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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 2019 ANNUAL RESULTS

The Board of Directors (the “Board”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) hereby announces that the preliminary consolidated results as of and ended 31 December 2019 (the “Reporting Period”) prepared by the Company and its subsidiaries (the “Group”) in accordance with the China Accounting Standards for Business Enterprises are as follows:

I. FINANCIAL DATA

(All amounts are stated in RMB Yuan unless otherwise stated)

CONSOLIDATED BALANCE SHEET

As at 31 December, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited *Unit: Yuan Currency: RMB*

Item	Note	31 December 2019	31 December 2018
Current assets:			
Cash at bank and on hand		83,509,311.05	61,162,121.34
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			23,161,071.50
Accounts receivable	9	190,226,684.14	223,093,594.17
Receivables financings		8,247,436.93	

Item	Note	31 December 2019	31 December 2018
Advances to suppliers		54,366,914.14	58,395,221.68
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Other receivables		46,407,948.62	20,470,775.75
Including: Interests receivable			
Dividends receivable		7,619,884.14	6,075,169.12
Financial assets purchased under agreements to resell			
Inventories		322,173,505.52	325,700,866.01
Contractual assets		21,661,449.47	
Assets held for sale			
Non-current assets due within one year			
Other current assets		55,967,530.79	51,641,219.69
Total current assets		782,560,780.66	763,624,870.14
Non-current assets:			
Loans and advances			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		61,184,187.22	124,898,949.39
Other equity instruments investments			
Other non-current financial assets			
Investment properties		27,917,854.93	28,723,902.58
Fixed assets		641,752,611.90	707,396,045.56
Construction in progress		25,554,133.59	11,653,942.58
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		124,393,260.49	128,526,552.10
Development expenditures			
Goodwill			
Long-term deferred expenses		7,042,191.37	10,298,416.72
Deferred income tax assets		434,480.65	363,087.25
Other non-current assets			

Item	Note	31 December 2019	31 December 2018
Total non-current assets		<u>888,278,720.15</u>	<u>1,011,860,896.18</u>
Total assets		<u>1,670,839,500.81</u>	<u>1,775,485,766.32</u>
Current liabilities:			
Short-term borrowings		290,964,226.81	277,998,046.30
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			30,000,000.00
Accounts payable	10	291,509,493.82	234,374,639.10
Advances from customers			
Contractual liabilities		61,714,542.49	48,104,438.48
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		25,880,020.05	22,929,823.79
Taxes payable		6,941,271.99	15,822,084.92
Other payables		83,829,249.76	80,624,608.94
Including: Interest payable			72,000.00
Dividends payable			
Handling charges and commissions payable			
Reinsurance amounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		22,000,000.00	18,000,000.00
Other current liabilities		281,811.60	286,545.11
Total current liabilities		<u>783,120,616.52</u>	<u>728,140,186.64</u>

Item	Note	31 December 2019	31 December 2018
Non-current liabilities:			
Reserve of insurance contract			
Long-term borrowings			11,000,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables		155,100,000.00	143,100,000.00
Long-term employee benefits payable		26,035,280.87	24,637,440.48
Provisions		3,906,332.75	3,251,807.32
Deferred incomes		2,052,019.15	2,087,460.36
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>187,093,632.77</u>	<u>184,076,708.16</u>
Total liabilities		<u><u>970,214,249.29</u></u>	<u><u>912,216,894.80</u></u>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		422,000,000.00	422,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		687,349,089.60	687,349,089.60
Less: treasury stocks			
Other comprehensive incomes		2,754,544.50	2,308,000.57
Special reserves			
Surplus reserves		45,665,647.68	45,665,647.68
Provisions for general risk			
Undistributed profit	11	-820,483,186.46	-690,446,430.91
Total owners' equity			
(or shareholders' equity)			
attributable to parent company		337,286,095.32	466,876,306.94
Non-controlling interest		<u>363,339,156.20</u>	<u>396,392,564.58</u>
Total owners' equity			
(or shareholders' equity)		<u>700,625,251.52</u>	<u>863,268,871.52</u>
Total liabilities and owners' equity			
(or shareholders' equity)		<u><u>1,670,839,500.81</u></u>	<u><u>1,775,485,766.32</u></u>

