is provided by the Company, the recipient must provide a counter-guarantee, and the party providing the counter-guarantee shall be able to undertake relevant liabilities.

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
Article 71 General meetings of the shareholders are divided into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year. In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months: (1) where the number of directors is less than that stipulated in the Company Law or two thirds of the number specified in the Company's Articles of Association; (2) where the unrecovered losses of the Company amount to one third of the total share capital; (3) where shareholders holding 10% or more of the Company's issued outstanding voting shares request in writing for convening an extraordinary general meeting; (4) whenever the board of directors deems necessary; (5) when the supervisory committee requests.	**Article 71** General meetings of the shareholders are divided into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year. In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months: (1) where the number of directors is less than that stipulated in the Company Law or two thirds of the number specified in the Company's Articles of Association; (2) where the unrecovered losses of the Company amount to one third of the total share capital; (3) where shareholders, individually or collectively, holding 10% or more of the Company's issued outstanding voting shares request in writing for convening an extraordinary general meeting; (4) whenever the board of directors deems necessary; (5) when the supervisory committee requests; (6) other circumstances required by the laws, administrative regulations, departmental rules or the Articles of Association.

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
Article 72 The place for holding general meetings is: the premises of the Company or other location announced by the Company. The general meeting shall have a meeting place for convening the onsite meetings. The Company shall maximize the percentage of presence of public shareholders at any general meeting by various means including the provision of modern communication technologies, giving priority to online voting, on condition that the general meeting shall be held legally and validly without detriment to the legal rights and interests of domestic and foreign shareholders. A shareholder who participated in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting. Identification of shareholders participating in the general shareholders' meetings by network access means shall be confirmed by brokerage firms who has obtained qualification for securities account opening agency business from China Securities Depository and Clearing Corporation Limited, or by other institutions recognized by China Securities Depository and Clearing Corporation Limited for identification confirmation.	**Article 72** The place for holding general meetings is: the premises of the Company or other location announced by the Company. <u>After the notice of the general meeting is issued, the place for holding the general meeting shall not be changed without valid reasons. Where a change is needed, the convener shall publish an announcement at least 2 working days before the date of convening the on-site meeting and state the reasons.</u> The general meeting shall have a meeting place for convening the onsite meetings. The Company shall maximize the percentage of presence of public shareholders at any general meeting by various means including the provision of modern communication technologies, giving priority to online voting, on condition that the general meeting shall be held legally and validly without detriment to the legal rights and interests of domestic and foreign shareholders. A shareholder who participated in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting. Identification of shareholders participating in the general shareholders' meetings by network access means shall be confirmed by brokerage firms who has obtained qualification for securities account opening agency business from China Securities Depository and Clearing Corporation Limited, or by other institutions recognized by China Securities Depository and Clearing Corporation Limited for identification confirmation.

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
The shareholders present at a general meeting shall express one of the following opinions on the proposed resolutions that are put to a vote: consent, opposition or abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, may express opinions according to the intentions of actual holders.	The shareholders present at a general meeting shall express one of the following opinions on the proposed resolutions that are put to a vote: consent, opposition or abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, may express opinions according to the intentions of actual holders.
Article 150 The board of directors may decide on using the Company's assets for venture, provided the amount of such investment is 15% or less of the latest audited net assets of the Company, and an investment in excess of this percentage must be decided by a general meeting. Venture investment may include business acquisition, merger, restructuring and project investment, financial investment and the like. The board of directors shall establish strict procedures of review and decision making, and subject important investments to expert consideration and examination important investments beyond the scope of authority shall be sent to the general meeting for approval.	**Article 150** The board of directors may decide on using the Company's assets for ~~venture~~ risk investment, provided the amount of such investment is 15% or less of the latest audited net assets of the Company, and an investment in excess of this percentage must be decided by a general meeting. Venture investment may include business acquisition, merger, restructuring and project investment, financial investment and the like. The board of directors shall establish strict procedures of review and decision making, and subject important investments to expert consideration and examination important investments beyond the scope of authority shall be sent to the general meeting for approval.
Article 152 There shall be at least 4 regular meetings of the board of directors in a year, approximately 1 meeting for every quarter, which shall be convened by the chairman of the board. A notice shall be sent to each director by means of EMS, registered mail, email or special personal delivery fourteen days before the meeting.	**Article 152** There shall be at least 4 regular meetings of the board of directors in a year, approximately 1 meeting for every quarter, which shall be convened by the chairman of the board. A notice shall be sent to each director by means of EMS, registered mail, email or special personal delivery fourteen days before the meeting.

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
Shareholders representing one tenth or more of voting rights, one third or more directors, the supervisory committee, the manager of the Company, or half or more independent non-executive directors may propose to convene an extraordinary board meeting. The chairman of the board shall convene and preside over a board meeting within ten days upon receiving such proposal. An extraordinary board meeting shall be notified in the same means for a regular board meeting. However, the notice shall be dispatched at least eight hours in advance and no later than ten days before the meeting.	<u>The notice of the board meeting shall include the following:</u> <u>1. Date and place of the meeting;</u> <u>2. Duration of the meeting;</u> <u>3. Reasons and subject matters;</u> <u>4. Date of issuing the notice.</u> Shareholders representing one tenth or more of voting rights, one third or more directors, the supervisory committee, the manager of the Company, or half or more independent non-executive directors may propose to convene an extraordinary board meeting. The chairman of the board shall convene and preside over a board meeting within ten days upon receiving such proposal. An extraordinary board meeting shall be notified in the same means for a regular board meeting. However, the notice shall be dispatched at least eight hours in advance and no later than ten days before the meeting.
Article 187 The supervisory committee shall be accountable to the general meeting, and shall exercise the following powers in accordance with law: (1) to review the Company's financial position; (2) to supervise the directors, manager, deputy managers, financial officers and other senior officers to ensure that they do not act in violation of any law, regulation or the Company's Articles of Association;	**Article 187** The supervisory committee shall be accountable to the general meeting, and shall exercise the following powers in accordance with law: (1) to review the Company's financial position; (2) to supervise the directors, manager, deputy managers, financial officers and other senior officers to ensure that they do not act in violation of any law, regulation or the Company's Articles of Association;

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
(3) to demand any director, manager, deputy manager, financial officer or any other senior officer who acts in a manner which is harmful to the Company's interest to rectify such behavior; (4) to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and to authorize, in the Company's name, publicly certified accountants and practising auditors to assist in the re–examination of such information should any doubt arise in respect thereof; (5) to propose to convene an extraordinary general meeting; (6) to represent the Company in negotiations with or in bringing actions against a director; (7) other functions and powers specified in the Company's Articles of Association. Supervisors shall be present at the board meetings.	(3) to demand any director, manager, deputy manager, financial officer or any other senior officer who acts in a manner which is harmful to the Company's interest to rectify such behavior; (4) to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and give written examination opinions, and to authorize, in the Company's name, publicly certified accountants and practising auditors to assist in the re–examination of such information should any doubt arise in respect thereof; (5) to propose to convene an extraordinary general meeting; (6) to represent the Company in negotiations with or in bringing actions against a director or senior management; (7) to submit proposals to the general meetings; (8) other functions and powers specified in the Company's Articles of Association. Supervisors shall be present at the board meetings.
Article 194 A person may not serve as a director, supervisor, manager or any other senior officer of the Company if any of the following circumstances apply: (1) a person having no or limited capacity for civil conduct; (2) a person who has been sentenced for corruption, bribery, infringement or misappropriation of property or other crimes which disrupt the social economic order, or has been deprived of his political rights, with the completion of such punishments being less than five years ago;	**Article 194** A person may not serve as a director, supervisor, manager or any other senior officer of the Company if any of the following circumstances apply: (1) a person having no or limited capacity for civil conduct; (2) a person who has been sentenced for corruption, bribery, infringement or misappropriation of property or other crimes which disrupt the social economic order, or has been deprived of his political rights, with the completion of such punishments being less than five years ago;

