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)

ANNOUNCEMENT ON REPLY TO THE SHANGHAI STOCK EXCHANGE'S LETTER OF ENQUIRY AFTER REVIEWING THE 2016 ANNUAL REPORT OF THE COMPANY

The board of directors and all members of the board of directors warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

According to the request under the Letter of Enquiry after reviewing the 2016 Annual Report of Beijing Jingcheng Machinery Electric Company Limited (《關於對北京城機電股份有限公司2016年年度報告的事後審核問詢函》) from the Shanghai Stock Exchange (Letter from SSE [2017 No. 0594]) (the "Letter of Enquiry"), Beijing Jingcheng Machinery Electric Company Limited (the "Company") and relevant intermediaries have seriously conducted analysis in relation to the enquiries and hereby respond as follows in respect of the questions in the Letter of Enquiry:

I. Operation and Results

1. Capability of continuous operation. It is stated in the Company's regular reports that a delisting risk warning has been issued for its A shares as the net profits for two consecutive years and net profits after deducting extraordinary items were negative for consecutive years, reflecting its poor continuous profitability. In addition, net profit for the first quarter of 2017 amounted to RMB-18.8486 million, which did not show a significant recovery. Please combine factors such as characteristics of the industry development and the Company's position among the industry, illustrate the major factors affecting the Company's operating results, future development trend and the measures to be adopted, and fully disclose the material risks of uncertainty to its profitability and capability of continuous operation.

Response to the question:

(1) The major factors affecting the Company's operating result and the countermeasures to be adopted:

Industrial gas cylinders:

As the PRC economy entered into the new normal situation and its economic growth slowed down, the consumption of industrial gas, in particular those of large industrial users did not rise but fell, therefore the sales order of industrial gas cylinders and other products decreased and the production capacity was in excess. In spite of a high market share of the Company's industrial gas cylinders, the overall excessive production capacity and fierce low-price competition in the market affected its gross profit margin. The Company will improve the market competitiveness and profitability of its products through strategic layout adjustment, product transfer and other methods.

Series products of cylinders for vehicles:

In recent years, due to continuous significant decrease in fuel oil price in the PRC and failure to adjust the PRC natural gas price in a timely manner, the economic advantages of natural gas vehicles are no longer obvious. In addition, the government strongly promoted new energy vehicles by providing large amount of subsidies and administrative measures, the "gas-to-electricity" policy was adopted in certain areas, leading to the decline in the procurement volume of natural gas vehicles. With the substantial decrease in the sales volume of natural gas for vehicles, the sales of vehicle natural gas cylinders were also adversely affected. The Company will satisfy the market needs through various methods like developing new products, reducing cylinder weight and improving technology.

Stamping bottles and other products:

Stamping bottle products are export-oriented. In recent years, under the influences of "Anti-dumping and Anti-subsidy" of the United States and the slow economic recovery of other countries in the "Post Financial Crisis Era", the market share and gross profit margin of the products were not high. The Company will lower production cost, increase market share and gross profit margin through measures like improving technology.

Cryogenic tanks, cryogenic gas cylinders and other cryogenic products:

With the natural gas industry entering into the trough, cryogenic products were also affected to a large extent. After the Company relocated from the old plant to the new plant in Tongzhou, the fixed amortization cost increased substantially, which bought great pressure to production and operation. The Company will seize the market opportunities brought by the "coal to gas" policy to generally improve the market share of its cryogenic products and actively build a business model of tank, station and gas integrated operation. It will develop the application of natural gas in power generation, distributed energy, fuel cell and vehicle and marine, analyze application mode, improve its ability to develop and integrate technology, and adjust its product offering to meet market needs from gas cylinders to natural gas storage and transportation logistics distribution and the natural gas distributed energy development.

(2) Measures to improve internal management:

Segment market and strengthen development of major customers:

By focusing on quality major customers such as manufacturers, military industrial enterprises, internationally-renowned gas companies and energy companies, the Company will establish a special team headed by leaders with clear tasks, to mobilize all resources to implement the market development plan and seize opportunities to develop major customers.

Leverage on its superiorities to elevate product profitability:

The Company has the advantages of a wide range of product offering and certifications in the industry. It can produce over 800 types of products and has obtained 41 international certifications. Its products have been accepted by 7 out of the world's top eight gas companies. Through a wide sales network, it has realized an extensive geographical coverage nationwide and its international operations are mainly located in the United States, Singapore, Korea, India and Australia. By fully leveraging on its own advantages, the Company will be actively participating in "One Belt One Road" Initiative and international production capacity cooperation and take the initiative in involving itself to the construction of "One Belt One Road", so as to proactively push forward international production capacity and equipment manufacturing cooperation, develop international market with all its strength and increase the value of exports of industrial gas cylinders, fire-fighting cylinders, CNG and LNG cylinders for vehicles and cryogenic products.

Deepen cost management and improve operation quality:

It will further conduct cost reduction measures in respect of labour cost, procurement cost and technology advance.

It will continue to arrange production based on orders received, and maintain appropriate volume of inventory to avoid creating overstock. For the exiting overstock, it shall conduct careful analysis and utilize them in specified uses.

It will regulate contract management and collect amounts due as agreed in contracts to avoid additional overdue receivables. For the existing overdue receivables, it will set a schedule and roadmap and make collection calls to recover them accordingly.

It will concentrate on consuming inventory receivables, regularly hold workshops on overdue receivables and inventories, comb the reasons in this connection in detail, clarify responsibilities, ways of consumption, time nodes and assessment criteria to reduce funds tied-up and release capacity for follow-up development.

II. Financial Information

2. Provision for inventory impairment loss. According to the annual reports for the recent three years, the Company's provisions for inventory impairment loss for 2014 to 2016 amounted to RMB4.6794 million, RMB93.6978 million and RMB27.6174 million, respectively; amount of reverse or resales for the current period was RMB65.6870 million. Please supplement and disclose: (1) reasons for such significant differences between the provisions of inventory impairment loss for the recent three years; (2) reasons for such huge amount of provision in 2015 and such huge amount of reverse or resales for 2016, and whether adjustment to profit situation exists; (3) combine the changes in the market demand and supply to list relevant composition of the inventory and illustrate the amount of reverse or resales for the current period, reasons for and reasonableness of such reverse or resales and impacts of such reverse or resales on current profits and losses. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

(1) Reasons for the significant differences between the Company's provisions of inventory impairment loss for the recent three years

The Company's provisions of inventory impairment loss for the recent three years are as follows:

Item	2016	2015	2014
Inventory impairment loss	RMB27,617,411.85	RMB93,697,832.41	RMB4,619,445.14

We can see from the above table that the amount of provisions of inventory impairment loss for the year 2015 was larger, which was mainly attributable to:

1. Provisions of raw materials impairment loss

The main raw materials of the Company are steels, valves, spare parts, etc. The price of the Company is determined with reference to the market price fluctuations of main raw materials (steels). According to Article 16 of the Accounting Standards for Business Enterprises No.1– Inventories: If a decline of the price of materials indicates that the net realizable value of the finished product is lower than the cost, the materials shall be measured at the net realizable value. For the material inventories that needed to be processed in principle, the recognizable net realizable values shall be the difference between the estimated selling price of the finished product and the estimated costs to be incurred upon completion, estimated sales expenses and related taxes during the normal production and operation. However, (1) one major raw material of the Company can be used to manufacture products of different liters, standards and requirements to meet the needs of various domestic and international customers, therefore, the selling price of each product varies; (2) currently, the remaining raw materials can not correspond to orders one to one. In consideration of operability and robustness, the Company adopts the latest quote of raw material suppliers as the basis for the measurement of net realizable value.

The raw material price was at its periodic low at the end of 2015, and it only rebounded in the second half of 2016. At the end of 2015, after comparing the net realizable value of raw materials with their book value, the provision for raw materials impairment loss was RMB 45.77 million.

2. Provisions of goods in process and merchandise inventories impairment loss:

The main products of the Company are seamless steel gas cylinders, winding cylinders, cryogenic gas cylinders, cryogenic devices for storage and transportation and other industrial gas cylinders. As the macro economy remained in low operation under the new normal, the market demand was feeble. The Company controlled its production inputs through reduction or postponement of production, which led to the decrease in output and the increase in unit product cost.