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited *Unit: Yuan Currency: RMB*

Item	Note	2019	2018
I. Total operating revenue		1,195,847,102.19	1,121,564,249.15
Including: Operating revenues	8	1,195,847,102.19	1,121,564,249.15
Interest incomes			
Earned premiums			
Handling charges and commissions incomes			
II. Total operating cost		1,311,270,371.18	1,227,270,437.65
Including: Operating cost		1,090,367,319.46	1,016,767,617.68
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Expenses for reinsurance accepted			
Taxes and surcharges		9,845,974.69	10,902,884.81
Selling expenses		61,218,869.03	50,936,486.91
Administrative expenses		112,494,870.48	112,348,840.47
R&D expenses		14,278,613.00	11,827,458.65
Financial expenses		23,064,724.52	24,487,149.13
Including: Interest expense		23,916,520.92	25,636,482.12
Interest income		347,799.44	1,183,368.56
Add: Other earnings		1,395,441.21	719,631.91
Investment incomes			
(with “-” for losses)		-6,901,747.15	-3,275,533.08
Including: Investment incomes from affiliated enterprises and joint ventures			
(with “-” for losses)		-11,144,686.42	-3,275,533.08
Derecognition income of financial asset measured at the amortized cost			
(with “-” for losses)			
Exchange gains (with “-” for losses)			
Gains from net exposure hedges			
(with “-” for losses)			
Gains from changes of fair values			
(with “-” for losses)			
Credit impairment losses			
(with “-” for losses)		-11,772,908.42	-2,017,334.49
Assets impairment losses			
(with “-” for losses)		-27,196,350.86	-36,440,707.35
Incomes of assets disposal			
(with “-” for losses)		12,910.15	8,596,214.61
III. Operating profit (with “-” for losses)		-159,885,924.06	-138,123,916.90
Add: non-operating income		2,132,221.33	13,014,749.97
Less: non-operating expenses		2,065,682.17	445,593.90

Item	Note	2019	2018
IV. Total profits (with “-” for total losses)		-159,819,384.90	-125,554,760.83
Less: income tax expenses	12	2,707,355.39	7,089,870.89
V. Net profits (with “-” for net losses)		-162,526,740.29	-132,644,631.72
(I) Classified according to operating continuity:			
1. Net profit from continuing operations (with “-” for net losses)		-162,526,740.29	-141,291,419.93
2. Net profit from discontinuing operations (with “-” for net losses)			8,646,788.21
(II) Classified according to attribution of the ownership:			
1. Net profit attributable to the parent company’s shareholders (with “-” for net losses)		-130,036,755.55	-93,936,155.30
2. Non-controlling interests profit and loss (with “-” for net losses)		-32,489,984.74	-38,708,476.42
VI. Other net comprehensive incomes after-tax		863,225.84	2,252,331.17
(I) Other net after-tax comprehensive income attributable to the owner of the parent company		446,543.93	1,153,925.70
1. Other comprehensive income that cannot be reclassified through profit or loss			
(1) Changes recalculating and setting of the benefit plan			
(2) Under the equity method, other comprehensive incomes that cannot be transferred to loss and profit in the future			
(3) Change of fair value of investments in other equity instruments			
(4) Changes of fair value of the Company’s own credit risk			
2. Other comprehensive incomes that can be reclassified into loss and profit in the future		446,543.93	1,153,925.70
(1) Under the equity method, other comprehensive incomes that can be transferred to loss and profit in the future			
(2) Change of fair value of other debt investments			
(3) Change loss and profit of fair value of financial assets available-for-sale			
(4) Amount of financial assets reclassified into other comprehensive incomes			
(5) Mature investment reclassified to loss and profit of available-for-sale financial assets			