Original text of the Articles of Association	**Text of the Articles of Association after the proposed amendments**
(3) a person who is a former director or manager of a company or an enterprise which has been dissolved or put into liquidation as a result of mismanagement, and is personally liable for the winding up of such company or enterprise, with completion of the bankruptcy liquidation being less than three years ago;	(3) a person who is a former director or manager of a company or an enterprise which has been dissolved or put into liquidation as a result of mismanagement, and is personally liable for the winding up of such company or enterprise, with completion of the bankruptcy liquidation being less than three years ago;
(4) a person who is a former legal representative of a company or an enterprise the business license of which was revoked due to violation of law and is personally liable therefor, with revocation of the business license being less than three years ago;	(4) a person who is a former legal representative of a company or an enterprise the business license of which was revoked due to violation of law and is personally liable therefor, with revocation of the business license being less than three years ago;
(5) a person who has a relatively large amount of debts which have become overdue;	(5) a person who has a relatively large amount of debts which have become overdue;
(6) a person who is currently under investigation by judicial organs for violation of criminal law;	(6) a person who is currently under investigation by judicial organs for violation of criminal law;
(7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;	(7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
(8) a person other than a natural person;	(8) a person other than a natural person;
(9) a person who has been convicted by the competent authority for violation of relevant securities regulations and fraudulent or dishonest actions, with the conviction being made less than five years ago.	(9) a person who has been convicted by the competent authority for violation of relevant securities regulations and fraudulent or dishonest actions, with the conviction being made less than five years ago~~.~~;
	(10) a person who has been ordered by CSRC not to enter the securities market for a period which has not been expired yet;

Original text of the Articles of Association	Text of the Articles of Association after the proposed amendments
	(11) a person who is involved in any other circumstance specified by laws, administrative regulations or departmental rules. If the election or appointment of directors violates this Article, such election, appointment or employment shall be invalid. If any of the circumstances described in this Article occurs during the term of office of a director, the company shall remove the director from the position.
Article 224 The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty days after the expiration of the first six months of each fiscal year; the annual financial report shall be published within one hundred and twenty days after the expiration of each fiscal year.	**Article 224** The Company shall publish its financial reports ~~twice~~ four times every fiscal year, among which, the annual report shall be published four months after the end of each fiscal year~~that is~~, the interim financial report shall be published within ~~sixty days~~two months after the ~~expiration~~end of the first ~~six months~~half a year of each fiscal year; ~~the annual financial report shall be published within one hundred and twenty days after the expiration of each fiscal year.~~and the quarterly report shall be completed and disclosed within one month after the end of the first three months and nine months of each fiscal year. The publication of the first quarterly report shall not be earlier than that of the annual report for the previous year.
To be inserted	**Article 263** Amendments to the Articles of Association are subject to compulsory disclosure under the laws and regulations, and shall be announced in accordance with the requirements.
Article 264 Amendments to the Articles of Association are subject to compulsory disclosure, and shall be announced in accordance with relevant laws and regulations.	To be deleted
The original Article 263 is adjusted as Article 264	

Save for the above amendments, other provisions of the Articles of Association remained unchanged.

The Articles of Association is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Articles of Association, the Chinese version shall prevail.

COMPARISON TABLE OF AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING OF SHAREHOLDERS

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 4 General meetings may be either annual or extraordinary. The annual general meeting shall be held once a year within six months after the closing of the previous accounting year. The extraordinary general meeting may be held from time to time and shall be held within two months where any of the circumstances as set forth in section 101 of the Company Law for holding such a meeting occurs. In case that the Company is unable to hold a general meeting within the aforesaid time frame, it shall report and explain the reasons to the local office of the CSRC in the region where the Company operates and the Shanghai Stock Exchange, and make an announcement.	**Article 4** General meetings may be either annual or extraordinary. The annual general meeting shall be held once a year within six months after the closing of the previous accounting year. The extraordinary general meeting may be held from time to time and shall be held within two months where any of the circumstances as set forth in section ~~101~~100 of the Company Law for holding such a meeting occurs. In case that the Company is unable to hold a general meeting within the aforesaid time frame, it shall report and explain the reasons to the local office of the CSRC in the region where the Company operates and the Shanghai Stock Exchange, and make an announcement.
Article 15 The convener(s) shall notify each shareholder in the form of announcement 45 days prior to an annual general meeting.	**Article 15** The convener(s) shall notify each shareholder in the form of announcement ~~45~~20 days prior to an annual general meeting; shall notify each shareholder in the form of announcement 15 days or 10 business days (whichever is longer) prior to an extraordinary general meeting.
~~**Article 18** A notice of general meeting shall indicate the time and place of the meeting and specify shareholding record date. The shareholding record date shall not be changed once confirmed.~~	~~**Article 18** A notice of general meeting shall indicate the time and place of the meeting and specify shareholding record date.~~ The interval between shareholding record date and the date of the general meeting shall not be more than 7 working days. The shareholding record date shall not be changed once confirmed.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 27** The chairman of the Board shall invite the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and any other committees to attend. If the chairman of the relevant committee fails to attend, the chairman of the Board shall invite another member or his/her duly appointed representative to attend. Such person must answer questions at the general meeting.
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 28** If there is an independent committee under the Board of Directors, the chairman of the committee shall respond to questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 29** The Company's management shall ensure the external auditors attend the general meeting and answer questions about the audit work, the preparation of the auditor's report and its content, accounting policies, and the independence of the auditor.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 27 A general meeting shall be presided over by chairman of the Board of Directors. Where chairman of the Board of Directors is unable or fails to perform the duty, the meeting shall be presided over by Vice Chairman of the Board of Directors. Where Vice Chairman of the Board of Directors is unable or fails to perform his duties, the meeting shall be presided over by a director jointly elected by a simple majority of the directors. A general meeting convened by the Supervisory Committee shall be presided over by Chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform the duty, the meeting shall be presided over by a supervisor jointly elected by a simple majority of the supervisors. A general meeting convened by shareholders shall be presided over by one representative appointed by convener(s). In the event that the general meeting cannot proceed due to violation of the Rules of Procedure by the presider of the meeting, the general meeting may appoint one person as the presider of the meeting upon consent of a simple majority of the voting shareholders present at the meeting and continue the meeting.	**Article ~~27~~30** A general meeting shall be presided over by chairman of the Board of Directors. Where chairman of the Board of Directors is unable or fails to perform the duty, ~~the meeting shall be presided over by Vice Chairman of the Board of Directors. Where Vice Chairman of the Board of Directors is unable or fails to perform his duties,~~ the meeting shall be presided over by a director jointly elected by a simple majority of the directors. A general meeting convened by the Supervisory Committee shall be presided over by Chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform the duty, the meeting shall be presided over by a supervisor jointly elected by a simple majority of the supervisors. A general meeting convened by shareholders shall be presided over by one representative appointed by convener(s). In the event that the general meeting cannot proceed due to violation of the Rules of Procedure by the presider of the meeting, the general meeting may appoint one person as the presider of the meeting upon consent of a simple majority of the voting shareholders present at the meeting and continue the meeting.
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 37** Any vote of shareholders at a general meeting must be taken by poll except where the presider of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by show of hands.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 37 The general meeting shall, prior to the voting on proposals, elect two representatives from shareholders to take part in vote counting and polling scrutiny. In case any shareholder is connected to any matter to be considered, the shareholder and his/her proxy shall not take part in vote counting and polling scrutiny. When the general meeting votes on proposals, lawyers, representatives of shareholders, supervisors, auditors and/or the share registrar shall be jointly responsible for vote counting and polling scrutiny. Shareholders or their proxies who vote online or by any other means shall be entitled to check their voting results via the relevant voting system.	**Article ~~37~~41** The general meeting shall, prior to the voting on proposals, elect two representatives from shareholders to take part in vote counting and polling scrutiny. In case any shareholder is connected to any matter to be considered, the shareholder and his/her proxy shall not take part in vote counting and polling scrutiny. When the general meeting votes on proposals, lawyers, representatives of shareholders, representatives of supervisors~~,~~ and auditors, ~~and/or~~ the share registrar or an external accountant qualified to act as an auditor shall be jointly responsible for vote counting and polling scrutiny. Shareholders or their proxies who vote online or by any other means shall be entitled to check their voting results via the relevant voting system.