The production and sales volume of major products in 2016 is analyzed below: Unit: RMB (yuan)

Principal product	Production volume	Sales volume	Inventory volume	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory volume over last year (%)
Seamless steel gas cylinders	869,813	549,787	81,068	-41.79%	-56.63%	-41.55%
Winding cylinders	73,808	75,275	12,080	-64.07%	-62.29%	-32.48%
Cryogenic gas cylinders	6,717	6,959	722	-62.12%	-50.00%	-71.72%

As the percentage of labor cost and cost of production in the total cost of principal products as well as the apportioned fixed cost for each unit increased as a result of the decreased output in 2015, the cost of finished products went up accordingly. The Company estimated a higher finished cost than the net realizable value.

In recent years, affected by sluggish macro economy, combined with the downturn in steel and photovoltaic industries, the growth rate of industrial gas demand slowed down. The growth rate for the supply of industrial gas is greater than its demand and the imbalance between supply and demand intensified, which further brought down the demand for gas storage and transportation equipment. To cope with market competition, Beijing Tianhai Industry Co., Ltd., the subsidiary of Beijing Jingcheng adjusted the price of a particular product, which reduced the net realizable value of products.

Due to the decreased selling price and the increased finished cost of products, the Company conducted impairment test on the goods in process and merchandise inventories at the end of

the period. By comparing the net realizable value (recognized as per the amount after deducting the estimated sale expense and relevant taxes from the actual sale price) with the book value of goods in process and merchandise inventories, the provisions for inventories impairment losses for goods in progress and merchandise inventories were RMB28.11 million and RMB19.81 million, respectively.

In 2016, the increase in basic raw material prices had led to the increase in the sale price of finished goods over that of 2015. As a result, the difference between the net realizable value of inventory and its higher book value narrowed when the impairment test was made at the end of the period. In addition, as the Company adjusted its operation strategy in a timely manner to decide its production volume based on sales volume to digest the amount of inventory and revitalize its capital, the balance of inventories at the end of 2016 reduced by RMB113 million as compared with that of the end of 2015, representing a decrease of 23%. Under the dual influences of the above factors, the amount of provisions for inventory impairment loss for the year 2016 decreased by RMB66.08 million as compared with that of 2015.

(2) Reasons for such huge amount of provision for 2015 and such huge amount of reverse or resales for 2016 and explain whether such measure is implemented for profit adjustment

The movement of provisions for inventory impairment loss for 2016 is as follows: (Unit: RMB (yuan))

Item	Opening Balance	Increase in the Current Year		Decrease in the Current Year		Closing Balance
		Withdrawing	Other	Reverse or Resales	Other Transfer-out	
Raw Materials	45,774,630.45	8,126,749.79	0.00	28,375,429.42	0.00	25,525,950.82
Goods in Process	29,431,179.99	7,563,335.68	0.00	21,295,494.52	0.00	15,699,021.15
Merchandise Inventories	21,325,756.99	11,825,806.14	0.00	16,016,085.51	1,268,114.97	15,867,362.65
Goods in Transit	0.00	101,520.24	0.00	0.00	0.00	101,520.24
Total	96,531,567.43	27,617,411.85	0.00	65,687,009.45	1,268,114.97	57,193,854.86

The reduction of the "reverse or resales" this year was transferred to operating cost due to its external sales nature. There was neither reverse nor profit adjustment.

(3) List the relevant composition of the inventory and illustrate the amount of reverse or resales for the current period, reasons for and reasonableness of such reverse or resales and impacts of such reverse or resales on current profits and losses after taking into account the changes in the market demand and supply

From the above analysis, with materials requisition and the completion for warehousing of goods in process and sold together with merchandise inventories, raw materials falling price reserves, goods in process falling price reserves and merchandise inventories falling price reserves gradually carried over to the next working procedure and removed from the warehouse for final sales, the corresponding resale operating cost was RMB65.6870 million. Net profits of Beijing Jingcheng attributable to parent company in the current year were RMB-148.79 million. Resale inventories falling price reserves has no material effect on the current profits and losses.

Accountant's comments:

We understood the accounting policies and methods used by Beijing Jingcheng to withdraw inventory falling price reserves, assessed the reasonableness of the amount of provision through re-measurement and reviewed the accuracy of calculation and accounting treatment of making provision for impairment loss of inventory. Upon audit and verification, the accounting policies for the inventories of Beijing Jingcheng conform to the relevant requirements of the Accounting Standards for Business Enterprises. The Company's provisions for inventory falling price reserves for the year from 2014 to 2016 are reasonable. The provision for resale inventory falling price reserves in 2016 was in line with the actual situation of the Company and there was no huge amount of reverse or resales for the purpose of profit adjustment.

3. Long-term unamortized expenses. In the long-term unamortized expenses of the Company, there was an increase of RMB16.2409 million in amortization of recycling cylinders and amortization in the current period was RMB1.5343 million. Please supplement and illustrate: (1) the main use and duration of use of recycling cylinders; (2) If such recycling cylinders are consumables of the production process, by comparing with relevant conditions of other internal products of the Company and other companies in the industry, reasonableness of recognition of recycling cylinders as long-term unamortized expenses and supporting evidence of recognition of term of amortization and whether they comply with requirements of the accounting standards. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

(1) The main use and duration of use and treatment of recycling cylinders

The recycling cylinders measured in the long-term unamortized expenses of the Company are mainly to improve the after-sale service quality. It provides customers with standby cylinders while their in-use ones are sent for repair, so as not to affect the usage by customers. According to the fact that the shelf life of each cylinder is generally 4 to 6 years, Beijing Jingcheng comprehensively estimates that the service life of recycling cylinders is 5 years. The Company would first sell the recyclying cylinders in shelf life to customers who accept. The cylinders that fail to be sold will continued to be used as recycling cylinders. Recycling cylinders that exceed the shelf life will be scrapped.

(2) Reasonableness of recognition of recycling cylinders as long-term unamortized expenses and supporting evidence of recognition of term of amortization

Recycling cylinders are substitutes created to provide after-sale services to products sold, rather than consumables in the production process, and do not belong to the revolving materials in inventories. Due to the wide varieties, low unit cost, frequent out-put and in-put of warehouse of recycling cylinders as well as their low residual value and the diseconomy of recycling, the Company will not consider the net residual value of recycling cylinders out of prudent consideration. Therefore, the recycling cylinders are presented as long-term unamortized expenses in the financial statements, which is in line with the relevant requirements of the Accounting Standards for Business Enterprises and the accounting policies of the Company.

According to the fact that the shelf life of each cylinder is generally 4 to 6 years, Beijing Jingcheng comprehensively estimated that the service life of recycling cylinders is 5 years.

Accountant's comments:

We reviewed the provisions on long-term unamortized expenses as set out in the accounting policies of Beijing Jingcheng, got to know the usage, utilization and management of recycling cylinders by the Company. Upon audit and verification, we are of the view that although the recycling cylinders have physical forms, its usage does not belong to the revolving materials measured in inventories. At the same time, due to the wide varieties, low unit cost, low residual value of cylinders as well as the diseconomy of recycling, the Company's measurement in the long-term unamortized expenses is in line with the relevant requirements of the Accounting Standards for Business Enterprises.

4. Impairment provision for fixed assets. It is stated in the annual report that the total impairment provision for fixed assets of the Company amounted to RMB37.7346 million for the current period, among which, impairment provision for machinery equipment amounted to RMB34.59 million while that for 2015 amounted to RMB1.9788 million, impairment provision for electrical equipment amounted to RMB3.1447 million while no provision for impairment was made in 2015. Please supplement and disclose: (1) reasons for, evidence and reasonableness of impairment provision for fixed assets made for machinery equipment and electrical equipment in the current period; (2) combine the production and operation situation and illustrate the reasons for the difference between the impairment provision for fixed assets made for 2015 and 2016; (3) verify the time of decision-making of impairment provision for fixed assets and whether the Company has perform its corresponding decision-making procedures and disclosure obligation. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

(1) Reasons for, evidence and reasonableness of impairment provision for fixed assets made for machinery equipment and electrical equipment in the current period

At the end of 2016, the management of the subordinate units of Beijing Jingcheng, including Beijing Tianhai Industry Co., Ltd (hereinafter referred to as "Beijing Tianhai"), Beijing Minghui Tianhai Gas Storage and Transportation Equipment Co., Ltd ("Minghui Tianhai") and Langfang Tianhai High Pressure Containers Co., Ltd. ("Langfang Tianhai"), based on external and internal information sources determined that certain machinery equipment and electrical equipment of the Company showed the evidence of impairment. As such, taking 31 December 2016 as the base date, China Alliance Appraisal Co., Ltd was engaged to evaluate the machinery equipment and electrical equipment that have the indication of depreciation in Beijing Tianhai, Minghui Tianhai and Langfang Tianhai.