Item	Note	2019	2018
(6) Credit impairment provisions for other debt investment			
(7) Reserves for cash flows hedges(effective gain/loss on cash flow hedge)			
(8) Converted difference in foreign currency statements for foreign currency		446,543.93	1,153,925.70
(9) Others			
(II) Other comprehensive income attributable to minority shareholders after-tax		416,681.91	1,098,405.47
VII. Total comprehensive incomes		-161,663,514.45	-130,392,300.55
(I) Total comprehensive incomes attributable to owners of the parent company		-129,590,211.62	-92,782,229.60
(II) Total comprehensive income attributable to minority shareholders		-32,073,302.83	-37,610,070.95
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan per share)	13	-0.31	-0.22
(II) Diluted earnings per share (Yuan per share)		-0.31	-0.22

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Scope of Consolidated Financial Statements

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

II. Basis for preparation of Financial Statements

(1) Preparation basis

The Group prepared the financial statements on the basis of going concern, as per the actually incurred transaction and events as well as related disclosure made according to *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and relevant provisions (collectively hereinafter the "Accounting Standards for Business Enterprises"), and the *Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports* (revised in 2014) of China Securities Regulatory Commission and relevant provisions and as required by Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and based on the accounting policies and accounting estimates in the "Note III. Significant Accounting Policies and Accounting Estimates".

(2) Going concern

The Group has evaluated the going concern ability within 12 months since December 31, 2019 and has not found any event and condition causing substantial doubt about the going concern ability. Therefore, these financial statements were prepared on the basis of the going concern assumption.

III. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates indication: accounting policies developed by the Group according to characteristics of actual production and operation and accounting estimates including business cycle, the recognition and measurement of provisions for bad debts from receivables, the measurement of inventory dispatched, fixed assets classification and depreciation methods, amortization of intangible assets, conditions for capitalizing R&D expenses, recognition and measurement of incomes, impairment of long term assets and provisions, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises (ASBE)

The Company declares that the financial statements prepared comply with the Accounting Standards for Business Enterprises, which reflect the financial position, results of operation, change in owners' equity and cash flow of the Company truly and completely.

2. Accounting period

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

3. Business cycle

The Group treats 12 months as a dividing standard for the liquidity of assets and liabilities since the business cycle is rather short for the Group's business.

4. Recording currency

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

5. Accounting treatment method for business merger under common control and different control

The assets and liabilities acquired by the Group, as the combination party, from business combination under common control should be measured based on the book value in the ultimate holding party consolidated statements of the combination party on the combination date. The balance between the book value of the net assets obtained and the book value of the consideration paid shall be used to adjust the capital reserves; where the capital reserves are not sufficient to be offset, the retained earnings shall be adjusted.

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

6. Preparation methods of consolidated financial statements

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

When preparing consolidated financial statements, if the accounting policy or the accounting period adopted is inconsistent between the subsidiaries and the Company, the financial statements of subsidiaries shall be adjusted according to the accounting policy or the accounting period of the Company.

All significant internal transactions, current balances and unrealized profits within the scope of the merger are offset in preparing consolidated statements. Shares in owners' equity of subsidiaries but not attributed to the parent company, net profit and loss for the current period, other comprehensive income and shares attributed to non-controlling interests in total comprehensive income shall be listed in consolidated financial statements as non-controlling interests, non-controlling profit and loss, other comprehensive income attributed to minority shareholders and total comprehensive income attributed to minority shareholders.

Operating results and cash flows of subsidiaries which are acquired by business merger under common control are included into consolidated financial statements on the beginning of the current period of the merger. Upon the preparation of comparative consolidated financial statements, any adjustments to relevant items in financial statements of the previous year are considered as the subject of reports formed after merger as if it might have exist since the time when final controlling party begin to take the control.