Save for the above amendments and the adjustment to article numbers resulting from the amendments, other provisions of the Rules of Procedure of the General Meeting of Shareholders remained unchanged.

The Rules of Procedure of the General Meeting of Shareholders is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Rules of Procedure of the General Meeting of Shareholders, the Chinese version shall prevail.

COMPARISON TABLE OF AMENDMENTS TO RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 7 Convening and Presiding over the Meeting The Board meeting shall be convened and presided over by the chairman of the Board, or the deputy chairman where chairman is unable to or fails to perform his/her duties, or a director jointly recommended by more than half of the directors where the chairman is unable to or fails to perform his/her duties.	**Article 7** Convening and Presiding over the Meeting The Board meeting shall be convened and presided over by the chairman of the Board, ~~or the deputy chairman where chairman is unable to or fails to perform his/her duties,~~ or a director jointly recommended by more than half of the directors where the chairman of the Board is unable to or fails to perform his/her duties.

Save for the above amendments, other provisions of the Rules of Procedure for the Board of Directors remained unchanged.

The Rules of Procedure for the Board of Directors is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Rules of Procedure for the Board of Directors, the Chinese version shall prevail.

COMPARISON TABLE OF AMENDMENTS TO RULES OF PROCEDURE FOR THE SUPERVISORY COMMITTEE

Original text of the rules of procedure	**Text of the rules of procedure after the proposed amendments**
Article 2 Committee Secretariat The Committee is staffed with a secretary of the Committee and the Secretariat to deal with the daily routine for the Committee. The Committee secretary concurrently holds the post of the Secretariat principal and safekeeps the Committee seal. The Committee can also request the Company's securities representative or other personnel to assist the secretary to handle the daily routine for the Committee.	**Article 2** Committee ~~Secretariat~~Secretary The Committee is staffed with a secretary of the Committee ~~and the Secretariat~~ to deal with the daily routine for the Committee. The Committee secretary ~~concurrently holds the post of the Secretariat principal and~~ safekeeps the Committee seal. The Committee can also request the Company's securities representative or other personnel to assist the secretary to handle the daily routine for the Committee.
Article 4 Proposal of the Regular Meeting Before giving the notice on holding a regular meeting of the Committee, the Secretariat shall collect meeting proposals from all supervisors and spend at least two days seeking for opinions from the employees. When collecting the proposals and seeking for opinions, the Secretariat shall state that the Committee's main responsibility is the supervision on the standard operation of the Company and the official behavior of the directors and senior management rather than the operating management decisions of the Company.	**Article 4** Proposal of the Regular Meeting Before giving the notice on holding a regular meeting of the Committee, the ~~Secretariat~~ office of the Board of Directors shall collect meeting proposals from all supervisors ~~and spend at least two days seeking for opinions from the employees~~. When collecting the proposals and seeking for opinions, the ~~Secretariat~~ office of the Board of Directors shall state that the Committee's main responsibility is the supervision on the standard operation of the Company and the official behavior of the directors and senior management rather than the operating management decisions of the Company.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 5 Procedures of the Proposal of an Extraordinary Meeting When a supervisor proposes to convene an extraordinary Committee meeting, the supervisor shall submit a signed written proposal to chairman of Committee directly or through the Secretariat. The written proposal shall contain the following items: (1) Name of the supervisor who makes the proposal; (2) Reason for making the proposal or the objective reason for the proposal; (3) Time or duration, venue and the convening mode of the proposed meeting; (4) Clear and specific proposal; (5) Contact information of the proposing supervisor and the date of the proposal, etc. The Committee Secretariat or the chairman of the Committee shall issue a notice for an extraordinary Committee meeting within three days after the chairman of the Committee receives the written proposal from a supervisor. Where Committee Secretariat fails to issue the meeting notice in time, the proposing supervisor shall report to the regulatory authorities promptly.	**Article 5** Procedures of the Proposal of an Extraordinary Meeting When a supervisor proposes to convene an extraordinary Committee meeting, the supervisor shall submit a signed written proposal to chairman of Committee directly ~~or through the Secretariat~~. The written proposal shall contain the following items: (1) Name of the supervisor who makes the proposal; (2) Reason for making the proposal or the objective reason for the proposal; (3) Time or duration, venue and the convening mode of the proposed meeting; (4) Clear and specific proposal; (5) Contact information of the proposing supervisor and the date of the proposal, etc. The ~~Committee Secretariat or the~~ chairman of the Committee shall issue a notice for an extraordinary Committee meeting within three days after the chairman of the Committee receives the written proposal from a supervisor. Where chairman of the Committee ~~Secretariat~~ fails to issue the meeting notice in time, the proposing supervisor shall report to the regulatory authorities promptly.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 6 Convening and Presiding over the Meeting The Committee meeting shall be convened and presided over by the chairman of the Committee or a supervisor who is jointly recommended by more than half of the supervisors if the chairman of the Committee is unable to or fails to perform his/her duties.	**Article 6** Convening and Presiding over the Meeting The Committee meeting shall be convened and presided over by the chairman of the Committee or a supervisor who is jointly recommended by more than half of the supervisors if the chairman of the Committee is unable to or fails to perform his/her duties.
Article 7 Meeting Notice For convening a regular meeting or an extraordinary meeting of the Committee, the Secretariat shall issue a written meeting notice affixed with the seal of the Committee to all supervisors respectively ten and five days in advance through direct delivery service, fax, email or any other means. If the notice is not given through direct delivery service, confirmation by telephone is also necessary and the corresponding records shall be made. When the situation is urgent and an extraordinary Committee meeting needs to be convened as so on as possible, the notice may be given verbally or by telephone etc. at any time, but it is necessary for the convener to give explanations at the meeting.	**Article 7** Meeting Notice For convening a regular meeting or an extraordinary meeting of the Committee, the ~~Secretariat~~ office of the Board of Directors shall issue a written meeting notice affixed with the seal of the Committee to all supervisors respectively ten and five days in advance through direct delivery service, fax, email or any other means. If the notice is not given through direct delivery service, confirmation by telephone is also necessary and the corresponding records shall be made. When the situation is urgent and an extraordinary Committee meeting needs to be convened as so on as possible, the notice may be given verbally or by telephone etc. at any time, but it is necessary for the convener to give explanations at the meeting.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 8 Contents of the Meeting Notice The written meeting notice shall at least include the following items: (1) Meeting time and venue; (2) Matters proposed to be considered (meeting proposal); (3) Meeting convener and presider, the extraordinary meeting proposer and his/her written proposal; (4) The request for the supervisors to attend the meeting personally; (5) Contact person and contact information. The verbal meeting notice shall at least include the contents mentioned in (1) and (2) above and a description that the Committee extraordinary meeting is necessary to be held as soon as possible due to emergency.	**Article 8** Contents of the Meeting Notice The written meeting notice shall at least include the following items: (1) Meeting time and venue; (2) Means of convening the meeting; (3) Matters proposed to be considered (meeting proposal); (~~3~~4) Meeting convener and presider, the extraordinary meeting proposer and his/her written proposal; (5) Meeting materials necessary needed for the supervisors to vote; (~~4~~6) The request for the supervisors to attend the meeting personally; (7~~5~~) Contact person and contact information. The verbal meeting notice shall at least include the contents mentioned in (1), (2) and (~~2~~3) above and a description that the Committee extraordinary meeting is necessary to be held as soon as possible due to emergency.