China Alliance Appraisal Co., Ltd issued ZTHPB ZI (2017) No. 86, (2017) No. 87 and (2017) No. 88 Appraisal Reports on 28 February 2017. The evaluation adopted the asset-based approach. According to the results of the evaluation, the reserves for impairment of the part of the machinery equipment and electrical equipment withdrawn by the managements amount to a total of RMB37.73 million.

(2) Reasons for the big difference between the impairment provisions for fixed assets made for 2015 and 2016

At the end of 2015, the amount of fixed assets impairment reserves withdrew by Beijing Jingcheng was RMB1.9788 million. At the end of 2016, provisions for fixed assets impairment reserves were RMB37.73 million. The substantial increase in the amount of provisions was mainly attributable to:

1. The demand from the gas storage and transportation equipment industry where the Company is in declined as a result of the downturn in international and domestic macro economy in 2015. In particular, affected by the narrowed difference in the price of oil gas and the adjustment of oil to gas policy, the market demand for the Company's products dropped sharply. Indirectly affected by the fluctuation of oil price, it was commonly believed that the oil price was irrationally manipulated. As it's a common consensus that oil is a kind of scarce and strategic resource, oil companies also estimated that the decline in oil price was only temporary, and it's predicted in the market that the oil price will see a retaliatory rebound in 2016. Once the oil price rebounds, the market demand for natural gas will also increase. Based on the judgement, the Company considers that the depression in the gas storage and transportation equipment industry is transient, and it's expected that the present value of future cash flow of the fixed assets will be higher than its book value.

In view of the overall movement of international oil price in 2016, there is indeed a rebound since the low at the beginning of the year, but it still failed to meet expectations. Currently, the general consensus from the market is that the imbalance between supply and demand caused by technological advances and weak recovery of world economy will procure the oil price to fluctuate between US$50 to US$60 per barrel for a long time. There is still no obvious advantage in natural gas price, the demand from the gas storage and transportation equipment industry remains low, the losses for the Company's principal business are unable to reverse and the future expectations are still not positive.

2. The Company has made provision for the impairment loss of unused fixed assets for the time being in 2016. Beijing Tianhai relocated to the current location where it operates from Wufangqiao since 2015. The land, plants and certain machinery equipment of Wufangqiao are unused for the time being. At the end of 2015, for the unused fixed assets for the time being in Wufangqiao, the management of Beijing Tianhai and a third party formed a preliminary intention to develop the parcel of land in Wufangqiao and adopted a package solution for the land's development and the disposal of land, housing properties and equipment that are not needed to relocate. Through calculation, the estimated compensation income from the parcel of land in Wufangqiao, together with the structures and equipment could cover the net book value of such assets. The management of Beijing Tianhai determined that there was no impairment for this portion of idle assets. In 2016, as the integrated planning of this area by Chaoyang District government was unclear, the demolition compensation plan cannot be implemented as envisaged. At the end of 2016, Beijing Tianhai intended to cooperate with old-age housing development agencies to construct pension projects on the old industrial plants of Wufangqiao. Due to the high uncertainty of the regulatory approval of old-age housing projects, out of prudent consideration, Beijing Tianhai has made provision for impairment loss of the unused machinery equipment for the time being.

In conclusion, at the end of 2016, the Company made a huge amount of impairment provision for the fixed assets (including idle fixed assets) for which there is evidence of impairment.

(3) Verify the decision-making time and place of impairment provision for fixed assets and whether the Company has perform its corresponding decision-making procedures and disclosure obligation

According to the Accounting Standards for Business Enterprises No.8 – Assets Impairment, for assets for which there is evidence of impairment, its recoverable amount shall be estimated, and then compare the recoverable amount of assets estimated to their book value to determine whether the assets have been impaired. The management of the Company sorted out its fixed assets at the end of the year, and entrusted valuation agencies to evaluate the fixed assets for which there is evidence of impairment. The management then reported the valuation results and the fixed assets impairment provided thereunder to the Board for consideration and approval. Meanwhile, the assessment methods, basis for impairment provisions and other information were disclosed in detail in the notes to the financial statement for the year 2016.

Accountant's comments:

Through understanding the current status and development trend of the gas storage and transportation industry through public information, checking the sufficiency of the basis for the withdrawal of fixed assets impairment reserves by Beijing Jingcheng and the accuracy of the accounting treatment, stock-taking physical fixed assets on-site to observe the conditions idle fixed assets, we checked whether the disclosure of fixed assets impairment in the notes to financial statements by Beijing Jingcheng is sufficient. Upon audit and verification, the accounting policies of Beijing Jingcheng on fixed assets impairment conform to the relevant requirements of Accounting Standards for Business Enterprises. The Company's provisions for fixed assets impairment reserve for the year 2016 are reasonable, and can fairly present the Company's financial position and operating results. As such, relevant disclosure is adequate.

5. Estimated Liabilities. It is stated in the annual report that "Product Quality Assurance" is added in estimated liabilities with closing balance of RMB3.1294 million and the Company explained that the management Product Quality Assurance based on the warranty period and historical data of the quality assurance responsibility in the sales contracts, with annual income of LNG products as base and in accordance with 4.25% ratio to make provision for the amount of. Please supplement and disclose: (1) evidence and reasonableness of including the Product Quality Assurance into estimated liabilities; (2) combine the sales policy of LNG products, illustrate the reasons for no provision of the Product Quality Assurance over the past years; (3) whether the provision policy is prudent and reasonable as comparing with the companies in the industry. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

(1) Evidence and reasonableness of including the Product Quality Assurance into estimated liabilities

According to the requirements under the "Accounting Standards for Business Enterprise No.13 – Contingencies", contingencies are uncertainties arising from past transactions or events, and which their results must be determined by the occurrence or non-occurrence of certain future events. Common contingencies include: pending litigation or pending arbitration, debt guarantee, product quality assurance (including product safety assurance), loss contract, restructuring obligations, environmental pollution remediation, and commitment and so on. Contingencies may result in estimated liabilities. Estimated liabilities are within the scope of liabilities and shall be generally recognized in accordance with the conditions for recognition of liabilities.

Beijing Jingcheng's accounting policies for estimated liabilities are as follows: the Group recognizes a liability when the businesses in relation to external guarantees, discounted trade acceptance bills, pending litigation or arbitration, product quality assurance and other contingencies have met the following conditions: this obligation is the current obligation assumed by the Group; the performance of the obligation is likely to lead to the outflow of economic benefits from the enterprise; the amount of the obligation can be measured reliably. Estimated liabilities are initially measured in accordance with the best estimate of expenses required to meet the relevant current obligations.

Beijing Jingching's inclusion of the Product Quality Assurance into estimated liabilities is in line with the "Accounting Standards for Business Enterprise No.13 – Contingencies" and accounting policies of the Company.

(2) Combine the sales policy of LNG products and illustrate the reasons for no withdrawal of the Product Quality Assurance over the past years

LNG products are new products manufactured by the Company in recent two years. As a new product, its technique and technology are in the process of continuous improvement with the repair situation for products manufactured early occurred gradually. As measured, the repair rate of such products in 2016 represented 4.25% of operating revenue of such products. With the expansion

of LNG products market, revenue continues to increase, the impact of quality assurance costs of the corresponding products on the amounts shown on the financial statements has also gradually increased. According to the accounting policies of the Company, the management of the Company shall review and make appropriate adjustments to the carrying amount of estimated liabilities at each balance sheet date based on the new changes occurred to reflect the current best estimate. In 2016, the management withdrew the Product Quality Assurance at 4.25% by taking the annual income of LNG products as the baseline based on the years of assumption of quality warrantee (1-3 year(s)) and historical data in the sales contract, so that the obligations of the Product Quality Assurance and the sales revenue were reported in the same accounting period, which was in line with the matching principle.