Under the circumstance that the equity of the investee is obtained under the common control through multiple transactions step by step, which results in business merger, such equity shall be adjusted in the preparation of consolidated financial statements as if they might have exist as the current state from the time when final controlling party takes the control. When preparing comparative accounts, relevant assets and liabilities of the acquiree are included in comparative accounts of consolidated financial statements of the Group according to the restriction that the time above shall be later than the time when the Group and the acquiree are under the common control of final controlling party, moreover, increased net assets resulting from the merger are adjusted as relevant items under owners' equity. In order to avoid repeated calculation of value of net assets of the merged party, the long-term equity investment held by the Group before the merger is achieved, the changes in relevant profits and losses, other comprehensive incomes and other net asset that have been recognized in the period from the later date, when the long-term equity investment is acquired and when the Group and the acquiree are under the final control of the same party, to the merger date, shall respectively be applied to write off the opening retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business merger under the different control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing consolidated financial statements, adjustments to financial statements of subsidiaries are based on the fair value of identifiable assets, liabilities or contingent liabilities, which is identified at the purchase date.

Under the circumstance that the equity of the investee is obtained under the different control through multiple transactions step by step, which results in business merger, the equity of the acquiree obtained before the purchase date shall be recalculated as per the fair value of the equity on the purchase date when preparing the consolidated financial statements, with the balance between the fair value and its book value included into the current investment profits; if the equity of the acquiree held before the purchase date involves other comprehensive income calculated under the equity method and other change of the owner's equity except net profits and incomes, other comprehensive incomes and profit allocation, the relevant other comprehensive incomes and other change of owners' equity shall be transferred into current income of the purchase date, except other comprehensive incomes arising out from that the acquiree remeasures change of the net liabilities or net assets of the set benefit plan.

The Group disposes of the long-term equity investment against subsidiaries partially without losing control right; in the consolidated financial statements, as for the balance between the disposing amount and the net asset continuously calculated from the purchase date or date of merging of the subsidiary enjoyed correspondingly in disposing long-term equity investment, capital premium or share premium shall be adjusted; if the capital reserves are not sufficient for offset, the retained earnings shall be adjusted.

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the purchase date or date of merging shall be recorded into the investment income of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive incomes related with the equity investment of the original subsidiaries shall be converted to the current investment profit and loss when losing the control right.

When the Group disposes of equity investment of the subsidiaries step by step through multiple transactions till losing the control right, if various transaction from disposal of equity investment of subsidiaries till losing the control right belongs to package deal, accounting treatment shall be conducted for each transaction as the transaction that disposes of subsidiary with loss of control right; Nonetheless, before loss of control right, the balance between each price disposal and the net asset share of such subsidiary enjoyed correspondingly in asset disposal is recognized in the other comprehensive income in the consolidated financial statements and turned into the current profit and loss when losing control right.

7. Classification of joint arrangements and accounting treatment method for joint operations

The Group's joint arrangements include joint operations and joint ventures. In projects for joint operation, for assets held and liabilities assumed solely which are confirmed by the Group as the joint-venture party in joint operation and assets held and liabilities assumed according to shares, their relevant income and costs shall be determined as per related individual agreements or shares. If purchase or sales related to joint operation are not construed as assets transactions of business, it should only determine parts which belong to other participants of joint operation in profit and loss arising from such transactions.

8. Turnover

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

Unit: Yuan Currency: RMB

Item	Amount in current year	Amount in previous year
Gross sales	1,135,567,711.40	1,064,319,563.53
Less: sales tax and other additional charges	<u>9,845,974.69</u>	<u>11,017,884.56</u>
Total	<u>1,125,721,736.71</u>	<u>1,053,301,678.97</u>

(1) Taxes

Item	Amount in current year	Amount in previous year
Corporate income tax in the current year	2,778,748.79	7,094,094.19
Deferred tax liabilities	<u>-71,393.40</u>	<u>-4,223.30</u>
Total	<u>2,707,355.39</u>	<u>7,089,870.89</u>

(2) Dividend

No dividend paid or proposed during the year of 2019. No dividend has been proposed since the end of this reporting period (2018: nil).