Original text of the rules of procedure	**Text of the rules of procedure after the proposed amendments**
Article 9 Convening Mode of the Meeting The Committee meeting shall be held on site. In case of an emergency, the vote by means of communication can be adopted for the Committee meeting but the meeting convener (meeting presider) shall explain the specific emergency situation to the participating supervisors. In the communication vote, the supervisors shall fax their written opinions and voting intentions on the considered matters to the Secretariat after signing and confirming. The supervisors shall not just specify their vote opinions without expressing opinions or voting reasons.	**Article 9** Convening Mode of the Meeting The Committee meeting shall be held on site. In case of an emergency, the vote by means of communication can be adopted for the Committee meeting but the meeting convener (meeting presider) shall explain the specific emergency situation to the participating supervisors. In the communication vote, the supervisors shall fax their written opinions and voting intentions on the considered matters to the ~~Secretariat~~ office of the Board of Directors after signing and confirming. The supervisors shall not just specify their vote opinions without expressing opinions or voting reasons.
Article 10 Convening of the Meeting The Committee meeting shall be convened only when more than half of the supervisors are present. Where the minimum requirement of the attendee number to convene the meeting fails to be met due to the refusal or failure to attend the meeting by relevant supervisors, the remaining supervisors shall report it to the regulatory authorities in a timely manner.	**Article 10** Convening of the Meeting The Committee meeting shall be convened only when more than half of the supervisors are present. Where the minimum requirement of the attendee number to convene the meeting fails to be met due to the refusal or failure to attend the meeting by relevant supervisors, the remaining supervisors shall report it to the regulatory authorities in a timely manner. The secretary of the Board of Directors shall attend the Committee meeting and the securities representative may attend the Committee meeting.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 12 Committee Resolution The resolution of Committee meeting shall be passed by show of hands on a one-person-one-vote basis. Voting intention of supervisors consists of the affirmative vote, negative vote and abstention. The participating supervisors shall choose one of them. If any participating supervisor fails to choose or chooses two or more options at the same time, the meeting presider shall request the supervisor to choose again. The supervisors who refuse to choose or fail to return after leaving the meeting halfway without making a choice shall be deemed to have abstained from voting. The resolution of the Committee shall be approved by simple majority of all supervisors.	**Article 12** Committee Resolution The resolution of Committee meeting shall be passed by show of hands on a one-person-one-vote basis. Voting intention of supervisors consists of the affirmative vote, negative vote and abstention. The participating supervisors shall choose one of them. If any participating supervisor fails to choose or chooses two or more options at the same time, the meeting presider shall request the supervisor to choose again. The supervisors who refuse to choose or fail to return after leaving the meeting halfway without making a choice shall be deemed to have abstained from voting. The resolution of the Committee shall be approved by ~~simple majority~~more than two thirds of all supervisors.

Original text of the rules of procedure	Text of the rules of procedure after the proposed amendments
Article 14 Meeting Minutes The Committee secretary shall keep the minutes of on-site meetings. The meeting minutes shall include the following items: (1) Meeting session, time, venue and convening mode; (2) Issuance of meeting notices; (3) Meeting convener and presider; (4) Meeting attendance; (5) Proposal considered at the meeting, main points and main opinions of each supervisor on the relevant matters and their voting intention on the proposal; (6) Voting method and result of each proposal (state the specific numbers of affirmative votes, negative votes, and abstentions); (7) Other matters considered necessary to be recorded by the participating supervisors. For the Committee meeting held by means of communication, the Secretariat shall sort out the meeting record according to the above-mentioned regulations.	**Article 14** Meeting Minutes The Committee secretary shall keep the minutes of on-site meetings. The meeting minutes shall include the following items: (1) Meeting session, time, venue and convening mode; (2) Issuance of meeting notices; (3) Meeting convener and presider; (4) Meeting attendance; (5) Proposal considered at the meeting, main points and main opinions of each supervisor on the relevant matters and their voting intention on the proposal; (6) Voting method and result of each proposal (state the specific numbers of affirmative votes, negative votes, and abstentions); (7) Other matters considered necessary to be recorded by the participating supervisors. For the Committee meeting held by means of communication, the ~~Secretariat~~office of the Board of Directors shall sort out the meeting record according to the above–mentioned regulations.
Article 17 Implementation of the Resolutions The supervisors shall urge the relevant staff to implement the Committee resolutions. The chairman of the Committee shall notify the implementation conditions of the adopted resolutions at the next Committee meetings.	**Article 17** Implementation of the Resolutions The supervisors shall urge the relevant staff to implement the Committee resolutions. The chairman of the Committee shall notify the implementation conditions of the adopted resolutions at the next Committee meetings.

Save for the above amendments, other provisions of the Rules of Procedure for the Supervisory Committee remained unchanged.

The Rules of Procedure for the Supervisory Committee is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Rules of Procedure for the Supervisory Committee, the Chinese version shall prevail.

THE COMPARISON TABLE OF AMENDMENTS TO THE FUNDRAISING MANAGEMENT MEASURES

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
Article 3 When the raised funds are collected, capital verification procedures shall be carried out in a timely manner by the Company, and a capital verification report shall be prepared by an accounting firm qualified for securities business. The Company shall organize the utilization of the raised funds according to the plan for the use of raised funds as set forth in the prospectus immediately. The utilization of raised funds shall follow the principles of careful planning, detailed consideration, standardized operation, openness and transparency.	**Article 3** When the raised funds are collected, capital verification procedures shall be carried out in a timely manner by the Company, and a capital verification report shall be ~~by an accounting firm qualified for securities business~~ prepared by an accounting firm which complies with the provisions of the Securities Law. The Company shall organize the utilization of the raised funds according to the plan for the use of raised funds as set forth in the prospectus immediately. The utilization of raised funds shall follow the principles of careful planning, detailed consideration, standardized operation, openness and transparency.
Article 7 The raised funds shall be deposited in a special account set up in a bank by the Company. A special account management agreement for the raised funds shall be entered into between the bank and the Company. The Company shall enter into a tripartite supervision agreement for the deposit in the Special Account(s) for Raised Funds with the sponsor(s) and the commercial bank where the raised funds are deposited in (hereinafter referred to as the "**Commercial Bank**") within one month of the arrival of the raised funds.	**Article 7** The raised funds shall be deposited in a special account set up in a bank by the Company. A special account management agreement for the raised funds shall be entered into between the bank and the Company. The Company shall enter into a tripartite supervision agreement for the deposit in the Special Account(s) for Raised Funds with the sponsor(s) and the commercial bank where the raised funds are deposited in (hereinafter referred to as the "**Commercial Bank**") within one month of the arrival of the raised funds. The agreement shall include at least the following: 1. the Company shall deposit the raised funds in the special account;

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
Where the Company implements a fundraising project through controlled subsidiaries, the tripartite supervision agreement shall be signed among the Company, the controlled subsidiaries which will implement the fundraising, the Commercial Bank and the sponsor(s). The Company and its controlled subsidiaries shall together be deemed as a common party. The Company shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the above-mentioned agreement. Where the above-mentioned agreement is terminated early before the expiration of validity term due to reasons such as the change of sponsor(s) or Commercial Bank, the Company shall enter into a new agreement with relevant parties within 2 weeks from the date of the termination of the agreement, and shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the new agreement.	2. where the amount drawn by the Company once at a time or aggregately within 12 months exceeds RMB50 million from the special account and accounts for 20% of the net amount of the total raised funds minus the issuance cost (hereinafter referred to as "**Net Raised Funds**"), the Company shall notify the sponsor(s) in a timely manner; 3. the Commercial Bank shall issue a bank reconciliation statement to the Company on a monthly basis, and copy them to the sponsor(s); 4. the sponsor(s) may inquire the information of the special account in the Commercial Bank at any time; 5. the liability of the Company, the Commercial Bank and the sponsor(s) for breaching the agreement. Where the Company implements a fundraising project through controlled subsidiaries, the tripartite supervision agreement shall be signed among the Company, the controlled subsidiaries which will implement the fundraising, the Commercial Bank and the sponsor(s). The Company and its controlled subsidiaries shall together be deemed as a common party. The Company shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the above-mentioned agreement.