(3) Whether the withdrawal policy is prudent and reasonable as comparing with the companies among the industry.

The withdrawal of the Product Quality Assurance is common for listed companies in the manufacturing industry, in particular listed companies in the automobile industry.

Name of Company	Withdrawal category
Sinoma Science & Technology	Sinoma blade
CRRC	Sale, repair and reconstruction of locomotives and vehicles and spare parts
Han's Laser	Equipment products sold

Beijing Jingcheng withdraws the Product Quality Assurance in accordance with the relevant requirements under the "Accounting Standards for Business Enterprise No.13 – Contingencies" (《企業會計準則第13號－或有事項》) and the requirements of accounting policies of the Company based on its own product conditions, which is in line with the principle of prudence.

Accountant's comments:

We reviewed the provisions on the estimated liabilities in the accounting policies of Beijing Jingcheng, and inspected the agreement in respect of the quality assuarance terms in sales contract of LNG products of the Company, and obtained the information on sales output and repair input in past years, as compared the repair costs with revenue confirmed. Upon audit and verification, we consider that Beijing Jingcheng's review of the book value of the estimated liabilities based on the occurrence of new changes with making of appropriate adjustment to reflect the current best estimate is in accordance with the relevant requirements under the "Accounting Standards for Business Enterprise No.13 – Contingencies" and the requirements of accounting policies of the Company and in line with the principle of prudence and matching.

6. Impairment provision for goodwill. It is stated in the annual report that goodwill of RMB6.5623 million was generated from BTIC AMERICA CORPORATION and impairment provision made for goodwill amounted to RMB2.8827 million. Please supplement and disclose: (1) major financial indicators, including but not limited to revenues, profits, total assets, net assets and etc., of BTIC AMERICA CORPORATION over the past three years; (2) verify and disclose the time of decision-making of impairment provision for assets and performance of corresponding decision-making procedures and disclosure obligation; (3) whether there exists any profit guarantee and relevant profit compensation arrangement of the vendor when the Company acquired BTIC AMERICA CORPORATION; (4) combine profit achievement of the Company, illustrate the evidence and reasonableness of provisions made for impairment loss. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

(1) Major financial indicators of BTIC AMERICA CORPORATION over the past three years

Items	2016	2015	2014
Operating revenue	130,655,695.62	244,969,898.70	240,145,802.10
Net profit	996,997.96	3,881,839.49	4,121,025.54
Net cash flow generated from operating activities	9,503,335.36	16,299,083.26	-8,281,519.59
Net assets	40,339,184.23	36,796,696.49	30,907,437.39
Monetary funds	12,975,789.19	7,976,878.83	4,390,973.29
Accounts payable	5,030,559.58	17,738,362.37	35,781,414.26
Inventory	25,190,087.59	20,066,159.93	19,773,375.76
Total assets	46,103,318.72	47,747,509.71	61,864,591.02

(2) The decision-making time and place of impairment provision for assets and performance of corresponding decision making procedures and disclosure obligation

According to the relevant requirements under the "Accounting Standards for Business Enterprise No.8 – Impairment of assets", the goodwill arisen from the business merger should at least be tested at the end of each year. The management of Beijing Tianhai, under Beijing Jingcheng has tested the impairment of goodwill at the end of each year and reviewed by the Board for approval. In the notes to the annual financial statements of 2016, the management's expected future cash flow, the key assumptions and their basis, and discounted rates used for estimate of present values are disclosed in detail.

(3) Whether there exists any profit guarantee and relevant profit compensation arrangement of the vendor when the Company acquired BTIC AMERICA CORPORATION

On 27 August 2010, Beijing Tianhai acquired 51% of the equity interest in BTIC AMERICA CORPORATION, and at the time of acquisition, it did not make the performance compensation arrangement with the transferor.

(4) Combine profit achievement of the Company and illustrate the evidence and reasonableness of provisions made for impairment loss

As noted from the financial indicators of BTIC AMERICA CORPORATION over the last three years, turnover of BTIC AMERICA CORPORATION in 2016 decreased by 47% as compared with that of 2015 with net profit decreased by 74%, mainly affected by operation downturn in major industries using industrial gas like smelting, shipbuilding, construction and other industries, the demand in the industrial gas market decreased, and thereby resulted in overcapacity of industrial steel seamless gas cylinders, and market competition in traditional industrial seamless steel cylinders is becoming increasingly fierce, resulting in the decline in the performance of traditional industrial cylinders.

At the end of 2016, the management of Beijing Tianhai made the impairment test on goodwill of BTIC AMERICA CORPORATION by reference to the valuation results on all interests of shareholders of BTIC AMERICA CORPORATION as at 31 August 2016 by Beijing Zhong Tong Hua Assets Appraisal Co., Ltd. (北京中同華資產評估有限公司) (Zhong Tong Hua Ping Bao Zi (2017) No. 20 Assets Valuation Report). Based on the estimate of net profit for September to December 2016 in the valuation report, the estimated loss for September to December was US$98,000, and the actual loss of BTIC AMERICA CORPORATION was US$32,000, lower than the estimated amounts. Taking into account that the operating conditions of BTIC AMERICA CORPORATION at the end of 2016 did not change significantly, the monetary time value for risk-free interest rate in the current market did not change substantially. The management of Beijing Tianhai determined that the assumptions on which the estimate of cash flow was based as at 31 August 2016 is reasonable.

In estimating the recoverable amounts of investment costs, the estimated present value of future cash flow is made by using assets portfolio in relation to goodwill. The recoverable amounts for assets group and portfolio in assets group are based on the five-term budget approved by the management for assets group and portfolio in assets group, and for the stable operating period starting from the sixth year, the calculation is made under the cashflow forcast method. Other key assumptions used in impairment test include: expected selling price of products, sale volume and other related expensies and so on. The management determines such key assumptions based on historical experience and market development forecast. The management uses a pre-tax rate of 8.26% that can reflect the specific risks associated with assets group and portfolio in assets group as the discount rate.

The management of Beijing Tianhai considered, based on such assessments, the provision of impairment on goodwill as at 31 December 2016 was RMB2.8827 million. The methods and results on goodwill impairment test of BTIC AMERICA CORPORATION were reviewed and approved by the board of directors of Beijing Jingcheng.

Accountant's comments:

We have obtained the goodwill impairment test report that Beijing Tianhai conducted for BTIC AMERICA CORPORATION and the asset evaluation report issued by Beijing Zhonghua China Assets Appraisal Co., Ltd. on 16 January 2017 (Zhongtong Huaping Baozi (2017) No.20), reviewed the model of impairment test in the test report, the rationality of the expected performance and the discount rate adopted.

Upon audit and verification, we consider that the test process on goodwill impairment, selection basis of key parameters and judgement of impairment confirmation are complied with relevant requirements under the accounting standards of business enterprises.

7. Joint venture. It is stated in the annual report that the Company holds 51% equity interest in Shandong Tianhai High Pressure Container Co., Ltd. ("Shandong Tianhai") and Shandong Tianhai was recognized as a joint venture and was not included in consolidated financial statements. Please combine the composition of the board of directors, decision-making mechanism and other arrangements of Shandong Tianhai, illustrate the reasons the Company cannot control over Shandong Tianhai and reasons for and reasonableness of not to include it into consolidated financial statements. Please provide the opinion from the certified public accountant after conducting audit.

Response to the question:

Shandong Tianhai was established on 12 June 2014 with the registered capital of RMB30,000,000 upon its establishment, of which Beijing Tianhai contributed RMB15,300,000, accouting for 51%, and Shandong Yong'an Heli Steel Cylinder Co., Ltd. (山東永安合力鋼瓶有限公司) (hereinafter refered to as Yong'an Heli) contributed RMB14,700,000, accounting for 49%. After its capital increase, the registered capital of Shandong Tianhai was changed to RMB114,550,000, of which Beijing Tianhai constributed RMB58,420,500, accounting for 51%, and Yong'an Heli contributed RMB56,129,500, accounting for 49%. According to the association of articles of Shandong Tianhai, the board of directors of the company consists of five directors, of which three are nominated by Beijing Tianhai, and two are nominated by Yong'an Heli. The decisions of the board of directors on resolutions shall be valid only after approved by more than 80% of all directors. The daily management of Shandong Tianhai is mainly delegated to the personnel appointed by Yong'an Heli, so Beijing Tianhai cannot control Shandong Tianhai, hence it is not included in the scope of Beiijing Jingcheng's consolidated financial statements and was accounted for by using the equity method.