9. Accounts receivable

(1) Accounts receivable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Accounts receivable	251,224,964.00	274,653,919.11
Less: bad debt provision	<u>60,998,279.86</u>	<u>51,560,324.94</u>
Net amount	<u><u>190,226,684.14</u></u>	<u><u>223,093,594.17</u></u>

(2) Accounts receivable listed by age

Unit: Yuan Currency: RMB

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	177,109,780.49	191,066,843.48
1 to 2 years	6,924,804.91	17,820,329.84
2 to 3 years	7,379,036.88	25,002,904.43
More than 3 years	59,811,341.72	40,763,841.36
– 3 to 4 years	23,916,808.69	6,282,666.08
– 4 to 5 years	5,051,061.03	22,276,042.43
– More than 5 years	<u>30,843,472.00</u>	<u>12,205,132.85</u>
Total	<u><u>251,224,964.00</u></u>	<u><u>274,653,919.11</u></u>

The basis of aging analysis of the Group is presented based on the relevant transaction dates.

10. Accounts payable

(1) Presentation of accounts payable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Material payment, etc.	285,228,037.89	228,858,941.62
Project payment	6,281,455.93	5,515,697.48
Total	291,509,493.82	234,374,639.10

(2) Significant payables with the aging over 1 year

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for unrepayment or carrying over
Tianjin Seamless Investment Co., Ltd.	2,590,165.89	Unsettled
Gaobeidian Haihong Industrial Co., Ltd.	2,571,018.33	Unsettled
Shengzhongyuan Hoisting Machinery Operation Department, Dongli District, Tianjin	1,198,033.57	Unsettled
Beijing Shunxiang Foam Plastic Products Co., Ltd.	1,016,889.40	Unsettled
Nanpi Taixin Machinery Manufacturing Co., Ltd.	1,428,673.25	Unsettled
Zhongtai Jiecheng (Tianjin) Freight Forwarding Co., Ltd.	1,310,959.93	Unsettled
Beijing Special Equipment Testing	1,071,376.00	Unsettled
Total	11,187,116.37	—

(3) Presentation of accounts payable as per age

Unit: Yuan Currency: RMB

Aging	Closing balance	Opening balance
Within 1 year	258,608,389.73	216,935,540.14
1-2 years	23,950,388.74	12,401,987.78
2-3 years	6,491,516.92	1,467,709.80
Over 3 years	2,459,198.43	3,569,401.38
Total	291,509,493.82	234,374,639.10

11. Undistributed profit

Unit: Yuan Currency: RMB

Item	Current year	Previous year
Opening balance	-690,446,430.91	-567,793,525.60
Add: adjustment of beginning undistributed profit	0.00	-16,451,532.69
Including: retroactive adjustment as newly stipulated in		
Accounting Standards for Business Enterprises	0.00	-16,451,532.69
changes in accounting policies	0.00	0.00
correction of major early errors	0.00	0.00
change in scope of consolidation under		
the common control	0.00	0.00
other adjustment factors	0.00	0.00
Opening balance of the current year	-690,446,430.91	-584,245,058.29
Add: net profits attributable to owners of parent company in current year	-130,036,755.55	-93,936,155.30
Less: appropriation of statutory surplus reserve	0.00	0.00
appropriation of general risk provision	0.00	0.00
ordinary share dividends payable	0.00	12,265,217.32
ordinary share dividends transferred into share capital	0.00	0.00
Closing balance of the current year	<u>-820,483,186.46</u>	<u>-690,446,430.91</u>

12. Income tax expenses

Unit: Yuan Currency: RMB

Item	Amount in current year	Amount in previous year
Current income tax calculated according to tax law and relevant provisions	2,778,748.79	7,094,094.19
1. Mainland China corporate income tax	1,656,400.69	5,889,940.34
2. Hong Kong income tax	0.00	0.00
3. Other regions (USA)	1,122,348.10	2,133,913.35
4. Over-measurement in the previous years (under-measurement)	0.00	-929,759.50
Deferred income tax expenses	-71,393.40	-4,223.30
Total	<u>2,707,355.39</u>	<u>7,089,870.89</u>

13. Return on net assets and earnings per share

Based on the provisions in Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) issued by China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share, and diluted earnings per share for the Group are listed below:

Unit: Yuan Currency: RMB

Profit for the Reporting Period	Weighted Average		Earnings per Share			
	ROA (%)		Basic earnings per share		Diluted earnings per share	
	2019	2018	2019	2018	2019	2018
Net profits attributable to ordinary shareholders of the Company	-32.36	-17.35	-0.31	-0.22	-0.31	-0.22
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	-33.69	-20.27	-0.32	-0.26	-0.32	-0.26

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

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Chairman's Report

Review

In 2019, affected by internal and external factors such as China-US trade war and the slow-down in domestic economy growth etc., industrial manufacturing enterprises have been facing greater difficulties. Faced with complex and changing market situation and arduous development task, the Company paid concerted efforts to overcome difficulties and advanced the work in a steady and orderly manner.

In terms of principal business, the Company always adheres to market orientation and strengthens the building of products diversification structure. While maintaining the stable development of traditional products, the Company actively integrated resources and seized the market shares, and focused on strengthening the resource layout and cultivating of the hydrogen energy industry chain business, Type IV cylinder business and cryogenic tank business. At the same time, the Company also paid attention to strengthen the optimization and integration of internal management of the Company, and management was strengthened while operational efficiency was enhanced, business synergy level was increased, and industrial risk resistance capacity of the Company was strengthened through diversified business deployment. At the same time, making full use of the advantages of the capital market, laying a foundation for the Company's sustainable and healthy development.

During the reporting period, the Company realized operating income of approximately RMB1,196 million, representing an increase of approximately 6.62% as compared with the corresponding period of last year. Net profits attributable to shareholders of the Company was approximately RMB-130.0368 million, representing an increase of loss of approximately RMB36.1 million as compared with the corresponding period of last year.

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

1. Deepen and cultivate the principal business of gas storage and transportation equipment, and actively explore the market

During the Reporting Period, the Company focused on making the main business prospers and took the initiative to grasp the domestic and international markets.

The field of industrial gas and fire services: the industrial fire services market has overall remained stable. Among which, there was a year-on-year increase in subway fire-fighting, station use fire-fighting and marine use fire-fighting market, while there was a breakthrough in the high-end gas cylinder markets such as electronic gas, high-purity gas and rare gas. However, the current situation of fierce low-cost competition still exists. Based on the product quality and brand advantages, the Company shall actively implement sales policy of agency and direct sales so as to improve the domestic and international sales system and to maintain market share.

The field of natural gas application: as affected by a series of favorable national policies such as environmental protection policies, policies on emission standards for vehicles and ships, progress was made in the sales of various natural gas products of the Company. During the Reporting Period, the Company has undertaken two domestic large-scale demonstration marine tank projects; railway tanks have taken the lead and entered into the pilot run while the market influence and market share of LNG tanks have been expanding; affected by the requirement to upgrade the automobile emission standard to National VI Emission Standard, proportion of LNG vehicle products of the Company has increased significantly in the domestic vehicles OEM. At the same time, the HPDI products manufactured by the Company were sold in bulk to European vehicles OEMs, gaining good reputation.

The field of hydrogen energy application: the Company has been keeping up with new markets and new business norms, actively exploring the target customer market, and actively dominating market share in the field of high-pressure hydrogen storage cylinders for use of hydrogen fuel cell vehicles and hydrogen system; During the Reporting Period, the Company has been accelerating the pace to keep up with domestic well-known vehicles OEMs, and product announcements were made for the new vehicles equipped with the high-pressure hydrogen storage cylinders and the hydrogen supply system produced by the Company, which ensured the subsequent application of newly developed products. At the same time, the Company has actively taken up the hydrogen fuel cell vehicles research project of the Beijing Science and Technology Commission to provide extensive room for the development on industry chain of hydrogen energy industry of the Company in the future.

2. *Sort out the industrial structure and the development direction to improve the quality of asset operation of the Company*

During the Reporting Period, the Company has strengthened the sorting out of its industrial structure and the development direction and focused on its main business to fully improve the quality of asset operation of the Company.