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
	Where the above-mentioned agreement is terminated early before the expiration of validity term due to reasons such as the change of sponsor(s) or Commercial Bank, the Company shall enter into a new agreement with relevant parties within 2 weeks from the date of the termination of the agreement, and shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the new agreement.
Article 8 When the raised funds are over 50 million, and it is necessary to open special accounts in more than one bank because of loan arrangements, it shall adhere to the principle of depositing funds for the same investment project in the same special account. Where the amount drawn by the Company once at a time or aggregately within 12 months exceeds RMB50 million from the Special Account for Raised Fund and accounts for 20% of the total amount in the raised fund minus the issuance cost (hereinafter referred to as "**Net Raised Fund**"), the Company shall timely notify the Sponsor.	**Article 8** When the raised funds are over RMB50 million, and it is necessary to open special accounts in more than one bank because of loan arrangements, it shall adhere to the principle of depositing funds for the same investment project in the same special account. ~~Where the amount drawn by the Company once at a time or aggregately within 12 months exceeds RMB50 million from the Special Account for Raised Fund and accounts for 20% of the total amount in the raised fund minus the issuance cost (hereinafter referred to as "**Net Raised Fund**"), the Company shall timely notify the Sponsor.~~

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
Article 9 The basis for the use of raised fund is the proposal for the use of raised fund. The raised fund investment project may not be holding trading financial assets and available-for-sale financial assets, loan to others, asset management or other financial investment; and may not be directly or indirectly for investments in the companies whose main business is to trade marketable securities. The Company may not make disguised change of the purpose of raised fund through pledge, entrusted loans and other manners. The Company shall ensure truthfulness and fairness of the use of proceeds to avoid use or misappropriation of proceeds by associated party such as controlling Shareholder and beneficial controller, and shall take effective measures to avoid obtaining illegitimate interests by associated party through taking advantage of the raised fund investment project.	**Article 9** ~~The basis for the use of raised fund is the proposal for the use of raised fund.~~ ~~The raised fund investment project may not be holding trading financial assets and available-for-sale financial assets, loan to others, asset management or other financial investment; and may not be directly or indirectly for investments in the companies whose main business is to trade marketable securities. The Company may not make disguised change of the purpose of raised fund through pledge, entrusted loans and other manners.~~ ~~The Company shall ensure truthfulness and fairness of the use of proceeds to avoid use or misappropriation of proceeds by associated party such as controlling Shareholder and beneficial controller, and shall take effective measures to avoid obtaining illegitimate interests by associated party through taking advantage of the raised fund investment project.~~ In principle, the raised funds of the Company shall be used for its principal business. The Company shall be refrained from the following acts when using the raised funds: 1. the raised funds investment project being financial investments such as tradable financial assets and available-for-sale financial assets, loan to others, entrusted financial management etc., direct or indirect investments in companies whose principal business is to trade marketable securities;

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
	2. change the use of raised funds in a disguised way through pledge, entrusted loan or by other means; 3. provide the raised funds directly or indirectly for the use of connected persons such as the controlling shareholders or actual controllers to provide convenience for the generation of illegitimate benefits from investment project using the raised funds by connected persons; 4. other acts that lead to a breach of any provision of the raised funds management measures.
Article 10 The proposal for the use of raised funds is prepared and approved according to the following procedures: 1. the department of the Company responsible for the project prepares a proposal for the use of raised funds (draft) based on the feasibility report of the raised funds investment project; 2. the proposal for the use of raised funds (draft) shall be reviewed in the general manager work meeting; 3. the proposal for the use of raised funds (draft) shall be approved by the Board.	**Article 10** The Company shall prepare and approve the proposal for the use of raised funds ~~is prepared and approved according to the~~ in accordance with following procedures: 1. the department of the Company responsible for the project prepares a proposal for the use of raised funds (draft) based on the feasibility report of the raised funds investment project; 2. the proposal for the use of raised funds (draft) shall be reviewed in the general manager work meeting; 3. the proposal for the use of raised funds (draft) shall be approved by the Board.

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
Article 14 The temporarily unused raised funds can be used for cash management, and the invested product shall meet the following conditions: high safety, meet the requirements of capital preservation, and the product issuer can provide an undertaking on capital preservation; good liquidity and will not affect the normal operation of the raised funds investment plan. The invested product may not be pledged, and the product-specific settlement account (if applicable) may not include funds other than raised funds or be used for other purposes. When establishing or cancelling the product-specific settlement account, the Company shall report to the Shanghai Stock Exchange for record within 2 trading days and make an announcement. Where the unused raised funds are used to invest in products, it shall be considered and approved by the Board of the listed company. The independent directors, supervisory committee and sponsor(s) shall issue an express affirmative opinions and disclose.	**Article 14** The temporarily unused raised funds can be used for cash management, and the invested product shall meet the following conditions: 1. high safety, meet the requirements of capital preservation, and the product issuer can provide an undertaking on capital preservation; 2. good liquidity and will not affect the normal operation of the raised funds investment plan. The invested product may not be pledged, and the product-specific settlement account (if applicable) may not include funds other than raised funds or be used for other purposes. When establishing or cancelling the product-specific settlement account, the Company shall report to the Shanghai Stock Exchange for record within 2 trading days and make an announcement. Where the unused raised funds are used to invest in products, it shall be considered and approved by the Board of the listed company. The independent directors, supervisory committee and sponsor(s) shall issue an express affirmative opinions and ~~disclose.~~ the following information shall be announced within two trading days after the Board meeting: 1. the basic information on the raised funds, including the raising time, the amount of raised funds, Net Raised Funds, investment plans etc.; 2. the information on the use of raised funds;

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
Where the purpose of raised fund in disguise will not be changed, the normal operation of raised fund investment plan will not be affected and the due previous raised fund temporarily supplementing working capital has been repaid (if applicable), unused raised fund may be used for temporarily supplementing the working capital. The temporarily supplementing working capital is limited to the production and operation relating to main business, and may not be used for placement of new Shares or subscription, or be used for trading of Shares and its derivatives as well as convertible corporate bonds, etc. through direct or indirect arrangement. Where the Company uses unused fund to temporarily supplement the working capital, it shall obtain the approval from the Board and be subject to the affirmative opinion and disclosure made by independent Directors, supervisory committee and sponsors. The time for each amount supplementing working capital shall not exceed 12 months.	3. the limit and duration of the unused raised funds for investing in products, whether there is any act of changing the use of raised funds in disguise and the measures for ensuring the normal operation of the raised funds project is not affected; 4. the income distribution method, investment scope and safety of the invested products; 5. opinions issued by independent directors, supervisory committee and the sponsor(s). ~~Where the purpose of raised fund in disguise will not be changed, the normal operation of raised fund investment plan will not be affected and the due previous raised fund temporarily supplementing working capital has been repaid (if applicable), unused raised fund may be used for temporarily supplementing the working capital. The temporarily supplementing working capital is limited to the production and operation relating to main business, and may not be used for placement of new Shares or subscription, or be used for trading of Shares and its derivatives as well as convertible corporate bonds, etc. through direct or indirect arrangement.~~ ~~Where the Company uses unused fund to temporarily supplement the working capital, it shall obtain the approval from the Board and be subject to the affirmative opinion and disclosure made by independent Directors, supervisory committee and sponsors. The time for each amount supplementing working capital shall not exceed 12 months.~~

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 15** Unused raised funds can be temporarily used to supplement the cash flow provided that the following conditions are met: 1. the use of raised funds shall not be changed in disguise, and normal operation of the raised fund investment plan shall not be affected; 2. the due raised funds previously used to temporarily supplement the cash flow has been repaid (if applicable); 3. it is limited to the production and operation relating to principal business, and may not be used for placement or subscription of new shares, or be used for trading of shares and its derivatives as well as convertible corporate bonds, etc. through direct or indirect arrangement; 4. the longest time for each supplement of cash flow shall not exceed 12 months. When the unused funds are used to temporarily supplement the cash flow, it shall be considered and approved by the Board of the listed company. The independent directors, supervisory committee and sponsor(s) shall issue an express affirmative opinions and the Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting.