Accountant's comments:

We examined the articles of association of Shandong Tianhai, in which provided that the decisions of the board of directors on resolutions shall be valid only after approved by more than four-fifth of all directors. In the board of directors, the number of directors appointed by Beijing Tianhai accounted for 60% of all directors, which is not in line with the understanding and specific judgements in relation to control and related activities under the "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements". The business decision-making of Shandong Tianhai by Beijing Tianhai and Yong'an Heli has the characteristics of joint control, which conforms to the provisions of joint venture under the Accounting Standards for Business Enterprises No. 40 – Joint Venture Arrangement.

In conclusion, the fact that Beijing Tianhai (a subsidiary of Beijing Jingcheng) did not incorporate Shandong Tianhai into the consolidated financial statements is in compliance with the relevant requirements under the Accounting Standard for Business Enterprises.

III. Information Disclosure

8. Unused fixed assets for the time being. It is stated in the annual report that the original book value of unused fixed assets for the time being of the Company at the end of the reporting period amounted to RMB103 million, with provision for impairment amounting to RMB17.8727 million and book value amounting to RMB8.3199 million. Please supplement and disclose: (1) details, class, book value and impairment of the above unused fixed assets; (2) combine the Company's operation situation, illustrate the reasons for, beginning and ending times of the unused period of fixed assets, as well as the follow-up arrangements for the above fixed assets by the Company.

Response to the question:

(1) Impairment Provision of Beijing Jingcheng

Unit: RMB Yuan

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
1	Manipulator of curing furnace and loading and unloading device	220,000.00	198,000.00	17,470.00	4,530.00
2	Curing furnace	1,087,245.42	978,520.88	93,624.54	15,100.00
3	Gas storage tank	3,200.00	2,880.00	70.00	250.00
4	Automatic painting machine	660,000.00	564,300.00	88,150.00	7,550.00
5	Wrapping machine	640,000.00	542,400.00	93,070.00	4,530.00
6	Wrapping machine	640,000.00	542,400.00	93,070.00	4,530.00
7	Internal dryer	22,968.65	19,293.12	1,895.53	1,780.00
8	Drive roller	286,007.26	257,406.53	24,070.73	4,530.00
9	Internal cleaning machine	36,680.52	30,811.20	3,019.32	2,850.00
10	Artificial paint machine	1,011,538.45	752,769.36	252,729.09	6,040.00
11	Dryer	22,968.65	19,293.12	1,895.53	1,780.00
12	Valve-increasing machine	35,000.00	30,712.50	1,567.50	2,720.00
13	Internal drying device	60,211.15	52,834.86	6,536.29	840.00
14	Online cylinder weight calculator	30,000.00	27,000.00	670.00	2,330.00
15	Bottleneck NC processing machine	760,000.00	684,000.00	69,960.00	6,040.00
16	Dust removal system	76,000.00	68,400.00	6,540.00	1,060.00
17	Coating thickness measurer	3,500.00	3,150.00	300.00	50.00
18	Internal cleaning machine	36,680.52	30,811.20	3,019.32	2,850.00
19	Gas cylinder wrapping machine	526,205.12	473,584.61	11,790.51	40,830.00
20	Milling machine	177,207.38	136,893.18	26,564.20	13,750.00
21	Drilling machine	97,334.49	75,191.03	14,593.46	7,550.00
22	Air-tight testing machine	71,272.10	55,057.62	10,684.48	5,530.00
23	Air-tight testing machine	71,272.10	55,057.62	10,684.48	5,530.00
24	Curing furnace	986,000.00	746,895.00	224,005.00	15,100.00
25	Loading and unloading vehicle	50,000.00	45,000.00	4,300.00	700.00
26	Internal cleaning machine	70,650.42	63,585.38	1,585.04	5,480.00
27	Internal dryer	70,650.44	63,585.40	1,585.04	5,480.00
28	Indian bottleneck NC machine	917,052.40	650,857.72	256,379.68	9,815.00
29	Coating thickness measurer	3,500.00	3,150.00	300.00	50.00
30	Drilling machine	147,777.76	132,999.98	3,307.78	11,470.00
31	Milling machine	188,045.70	169,241.13	4,214.57	14,590.00
32	Online weighing	30,000.00	27,000.00	670.00	2,330.00
33	Online weighing	30,000.00	27,000.00	670.00	2,330.00
34	Cooler	12,820.51	11,538.46	292.05	990.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
35	Procesing machine of bottleneck of CNG natural gas storage bottle	632,478.63	298,846.17	323,817.46	9,815.00
36	Vacuum pump	12,393.16	8,179.60	3,253.56	960.00
37	Wrapping machine	547,008.55	127,179.36	39,585.19	380,244.00
38	Sawing machine	60,000.00	60,000.00	–	–
39	Concrete pumppipe	254,840.00	229,356.00	5,704.00	19,780.00
40	Dehumidifier	3,500.00	3,150.00	250.00	100.00
41	Electronic crane scale	9,829.06	4,718.08	4,970.98	140.00
42	Wrapping and packaging machine	32,000.00	28,800.00	720.00	2,480.00
43	Truck loading fall protection device	128,205.12	73,077.04	53,338.08	1,790.00
44	Digital ultrasonic flaw detector	34,000.00	30,600.00	2,920.00	480.00
45	Electric baking pan	2,800.00	2,520.00	230.00	50.00
46	Ice-lolly machine and refrigerator	72,000.00	64,800.00	5,200.00	2,000.00
47	Flour mixing machine	4,000.00	3,600.00	280.00	120.00
48	Flour mixing machine	5,213.00	4,691.70	361.30	160.00
49	Flour mixing machine	3,385.00	3,046.50	238.50	100.00
50	Flour mixing machine	4,290.00	3,861.00	299.00	130.00
51	Basin-type vegetable cutter	1,952.00	1,756.80	135.20	60.00
52	Refrigerator	15,400.00	13,860.00	1,080.00	460.00
53	Steamed bun making machine	7,000.00	6,300.00	490.00	210.00
54	Electric baking pan	2,800.00	2,520.00	200.00	80.00
55	Meat grinder	2,016.00	1,814.40	141.60	60.00
56	Refrigerator / freezer	6,200.00	5,580.00	420.00	200.00
57	Electric baking pan	2,100.00	1,890.00	150.00	60.00
58	Pressure tank	19,500.00	17,550.00	440.00	1,510.00
59	Pipe threading and cutting machine	4,550.00	4,095.00	105.00	350.00
60	Screw air compressor	125,000.00	112,500.00	2,800.00	9,700.00
61	Gas storage tank	14,000.00	12,600.00	310.00	1,090.00
62	Hot water boiler	227,396.00	204,656.40	3,269.60	19,470.00
63	Hot water boiler	227,396.00	204,656.40	3,269.60	19,470.00
64	Hot water boiler	227,396.00	204,656.40	3,269.60	19,470.00
65	Steam boiler	373,156.00	335,840.40	5,375.60	31,940.00
66	Steam boiler	373,156.00	335,840.40	5,375.60	31,940.00
67	Pressure-regulating chamber	98,232.00	88,408.80	8,443.20	1,380.00
68	Flowmeter	122,290.00	110,061.00	10,519.00	1,710.00
69	Filter	40,745.00	36,670.50	3,504.50	570.00
70	Ball valve	37,500.00	33,750.00	3,220.00	530.00
71	Ball valve	20,790.00	18,711.00	1,789.00	290.00
72	Ball valve	166,946.97	150,252.27	14,354.70	2,340.00
73	Demineralizing plant	115,200.00	103,680.00	9,910.00	1,610.00
74	Burner	90,250.00	81,225.00	7,765.00	1,260.00
75	Air compressor	185,000.00	158,175.00	12,465.00	14,360.00
76	Air compressor	185,000.00	158,175.00	12,465.00	14,360.00
77	Cooling tower system	235,000.00	200,925.00	33,320.00	755.00
78	Gas storage tank	9,000.00	8,100.00	200.00	700.00
79	Gas storage tank	6,837.61	6,153.85	153.76	530.00
80	Gas storage tank	5,532.00	4,978.80	123.20	430.00
81	Liquid oxygen tank	409,000.00	368,100.00	9,160.00	31,740.00
82	High pressure air compressor	450,000.00	405,000.00	41,980.00	3,020.00
83	High pressure air compressor	860,000.00	774,000.00	82,980.00	3,020.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
84	Twin screw low pressure air compressor	195,000.00	175,500.00	4,370.00	15,130.00
85	Low pressure micro-heat dryer	169,000.00	152,100.00	14,530.00	2,370.00
86	High pressure non-heated dryer	279,000.00	251,100.00	27,145.00	755.00
87	Bench drill	1,461.00	1,461.00	–	–
88	Screw compressor	185,000.00	185,000.00	–	–
89	Cooling tower	211,965.80	181,315.68	29,895.12	755.00
90	Non-heated regeneration dryer	188,034.19	126,923.40	58,480.79	2,630.00
91	Portable dew point meter	42,564.10	38,307.69	3,656.41	600.00
92	Water demineralixer	47,000.00	42,300.00	4,040.00	660.00
93	Twin screw compressor	166,666.66	166,666.66	–	–
94	Arizer air vaporizer	76,923.08	45,576.68	30,266.40	1,080.00
95	Low temperature storage tank	421,893.82	184,800.28	204,353.54	32,740.00
96	Variable-frenquency centralized control energy-saving system of screw-type air compressor	418,803.42	119,359.14	266,944.28	32,500.00
97	Waste heat utilization system	726,495.76	326,282.18	397,193.58	3,020.00
98	Hydraulic unit	17,509,880.45	8,799,912.59	7,526,516.55	1,183,451.31
99	Plate heat exchanger	71,350.00	64,215.00	1,595.00	5,540.00
100	Plate heat exchanger	53,500.00	48,150.00	1,200.00	4,150.00
101	Plate heat exchanger	53,500.00	48,150.00	1,200.00	4,150.00
102	Cooling tower	153,500.00	138,150.00	3,440.00	11,910.00
103	Roof fan	73,200.00	65,880.00	1,640.00	5,680.00
104	Roof fan	93,000.00	83,700.00	2,080.00	7,220.00
105	Roof fan	70,000.00	63,000.00	1,570.00	5,430.00
106	Plate heat exchanger	350,000.00	315,000.00	33,490.00	1,510.00
107	Cooling machine for heating treatment	59,800.00	53,820.00	1,340.00	4,640.00
108	Plate heat exchanger	83,300.00	74,970.00	1,870.00	6,460.00
109	Plate heat exchanger	83,300.00	74,970.00	1,870.00	6,460.00
110	Plate heat exchanger	83,300.00	74,970.00	1,870.00	6,460.00
111	Large roller furnance	3,397,838.06	3,058,054.25	294,483.81	45,300.00
112	Water demineralixer	21,000.00	18,900.00	1,810.00	290.00
113	Cooling tower and pumping station	320,000.00	288,000.00	28,980.00	3,020.00
114	Chain machine	149,500.00	134,550.00	3,350.00	11,600.00
115	Outer shot blasting machine	378,000.00	317,520.00	49,910.00	10,570.00
116	Welding machine	10,500.00	9,450.00	900.00	150.00
117	Infrared thermometer	7,830.00	7,047.00	673.00	110.00
118	Infrared thermometer	7,830.00	7,047.00	673.00	110.00
119	Infrared thermometer	14,690.00	13,221.00	1,259.00	210.00
120	Extra-large necking-in machine and equipment (intermediate frequency furnance)	1,931,961.10	1,738,764.99	147,896.11	45,300.00
121	Outer shot blasting machine for cylinders	380,000.00	342,000.00	27,430.00	10,570.00
122	Infrared thermometer	6,660.00	5,994.00	576.00	90.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
123	Horizontal centrifugal pump and pipe	111,000.00	99,900.00	2,490.00	8,610.00
124	Plate heat exchanger	190,000.00	171,000.00	4,260.00	14,740.00
125	Hydraulic station (normal furnace door)	60,000.00	54,000.00	5,160.00	840.00
126	Bottom airtight testing machine	417,798.14	376,018.33	34,229.81	7,550.00
127	Extra-large necking-in machine	2,799,192.82	2,519,273.54	234,619.28	45,300.00
128	Intermediate frequency electric furnace	168,000.00	151,200.00	14,450.00	2,350.00
129	Large scale quenching line	5,856,501.35	5,270,851.21	510,150.14	75,500.00
130	Plate heat exchanger	107,000.00	96,300.00	2,400.00	8,300.00
131	High pressure pipe operating cabinet	62,180.00	55,962.00	1,388.00	4,830.00
132	Shot blasting machine dust removal system	226,495.73	203,846.16	18,119.57	4,530.00
133	Shot blasting machine dust removal system	226,495.72	203,846.15	18,119.57	4,530.00
134	406 cylinder cutting machine	182,732.42	164,459.18	4,093.24	14,180.00
135	406 cylinder's bottom cutting machine	182,732.42	164,459.18	4,093.24	14,180.00
136	Medium frequency furnace power cabinet	93,162.39	83,846.15	2,086.24	7,230.00
137	Bottom airtight machine	671,546.49	604,391.84	–	67,154.65
138	Indian necking-in finishing machines	4,126,300.93	2,599,977.90	1,481,023.03	45,300.00
139	Indian necking-in machines	4,083,732.76	2,587,526.76	1,450,906.00	45,300.00
140	Quenching device	290,598.29	261,538.46	13,959.83	15,100.00
141	Cooling tower	102,564.10	92,307.69	2,296.41	7,960.00
142	Smoke purification device (for Workshop 325)	305,825.24	275,242.72	23,032.52	7,550.00
143	Cooler	38,461.54	34,615.39	3,306.15	540.00
144	Cooler	38,034.19	34,230.77	3,273.42	530.00
145	Cooler	38,034.19	34,230.77	3,273.42	530.00
146	Cooler	38,034.19	34,230.77	3,273.42	530.00
147	Airtight machine	421,069.44	378,962.50	34,556.94	7,550.00
148	Intermediate frequency furnace	211,965.80	190,769.22	20,743.58	453.00
149	Intermediate frequency furnace	211,965.80	190,769.22	20,743.58	453.00
150	Necking-in machines	2,174,189.66	1,956,770.69	172,118.97	45,300.00
151	Necking-in machines	2,174,189.68	1,956,770.71	172,118.97	45,300.00
152	New 406 necking-in machines production line	376,590.77	265,496.42	88,444.35	22,650.00
153	Energy-saving oxygen enriched combustion device	850,427.33	242,371.60	605,035.73	3,020.00
154	Manual typing line	143,184.03	128,865.63	12,318.40	2,000.00
155	Large bottle assembly line	26,140.00	23,526.00	2,244.00	370.00
156	Water pressure tester	431,055.78	387,950.20	40,085.58	3,020.00
157	Thickness gauge	3,600.00	3,240.00	310.00	50.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
158	Accumulator finishing machine	111,184.94	87,665.94	14,889.00	8,630.00
159	Vehicle plane machine	131,934.52	118,741.07	2,953.45	10,240.00
160	Cylinder coating line	2,042,657.30	1,838,391.57	192,185.73	12,080.00
161	Rolling rivet	134,747.72	121,272.95	11,584.77	1,890.00
162	Universal tool grinder	53,500.00	48,150.00	1,200.00	4,150.00
163	Coating thickness measurer	3,500.00	3,150.00	300.00	50.00
164	Automatic typewriter for cylinders	5,981,998.04	5,383,798.24	–	598,199.80
165	Paint exhaust gas treatment equipment	22,700.00	20,430.00	1,950.00	320.00
166	Inner shot blasting machine	266,337.05	266,337.05	–	–
167	Internal cleaning machine of gas cylinder	109,905.23	98,914.71	9,450.52	1,540.00
168	Bottleneck NC pocessing machine for gas cylinder	915,764.89	662,720.96	42,484.83	210,559.10
169	Online cylinder automatic weight calculator system	23,076.93	20,769.24	517.69	1,790.00
170	Indian bottleneck machine	1,163,028.09	726,399.72	42,252.82	394,375.55
171	Atomization cutting and purifying device	11,965.82	10,769.24	1,026.58	170.00
172	Atomization cutting and purifying device	11,965.81	10,769.23	1,026.58	170.00
173	Cooler	17,948.72	16,153.85	1,544.87	250.00
174	Heat exchanger and water tank	188,034.18	169,230.76	16,173.42	2,630.00
175	Heat exchanger and water tank	209,401.71	188,461.54	17,920.17	3,020.00
176	Accumulator processing machine	177,455.75	159,710.17	3,975.58	13,770.00
177	Procesing machine of bottleneck of CNG high-pressure natural gas storage bottle	623,931.62	285,448.89	28,337.23	310,145.50
178	New bottle production line connection	37,094.44	26,151.74	10,422.70	520.00
179	Airtight testing machine	171,291.49	120,500.97	48,390.52	2,400.00
180	Sawing machine	120,000.00	104,400.00	6,290.00	9,310.00
181	Trimming cut machine	245,000.00	211,312.50	26,137.50	7,550.00
182	Large scale pipe cutting machine	444,196.56	399,776.90	35,359.66	9,060.00
183	Trimming cut machine 702-12	226,495.73	165,676.14	53,269.59	7,550.00
184	Monitoring system	962,436.64	459,966.78	488,999.86	13,470.00
185	Mulin Tianhai Monitoring System 2013	78,444.44	21,768.21	55,576.23	1,100.00
186	Tea bath furnace	3,500.00	3,150.00	300.00	50.00
187	Pressure gauge	2,322.00	2,089.80	202.20	30.00
188	Test data collecting system	49,500.00	44,550.00	4,260.00	690.00
189	Portable hardness tester	7,620.00	6,858.00	652.00	110.00
190	Electronic fabric strength tester	43,000.00	38,700.00	3,700.00	600.00
191	Electronic balance	3,900.00	3,510.00	340.00	50.00
192	Thermal calibration instrument	18,400.00	16,560.00	1,580.00	260.00
193	Infrared thermometer	7,800.00	7,020.00	670.00	110.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
194	Metallographic specimen mosaic machine	3,840.00	3,456.00	334.00	50.00
195	Thermal calibration instrument	8,200.00	7,380.00	710.00	110.00
196	Ultrasonic thickness gauge	4,650.00	3,836.80	743.20	70.00
197	Torductor	11,000.00	9,900.00	950.00	150.00
198	Thickness gauge	3,600.00	2,916.00	634.00	50.00
199	Length measuring machine	109,000.00	88,290.00	19,180.00	1,530.00
200	Metallographic sample polishing machine	3,960.00	3,564.00	336.00	60.00
201	Fatigue testing machine	660,059.15	578,270.01	78,014.14	3,775.00
202	Test pump	36,000.00	32,400.00	810.00	2,790.00
203	Sawing machine	64,000.00	57,600.00	1,430.00	4,970.00
204	Drying oven	4,300.00	3,870.00	370.00	60.00
205	high-temperature cabinet furnace	13,000.00	11,700.00	1,120.00	180.00
206	Metallographic sample polishing machine	3,960.00	3,564.00	336.00	60.00
207	Pressure calibration system	59,000.00	53,100.00	5,070.00	830.00
208	Digital pressure gauge	2,400.00	2,160.00	210.00	30.00
209	Infrared Thermometer	7,300.00	6,570.00	630.00	100.00
210	Material testing machine	19,600.00	17,640.00	1,690.00	270.00
211	Piston gauge	35,370.22	31,833.20	3,037.02	500.00
212	Piston gauge	73,630.82	66,267.74	6,333.08	1,030.00
213	Liquid isolator	10,529.68	9,476.71	902.97	150.00
214	Intelligent thermal instrumentation verification system	145,299.15	130,769.23	12,499.92	2,030.00
215	Fatigue testing machine	147,666.81	112,878.30	32,718.51	2,070.00
216	Metallographic microscope	194,000.00	174,600.00	16,680.00	2,720.00
217	Multimeter	310,000.00	279,000.00	27,980.00	3,020.00
218	Torductor	10,750.00	9,675.00	925.00	150.00
219	Torductor	10,750.00	9,675.00	925.00	150.00
220	Thread integrated measuring instrument	1,284,908.15	1,156,417.33	–	128,490.82
221	Air compressor	57,500.00	51,750.00	1,290.00	4,460.00
222	Fatigue testing machine	176,777.55	159,099.79	15,207.76	2,470.00
223	Electronic balance	6,480.00	5,832.00	558.00	90.00
224	Electric block	7,800.00	7,020.00	670.00	110.00
225	Water pressure testing device	128,168.75	115,351.87	11,026.88	1,790.00
226	Electric block	11,965.82	10,769.24	1,026.58	170.00
227	Electric block	13,675.22	12,307.70	1,177.52	190.00
228	Cooling tower	44,444.44	40,000.00	994.44	3,450.00
229	Fatigue testing machine	163,336.53	147,002.88	14,043.65	2,290.00
230	X\Y dose-rate meter	7,692.31	6,923.08	659.23	110.00
231	Safety calibration platform of valve of low-temperature storage tank	31,623.93	21,820.56	9,363.37	440.00
232	Zoom microscope	18,205.13	12,561.68	5,393.45	250.00

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
233	Intermediate frequency portable X-ray detection machine	64,102.56	44,230.84	14,901.72	4,970.00
234	Handheld X-ray fluorescent spectrometer	123,931.62	39,968.07	82,223.55	1,740.00
235	Acetone equipment	18,376.07	11,852.52	6,263.55	260.00
236	Specific vertical sawing machine	42,735.04	10,576.83	28,838.21	3,320.00
237	Test bench for cylinder valve durability	134,188.03	62,397.42	69,910.61	1,880.00
238	Gas tea bath furnace	3,500.00	3,150.00	300.00	50.00
239	Heat exchanger	298,000.00	268,200.00	28,290.00	1,510.00
240	Smoke purifier	10,000.00	6,600.00	3,260.00	140.00
241	Refrigerator	1,297.00	1,167.30		129.70
242	Blasting collection system	35,000.00	31,500.00		3,500.00
243	Charge resistance furnace	10,683.76	9,615.38		1,068.38
244	Second standard thermal resistance	7,521.37	6,769.23		752.14
245	Portable ultrasonic flaw detector	49,871.77	44,884.59		4,987.18
246	Electronic balance	16,666.67	13,750.00		2,916.67
247	Audio equipment	118,376.06	106,538.45		11,837.61
248	Switch	10,145.30	9,130.77		1,014.53
249	Switch	6,239.32	5,615.39		623.93
250	Mulin Project	207,694.11	186,924.70		20,769.41
251	Projector	7,350.43	6,615.39		735.04
252	Telephone switchboard	334,965.77	221,077.56		113,888.21
253	AC arc welding machine	4,293.00	3,863.70		429.30
254	AC welding machine	3,780.00	3,402.00		378.00
255	AC welding machine	4,300.00	3,870.00		430.00
256	AC welding machine	4,600.00	4,140.00		460.00
257	Welding machine	7,350.43	6,615.39		735.04
258	AC welding machine	4,621.50	4,159.35		462.15
259	AC welding machine	4,820.00	4,338.00		482.00
260	Low-voltage power distribution cabinet	21,600.00	19,440.00		2,160.00
261	Silicon positive flow welder	8,900.00	8,010.00		890.00
262	Intermediate frequency furnace	220,512.82	198,461.54		22,051.28
263	Intermediate frequency furnace	220,512.82	198,461.54		22,051.28
264	Stepping furnace system (software, computer, etc.)	15,000.00	13,500.00		1,500.00
265	Signal generator	4,440.00	3,996.00		444.00
266	Sweep frequency generator	2,680.00	2,412.00		268.00
267	Power distribution transformer	97,337.00	87,603.30		9,733.70
268	Transformer	112,000.00	92,400.00		19,600.00
269	AC welding machine	3,800.00	3,420.00		380.00
270	Combustible gas detector	8,974.36	8,076.92		897.44
271	Power saver	380,000.00	342,000.00		38,000.00
272	High and low switchgear	3,227,494.00	2,493,239.63		734,254.37
273	Transformer (dry)	100,512.82	60,308.00		40,204.82
274	Dry power transformer	95,487.18	57,292.00		38,195.18