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
	The Company shall, prior to the due date of the supplement of cash flow, return such part of the funds to the Special Account(s) for Raised Funds and report to the Shanghai Stock Exchange and make an announcement within two trading days after the funds are returned in full.
Article 16 The portion of the actual Net Raised Funds of the Company that exceeds the amount of the planned raised funds (hereinafter referred to as "**Excess Funds**") may be used for permanently supplementing the cash flow or repaying bank loans, but the aggregated amount used within each 12 months may not exceed 30% of the total amount of raised funds, and the Company shall undertake not to make high-risk investment and provide financial assistance to others within 12 months after supplementing the cash flow. Where the Excess Funds are used to permanently supplement the cash flow or repay bank loans, such use shall be subject to the consideration and approval by the Board and the general meeting and the issue of explicit consent and the performance of information disclosure obligations from independent Directors, supervisory committee and the sponsor(s).	**Article ~~16~~17** The portion of the actual Net Raised Funds of the Company that exceeds the amount of the planned raised funds (hereinafter referred to as "**Excess Funds**") may be used for permanently supplementing the cash flow or repaying bank loans, but the aggregated amount used within each 12 months may not exceed 30% of the total amount of raised funds, and the Company shall undertake not to make high-risk investment and provide financial assistance to others within 12 months after supplementing the cash flow. Where the Excess Funds are used to permanently supplement the cash flow or repay bank loans, such use shall be subject to the consideration and approval by the Board and the general meeting of the Company~~and the issue of explicit consent and the performance of information disclosure obligations from independent Directors, supervisory committee and the sponsor(s)~~. The express affirmative opinions shall be given by independent directors, the supervisory committee and the sponsor(s) and the Company shall, within 2 trading days after the Board meeting, report to the Shanghai Stock Exchange and announce the following information: 1. the basic information on this fundraising activity, including the raising time, the amount of raised funds, Net Raised Funds, Excess Funds and investment plans, etc.;

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
	2. the information on the use of raised funds; 3. the necessity and detailed plan for using Excess Funds to supplement the cash flow permanently or repay bank loans; 4. the undertaking of not to make high-risk investments and provide financial assistance to others within 12 months after supplementing the cash flow; 5. the effects of using Excess Funds to supplement the cash flow permanently or repay bank loans to the Company; 6. the opinions issued by the independent directors, the supervisory committee and the sponsor(s).

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 21** After the completion of a single fundraising project, if the surplus raised funds (including interest income) of such project is to be used for other fundraising projects by the Company, it shall be subject to the consideration and approval by the Board and the express affirmative opinions given by independent directors, the sponsor(s) and the supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days after the Board meeting. If the surplus raised funds (including interest income) is less than RMB1 million or less than 5% of the committed investment amount of the raised funds of the project, it can be exempted from the procedures mentioned above, and the use of such surplus shall be disclosed in the annual report. If the surplus raised funds (including interest income) of any single fundraising project of the Company is used in non-fundraising projects (including supplementing cash flow), the Company shall refer to and carry out the corresponding procedures and disclosure obligations for the change of fundraising project.

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 22** After all the fundraising projects are completed, if the surplus raised funds (including interest income) is above 10% of the Net Raised Funds, the use of the surplus raised funds by the Company is subject to the consideration and approval of the Board and general meeting and the issue of the express affirmative opinions of independent directors, sponsor(s) and supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting. If the surplus raised funds (including interest income) is below 10% of the Net Raised Funds, the use of the funds is subject to the consideration and approval of the Board and the issue of the express affirmative opinions of independent directors, sponsor(s) and supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting. If the surplus raised funds (including interest income) is below RMB5 million or below 5% of Net Raised Funds, it can be exempted from the procedures mentioned above, and the use of such surplus shall be disclosed in the latest periodic report.
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 23** After the completion of the project, the person in charge of the project shall be responsible for the preparation of the project final accounts, and the Company shall organize the relevant departments to conduct the acceptance of the completed project and the audit of the final accounts.

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 24** The project invested by the raised funds shall be consistent with the project as promised in the relevant prospectus on raised funds of the Company and shall not be changed in principle. If it is necessary to change the investment direction of raised funds due to market changes, the relevant provisions of Chapter 5 of these Measures must be followed.
This article is an additional clause, the subsequent articles will be renumbered accordingly.	**Article 25** Individuals, legal persons or other organizations and their connected persons who have actual control of the Company are prohibited from using the raised funds of the Company.
Article 24 Where the Company intends to transfer externally or replace the fundraising project (except for the fundraising project that has been wholly transferred externally or replaced during the implementation of material assets reorganization of the listed company), it shall, within 2 trading days after submitting to the Board for consideration and approval, report to the Shanghai Stock Exchange and make an announcement. The Company shall pay full attention to the collection and use of the transfer price, the change in ownership of the substitute assets, and the continuous operation of the substitute assets and shall perform the necessary obligations relating to information disclosure.	**Article ~~24~~30** Where the Company intends to transfer externally or replace the fundraising project (except for the fundraising project that has been wholly transferred externally or replaced during the implementation of material assets reorganization of the listed company), it shall, within 2 trading days after submitting to the Board for consideration and approval, report to the Shanghai Stock Exchange and ~~make an announcement.~~ announce the following information: 1. the specific reasons for the external transfer or replacement of the fundraising project; 2. the amount of raised funds already invested in the project; 3. the progress and realized benefits of the project; 4. the basic information, feasibility analysis and risk warning regarding the substitute project (if applicable);

Original text of the Fundraising Management Measures	**Text of the Fundraising Management Measures after the proposed amendments**
	5. the basis of pricing of the transfer or replacement and relevant benefits; 6. the opinions of the independent directors, supervisory committee, and sponsor(s) in respect of the transfer or replacement of fundraising projects; 7. an explanation that the transfer or replacement of the fundraising project still needs to be submitted to the general meeting for consideration and approval; 8. such other information as required by the Shanghai Stock Exchange. The Company shall pay full attention to the collection and use of the transfer price, the change in ownership of the substitute assets, and the continuous operation of the substitute assets and shall perform the necessary obligations relating to information disclosure.

Save for the above amendments and the adjustment to article numbers resulting from the amendments, other provisions of the Fundraising Management Measures remained unchanged.

The Fundraising Management Measures is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Fundraising Management Measures, the Chinese version shall prevail.

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)
(Stock Code: 0187)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2021

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of 2021 (the "**EGM**") of Beijing Jingcheng Machinery Electric Company Limited (the "**Company**") will be convened by the board of directors of the Company (the "**Board**") and held at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC, on Tuesday, 9 February 2021 at 9:30 a.m. for the purpose of considering and, if thought fit, with or without modifications, passing the following resolutions. A combination of on-site voting by ways of poll and internet voting, will be adopted for the EGM.

MATTERS TO BE CONSIDERED AT THE EGM

Special resolutions

1. To consider and approve the resolution in relation to the fulfilment of the conditions by the Company in respect of the asset acquisition by way of share issuance and cash payment and raising of supporting funds.