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
275	Transformer (dry)	98,418.80	59,051.20		39,367.60
276	Transformer (dry)	98,418.80	59,051.20		39,367.60
277	Transformer (dry)	132,341.89	79,404.80		52,937.09
278	Power saver	182,905.98	164,615.38		18,290.60
279	Power saver	116,239.32	104,615.39		11,623.93
280	Frequency conversion water supply system	128,205.12	115,384.61		12,820.51
281	Thyristor automatic switching filter device	153,846.15	138,461.53		15,384.62
282	Low -voltage filter compensation device	213,675.20	192,307.68		21,367.52
283	Transformer	106,923.07	51,322.88		55,600.19
284	Transformer	106,923.08	51,322.88		55,600.20
285	High- and low- voltage power distribution device	85,323.52	36,701.12		48,622.40
286	High- and low- voltage power distribution device	59,530.36	24,320.32		35,210.04
287	High- and low- voltage power distribution device	79,352.58	33,834.72		45,517.86
288	High- and low- voltage power distribution device	66,667.11	27,745.76		38,921.35
289	High- and low- voltage power distribution device	62,995.32	25,983.20		37,012.12
290	High- and low- voltage power distribution device	59,530.36	24,320.32		35,210.04
291	High- and low- voltage power distribution device	52,532.05	20,961.12		31,570.93
292	High- and low- voltage power distribution device	53,752.58	21,546.72		32,205.86
293	High- and low- voltage power distribution device	53,752.58	21,546.72		32,205.86
294	High- and low- voltage power distribution device	54,863.69	22,080.32		32,783.37
295	High- and low- voltage power distribution device	54,863.69	22,080.32		32,783.37
296	High- and low- voltage power distribution device	49,754.29	19,627.84		30,126.45
297	High- and low- voltage power distribution device	52,299.59	20,849.60		31,449.99
298	High- and low- voltage power distribution device	51,405.57	20,420.32		30,985.25
299	High- and low- voltage power distribution device	59,530.36	24,320.32		35,210.04
300	High- and low- voltage power distribution device	74,197.88	31,360.48		42,837.40

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
301	High- and low- voltage power distribution device	69,873.09	29,284.80		40,588.29
302	High- and low- voltage power distribution device	52,299.59	20,849.60		31,449.99
303	High- and low- voltage power distribution device	55,433.85	22,353.76		33,080.09
304	Chambered-substation (excluding transformer)	19,117.95	8,889.56		10,228.39
305	High pressure ring network cabinet	44,204.72	39,784.25		4,420.47
306	High pressure ring network cabinet	45,066.25	40,559.62		4,506.63
307	High pressure ring network cabinet	44,204.71	39,784.24		4,420.47
308	High pressure ring network cabinet	44,891.89	40,402.70		4,489.19
309	High pressure ring network cabinet	8,752.13	7,876.92		875.21
310	High pressure ring network cabinet	8,752.13	7,876.92		875.21
311	High-voltage ring network switchgear	9,299.14	8,369.23		929.91
312	High-voltage ring network switchgear	11,405.98	10,265.38		1,140.60
313	High-voltage power distribution cabinet	135,367.10	59,223.04		76,144.06
314	Low-voltage power distribution cabinet	115,903.00	50,172.28		65,730.72
315	Low-voltage power distribution cabinet	57,909.84	23,205.38		34,704.46
316	Low-voltage power distribution cabinet	56,634.63	22,612.66		34,021.97
317	Low-voltage power distribution cabinet	97,127.79	41,441.92		55,685.87
318	Low-voltage power distribution cabinet	71,167.96	29,370.66		41,797.30
319	Low-voltage power distribution cabinet	103,750.01	44,521.46		59,228.55
320	Low-voltage power distribution cabinet	94,305.57	40,129.52		54,176.05
321	Low-voltage power distribution cabinet	71,167.96	29,370.66		41,797.30
322	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31

No.	Name of equipment	Original book value	Accumulated depreciation	Impairment provision	Book value
323	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31
324	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31
325	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31
326	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31
327	Low-voltage power distribution cabinet	126,987.99	45,715.68		81,272.31
328	Low-voltage power distribution cabinet	126,988.03	45,715.68		81,272.35
329	Low-voltage power distribution cabinet	81,277.88	29,100.54		52,177.34
330	Low-voltage power distribution cabinet	73,747.11	26,389.50		47,357.61
331	Low-voltage power distribution cabinet	58,485.57	20,895.42		37,590.15
332	Low-voltage power distribution cabinet	62,513.78	22,345.50		40,168.28
333	Low-voltage power distribution cabinet	56,834.29	20,301.18		36,533.11
334	Harmonic control devices	142,200.00	127,980.00		14,220.00
335	Transformer room	883,779.51	775,516.95		108,262.56
336	High-voltage cabinet	43,000.00	31,605.00		11,395.00
337	High-voltage cabinet	43,000.00	31,605.00		11,395.00
338	High-voltage cabinet	12,000.00	8,820.00		3,180.00
339	High-voltage cabinet	12,000.00	8,820.00		3,180.00
340	High-voltage cabinet	12,000.00	8,820.00		3,180.00
341	High-voltage cabinet	12,000.00	8,820.00		3,180.00
342	High-voltage cabinet	12,000.00	8,820.00		3,180.00
343	High-voltage cabinet	12,000.00	8,820.00		3,180.00
344	Transformer	107,000.00	78,645.00		28,355.00
345	Transformer	122,000.00	80,611.50		41,388.50
346	Thyristor automatic switching filter device	264,957.26	238,461.53		26,495.73
347	Composite cold storage	29,473.58	26,526.22		2,947.36
348	Modulator	2,550.00	2,295.00		255.00
349	AC welding machine	4,820.00	4,338.00		482.00
350	Charger	8,000.00	7,200.00		800.00
351	Charger	8,000.00	7,200.00		800.00
352	Waterborne electrostatic spray gun	149,572.65	134,615.38		14,957.27
353	Charger	6,666.67	6,000.00		666.67
354	Online cylinder weight calculator	23,076.92	20,769.23		2,307.69
	Total	102,725,021.29	76,532,413.59	17,872,748.21	8,319,859.49

(2) At the original factory area of Beijing Tianhai Industrial Co., Ltd., certain production equipment is idle due to the disassembling and relocation of the production lines; the moving and relocation work were basically completed in the second quarter of 2015, and certain production equipment was idle from the third quarter. Post-handling plan: First, some of the general equipment to be disposed by way of transfers; secondly, obtain some compensation fees through the real estate and land development plans to offset the impairment loss of equipment.

9. Application status of certificate of property. It is stated in the annual report that the certificate of property of Properties of LNG Industry Base was still under processing. Please supplement and disclose whether the normal usage of relevant properties in the Industry Base is affected and whether the normal operation of the Company is adversely affected in the absence of the relevant certificate of property.

Response to the question:

The original factory area of Beijing Tianhai Industrial Co., Ltd. is located at No. 9 Yingbei Road, Chaoyang District, Beijing; the property ownership number is Jing Fang Quan Zheng Chao Zi Di No. 607418 with an area of 39,796.6 square metres, the property ownership certificate number is Jing Fang Quan Zheng Zi Di No. 727497 with an area of 5,347.02 square metres, and the land use right certificate number is (Jing Chao) Guo Yong (2005 Chu) No. 0242, with an area of 87,541.76 square metres. As a result of relocation of the Company in 2015, the lands and properties are unused currently. The Company has no matter which shall be disclosed but not disclosed.

10. Land and property resources. "Revitalization of land and property resources to promote the transformation and upgrade of the Company" was stated in "Development strategies of the Company" and "Operating plan" in the annual report. Please combine the business operation, supplement the composition of land and property resources of the Company and whether there is discloseable matters which are undisclosed.

Response to the question:

The original factory area of Beijing Tianhai Industrial Co., Ltd. is located at No. 9 Yingbei Road, Chaoyang District, Beijing; the property ownership number is Jing Fang Quan Zheng Chao Zi Di No. 607418 with an area of 39,796.6 square metres, the property ownership certificate number is Jing Fang Quan Zheng Zi Di No. 727497 with an area of 5,347.02 square metres, and the land use right certificate number is (Jing Chao) Guo Yong (2005 Chu) No. 0242, with an area of 87,541.76 square metres. As a result of relocation of the Company in 2015, the lands and properties are currently idle. The Company has no matter which shall be disclosed but not disclosed.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC
26 May 2017

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Li Junjie, and Mr. Du Yuexi as executive directors, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.