2. To consider and approve the resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company:

   "**THAT**

   each of the following items in relation to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company be and is hereby approved, confirmed and ratified, and be implemented conditional upon approvals and/or authorisations having been obtained from the relevant authorities:

   2.01. Counterparties of the transaction of the asset acquisition by way of share issuance and cash payment.

   2.02. Target assets of the asset acquisition by way of share issuance and cash payment.

   2.03. Transaction price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

2.04. Payment methods of the asset acquisition by way of share issuance and cash payment.

2.05. Type and nominal value of the shares to be issued of the asset acquisition by way of share issuance and cash payment.

2.06. Method and target of issuance and method of subscription of the asset acquisition by way of share issuance and cash payment.

2.07. Issue price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

2.08. Number of shares to be issued of the asset acquisition by way of share issuance and cash payment.

2.09. Place of listing of the asset acquisition by way of share issuance and cash payment.

2.10. Lock-up period arrangement of the asset acquisition by way of share issuance and cash payment.

2.11. Attribution of profit or loss during the transitional period of the asset acquisition by way of share issuance and cash payment.

2.12. Performance compensation and excess profit reward of the asset acquisition by way of share issuance and cash payment.

2.13. Accumulated undistributed profit arrangement of the asset acquisition by way of share issuance and cash payment.

2.14. Contractual obligations in relation to the transfer of ownership of the relevant assets of the asset acquisition by way of share issuance and cash payment and liability for breach of the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment".

2.15. Validity period of the resolution of the asset acquisition by way of share issuance and cash payment.

2.16. Type and nominal value of the shares to be issued of the raising of supporting funds.

2.17. Target and method of issuance of the raising of supporting funds.

2.18. Pricing benchmark date and basis for pricing of the raising of supporting funds.

2.19. Number of shares to be issued of the raising of supporting funds.

2.20. Place of listing of the raising of supporting funds.

2.21. Lock-up period arrangement of the raising of supporting funds.

2.22. Use of proceeds raised of the raising of supporting funds.

2.23. Accumulated undistributed profit arrangement of the raising of supporting funds.

2.24. Validity period of the resolution of the raising of supporting funds."

3. To consider and approve the resolution in relation to the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" and its summary.

4. To consider and approve the resolution in relation to the conditional "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" and "Performance Compensation Agreement" executed by the Company:

   "**THAT**

   the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" entered into among the Company, 17 natural persons in the PRC, namely Li Hong, Zhao Qing, Yang Ping, Wang Xiaohui, Xiao Zhonghai, Xia Tao, Wang Huadong, Qian Yuyan, Xiu Jun, Fu Dun, Chen Zhengyan, Zhang Li, Xu Binglei, Yang Lunsheng, Xin Lan, Ying Rucai and Li Wei, Qingdao Eternal Economic Information Consulting Co., Ltd. ("**Qingdao Eternal**") (collectively, the "**Vendors**") , Huang Xiaofeng and Tao Feng on 29 December 2020 and the "Performance Compensation Agreement" entered into among the Company, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, Huang Xiaofeng and Tao Feng on 29 December 2020 and the transactions contemplated thereunder are hereby approved, confirmed and ratified."

5. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company is not expected to constitute a major asset restructuring and listing by way of restructuring.

6. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Article 4 of the "Provisions on Issues Concerning Regulating the Material Asset Reorganisations of Listed Companies".

7. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Articles 11 and 43 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies".

8. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are in compliance with the requirements of Article 44 of the "Administrative Measures for the Material Asset Reorganisations of Listed Companies".

9. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds are in compliance with the requirements of Article 39 of the "Administrative Measures for the Issuance of Securities by Listed Companies".

10. To consider and approve the resolution on the statement that the Company's share price movement has not reached the relevant benchmark set out in Article 5 of the "Notice on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties".

11. To consider and approve the resolution that the relevant entities involved in the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company are not prohibited from participating in any material assets restructuring of any listed companies in accordance with Article 13 of the "Interim Provisions on Strengthening Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisations of Listed Companies".

12. To consider and approve the description on the completeness and compliance of legal procedures and the validity of the legal documents submitted in relation to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company.

13. To consider and approve the resolution that the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company do not constitute a related party transaction.

14. To consider and approve the resolution in relation to the effect of the asset acquisition by way of share issuance and cash payment and raising of supporting funds on the immediate returns and the remedial measures on recovering of immediate returns of the Company.

15. To consider and approve the resolution in relation to the specific mandate granted to the Board at the EGM and class meetings to deal with matters pertaining to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company:

    "**THAT**

    (a) the Board be and is hereby granted a specific mandate to issue, pursuant to the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment", (i) 46,481,314 consideration shares to the Vendors at the issue price of RMB3.42/share; and (ii) a number of A shares for not more than 30% of the total number of issued shares of the Company prior to the asset acquisition by way of share issuance and cash payment and raising of supporting funds;

(b) the specific mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Board by the shareholders prior to the passing of this resolution; and

(c) any one director be and is hereby authorised to do all acts and matters and sign and execute all such documents (including the affixation of the common seal of the Company thereon) and take all such steps as the director in his/her opinion deem necessary, appropriate, desirable or expedient to implement or give effect to or in connection with the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

16. To consider and approve the resolution in relation to opinions in relation to the independence of the valuation institution, reasonableness of the assumptions used in the valuation, relevance of the valuation methods and valuation purposes and fairness of the appraised value.

17. To consider and approve the resolution in relation to the approval of the audit report, valuation report and pro forma review report on the asset acquisition by way of share issuance and cash payment and raising of supporting funds.

18. To consider and approve the resolution in relation to the amendments to the "Articles of Association".

19. To consider and approve the resolution in relation to the amendments to the "Rules of Procedure of the General Meeting of Shareholders".

20. To consider and approve the resolution in relation to the amendments to the "Rules of Procedure for the Board of Directors".

21. To consider and approve the resolution in relation to the amendments to the "Rules of Procedure for the Supervisory Committee".

Ordinary resolution

22. To consider and approve the resolution in relation to the amendments to the "Fundraising Management Measures".

ATTENDEES OF THE MEETING AND REGISTRATION METHOD

(I) Directors, supervisors and senior management of the Company.

(II) Lawyers engaged by the Company.

(III) Shareholders of the Company whose names appear on the register of members of the Company at the close of market on 4 February 2021, shall have the right to attend the EGM after complying with the necessary registration procedures.

Holders of the Company's H Shares should note that the register of members of the Company will be closed from 5 February 2021 to 9 February 2021 (both days inclusive), during which time no H Shares transfer will be registered. For holders of H Shares who intend to attend the EGM, transfer documents together with the related share certificates must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or no later than 4:30 p.m. on 4 February 2021.

Corporate shareholder should attend the meeting by its legal representative or the proxy appointed by the legal representative. Legal representative who attends the meeting should present his or her own identity document, evidence of shareholding and valid documents evidencing his or her capacity as a legal representative. While appointing proxy to attend the meeting, the proxy should present his or her identity document and an authorisation instrument affixed with the seal of the corporate shareholder and duly signed by its legal representative and evidence of shareholding.

1. Each shareholder who is entitled to attend and vote at the EGM may appoint one or more proxy(ies) who need not be a shareholder, to attend and vote on his or her behalf at the EGM.

2. For any shareholder who appoints more than one proxy, his or her proxies can only exercise the voting right by way of poll.

3. The instrument appointing a proxy must be in writing under the hand of the appointer or his or her attorney authorised in writing. If that instrument is signed by an attorney on behalf of the appointer, the power of attorney authorising that attorney to sign, or other authorisation document, must be notarially certified. To be valid, the notarially certified copy of the power of attorney, or other authorisation document, together with the form of proxy must be delivered to the business address of the Company or lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time appointed for the holding of the EGM.

OTHER MATTERS:

1. Contacts for the meeting

   Contact telephone: 010-58761949/010-67365383

   Fax: 010-58766735/010-87392058

   Contact person: Board office of the Company

   Address: No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC

   Postal Code: 101109

2. The EGM is expected to last for half a day. Shareholders attending the meeting should bear their own accommodation and travel expenses.

3. Personnel attending the meeting shall arrive half an hour before the meeting time and bring along the originals of identity document, stock account card and power of attorney for verification.

By order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
19 January 2021

As at the date of this notice, the Board comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, Ms. Jin Chunyu, Mr. Wu Yanzhang, Mr. Xia Zhonghua and Ms. Li Chunzhi as non-executive directors and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.

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)

(Stock Code: 0187)

NOTICE OF THE FIRST H SHARES CLASS MEETING OF 2021

NOTICE IS HEREBY GIVEN that the first H Shares Class Meeting of 2021 (the "**H Shares Class Meeting**") of Beijing Jingcheng Machinery Electric Company Limited (the "**Company**") will be convened by the board of directors of the Company (the "**Board**") and held at the Conference Room of Jingcheng Machinery Electric Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC, on Tuesday, 9 February 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without modifications, passing the following resolutions. A combination of on-site voting by ways of poll and internet voting, will be adopted for the H Shares Class Meeting.

MATTERS TO BE CONSIDERED AT THE H SHARES CLASS MEETING

Special resolutions

1. To consider and approve the resolution in relation to the proposal of the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company:

"**THAT**

each of the following items in relation to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company be and is hereby approved, confirmed and ratified, and be implemented conditional upon approvals and/ or authorisations having been obtained from the relevant authorities:

1.01. Counterparties of the transaction of the asset acquisition by way of share issuance and cash payment.

1.02. Target assets of the asset acquisition by way of share issuance and cash payment.

1.03. Transaction price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

1.04. Payment methods of the asset acquisition by way of share issuance and cash payment.

1.05. Type and nominal value of the shares to be issued of the asset acquisition by way of share issuance and cash payment.

1.06. Method and target of issuance and method of subscription of the asset acquisition by way of share issuance and cash payment.

1.07. Issue price and basis of pricing of the asset acquisition by way of share issuance and cash payment.

1.08. Number of shares to be issued of the asset acquisition by way of share issuance and cash payment.

1.09. Place of listing of the asset acquisition by way of share issuance and cash payment.

1.10. Lock-up period arrangement of the asset acquisition by way of share issuance and cash payment.

1.11. Attribution of profit or loss during the transitional period of the asset acquisition by way of share issuance and cash payment.

1.12. Performance compensation and excess profit reward of the asset acquisition by way of share issuance and cash payment.

1.13. Accumulated undistributed profit arrangement of the asset acquisition by way of share issuance and cash payment.

1.14. Contractual obligations in relation to the transfer of ownership of the relevant assets of the asset acquisition by way of share issuance and cash payment and liability for breach of the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment".

1.15. Validity period of the resolution of the asset acquisition by way of share issuance and cash payment.

1.16. Type and nominal value of the shares to be issued of the raising of supporting funds.

1.17. Target and method of issuance of the raising of supporting funds.

1.18. Pricing benchmark date and basis for pricing of the raising of supporting funds.

1.19. Number of shares to be issued of the raising of supporting funds.

1.20. Place of listing of the raising of supporting funds.

1.21. Lock-up period arrangement of the raising of supporting funds.

1.22. Use of proceeds raised of the raising of supporting funds.

1.23. Accumulated undistributed profit arrangement of the raising of supporting funds.

1.24. Validity period of the resolution of the raising of supporting funds."

2. To consider and approve the resolution in relation to the "Report (draft) (revised edition) on the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds of Beijing Jingcheng Machinery Electric Company Limited" and its summary.

3. To consider and approve the resolution in relation to the conditional "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" and "Performance Compensation Agreement" executed by the Company:

"**THAT**

the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" entered into among the Company, 17 natural persons in the PRC, namely Li Hong, Zhao Qing, Yang Ping, Wang Xiaohui, Xiao Zhonghai, Xia Tao, Wang Huadong, Qian Yuyan, Xiu Jun, Fu Dun, Chen Zhengyan, Zhang Li, Xu Binglei, Yang Lunsheng, Xin Lan, Ying Rucai and Li Wei, Qingdao Eternal Economic Information Consulting Co., Ltd. ("**Qingdao Eternal**") (collectively, the "**Vendors**") , Huang Xiaofeng and Tao Feng on 29 December 2020 and the "Performance Compensation Agreement" entered into among the Company, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui, Qian Yuyan, Huang Xiaofeng and Tao Feng on 29 December 2020 and the transactions contemplated thereunder are hereby approved, confirmed and ratified."

4. To consider and approve the resolution in relation to the specific mandate granted to the Board at the EGM and class meetings to deal with matters pertaining to the asset acquisition by way of share issuance and cash payment and raising of supporting funds of the Company:

"**THAT**

(a) the Board be and is hereby granted a specific mandate to issue, pursuant to the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment", (i) 46,481,314 consideration shares to the Vendors at the issue price of RMB3.42/share; and (ii) a number of A shares for not more than 30% of the total number of issued shares of the Company prior to the asset acquisition by way of share issuance and cash payment and raising of supporting funds;

(b) the specific mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Board by the shareholders prior to the passing of this resolution; and

(c) any one director be and is hereby authorised to do all acts and matters and sign and execute all such documents (including the affixation of the common seal of the Company thereon) and take all such steps as the director in his/her opinion deem necessary, appropriate, desirable or expedient to implement or give effect to or in connection with the "Asset Acquisition Agreement by way of Share Issuance and Cash Payment" or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

ATTENDEES OF THE MEETING AND REGISTRATION METHOD

(I) Directors, supervisors and senior management of the Company.

(II) Lawyers engaged by the Company.

(III) H Shares Shareholders of the Company whose names appear on the H Shares register of members of the Company at the close of market on 4 February 2021, shall have the right to attend the H Shares Class Meeting after complying with the necessary registration procedures.

The register of members of the Company will be closed from 5 February 2021 to 9 February 2021 (both days inclusive), during which time no H Shares transfer will be registered. For holders of H Shares of the Company who intend to attend the H Shares Class Meeting, transfer documents together with the related share certificates must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or no later than 4:30 p.m. on 4 February 2021.

Corporate shareholder should attend the meeting by its legal representative or the proxy appointed by the legal representative. Legal representative who attends the meeting should present his or her own identity document, evidence of shareholding and valid documents evidencing his or her capacity as a legal representative. While appointing proxy to attend the meeting, the proxy should present his or her identity document and an authorisation instrument affixed with the seal of the corporate shareholder and duly signed by its legal representative and evidence of shareholding.

1. Each shareholder who is entitled to attend and vote at the H Shares Class Meeting may appoint one or more proxy(ies) who need not be a shareholder, to attend and vote on his or her behalf at the H Shares Class Meeting.

2. For any shareholder who appoints more than one proxy, his or her proxies can only exercise the voting right by way of poll.

3. The instrument appointing a proxy must be in writing under the hand of the appointer or his or her attorney authorised in writing. If that instrument is signed by an attorney on behalf of the appointer, the power of attorney authorising that attorney to sign, or other authorisation document, must be notarially certified. To be valid, the notarially

certified copy of the power of attorney, or other authorisation document, together with the form of proxy must be lodged with the H Shares registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time appointed for the holding of the H Shares Class Meeting.

OTHER MATTERS:

1. Contacts for the meeting

   Contact telephone: 010-58761949/010-67365383

   Fax: 010-58766735/010-87392058

   Contact person: Board office of the Company

   Address: No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC

   Postal Code: 101109

2. The H Shares Class Meeting is expected to last for half a day. Shareholders attending the meeting should bear their own accommodation and travel expenses.

3. Personnel attending the meeting shall arrive half an hour before the meeting time and bring along the originals of identity document, stock account card and power of attorney for verification.

By order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
19 January 2021

As at the date of this notice, the Board comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, Ms. Jin Chunyu, Mr. Wu Yanzhang, Mr. Xia Zhonghua and Ms. Li Chunzhi as non-executive directors and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.