The Company actively integrated relevant internal resources, built a hydrogen energy development platform – Beijing Tianhai Hydrogen Energy Equipment Co., Ltd., concentrated its advantages to expand the hydrogen energy market. The Company strictly complied with the relevant provisions on state-owned equity transfer, carefully carried out the transfer of 51% equity interest in Shandong Tianhai held by Beijing Tianhai by public tender, the transfer has now been completed. The completion of the project facilitated the promotion of key industry clustering of the Company, which is of great importance to the promotion of the enterprise's high-quality development. During the Reporting Period, the Company started the reduction of the registered capital of BTIC America Corporation in an orderly manner so as to realize the project of withdrawal of part of the shareholding by the foreign shareholders.

3. *Highlight the innovation to promote the implementation of high-value-added products*

During the Reporting Period, the Company comprehensively accelerated the new mechanism of product technology innovation to improve the research and development organization and institutional construction, in which, various technological research and development projects have made significant progress.

The construction project of the Type IV cylinders production line has been carried out in an orderly manner. The 70MPa product piloting and trial have been completed while 2 new utility model patents have been obtained; On the basis of the product research and development of the original 35MPa Type III cylinders, the Company actively carried out the implementation of national standard conversion work, and the work to change from the enterprise standard to national standard of various specifications of products

were completed. The Company also has actively taken up the 70MPa high-pressure hydrogen storage cylinders key research and development projects of the Beijing Science and Technology Commission and the Ministry of Science and Technology. In addition, announcements were made for the adoption of the hydrogen system and the gas cylinders from various domestic well-known vehicles OEMs. At the same time, the international certifications of movable marine fuel tanks products have been completed and successfully delivered to customers.

4. Exert the refinancing function of the listing platform and create a good environment for development

In 2019, in accordance with the Company's strategic development plan, the Company adopted the method of non-public issuance of A Shares to specific targets to raise funds, which will be used for the construction project of intelligent digital control production line for type IV cylinders of Beijing Tianhai, research and development project of hydrogen energy products, repayment of debts to controlling shareholders and financial institutions etc. This issuance shall not exceed 84,400,000 shares. After the completion of investment, it will be beneficial to maintain and further consolidate the Company's market share in the existing market and advantageous position in the industry, which is needed for the Company's business transformation, new business expansion, profitability enhancement and sustainable development in the future.

On 17 December 2019, the Company received the approval for the issuance issued by the CSRC.

5. Optimize internal management and control operation risks

In order to further facilitate the Company's development and establish a scientific and reasonable and compliant operating system and mechanism, the Company shall continuously strengthen and optimize the internal management. First is to revise governance system such as the Articles of Association and related business system in accordance with the strategic objectives to strengthen the system and mechanism necessary for the Company's sustainable development. Second is to improve overall budget management system, the budget management shall be included in the OA system to clarify the division of responsibilities, simplify the approval process, reasonably allocate resources such as cash, receivables, payables and inventories etc. so as to control operating risks effectively.

Outlook

2020 is a key year for building a well-off society in an all-around manner and the closing year for the "13th Five-Year" Strategic Planning. The Company will continue to resolve non-capital functions under coordination, promote the "high-end, precise and advanced" industrialization with concentrated resources, assist in serving the capital functions, perform well in the four "critical missions" and deepen the reform and adjustment of various works.

The specific objectives of the Company include the following:

1. *Strengthen the expansion in overseas and domestic markets, increase new profit growth points and leverage on the high-quality development of the principal business*

In 2020, the Company will continue to stick to the domestic market while actively expand the marketing strategy on the international market.

Field of international market: the Company will actively respond to the trade friction between China and the United States and United States's anti-subsidy investigation on high pressure steel cylinder products made by China, eliminate the unfavorable factors, and promote market external extension; pay attention to the national policy of "One Belt, One Road" and market investment condition in countries along the route, vigorously carry out international cooperation and expand the room for development in overseas market; continue to explore potential customers, implement accurate marketing for large customers, and expand the proportion of overseas business of multi-national gas companies to ensure the continued growth of sales.

Field of domestic market: the Company will continue to improve the domestic system for sales, make strong efforts to expand the market for key products, accelerate the research and development progress of full series of new products. Meanwhile, the Company will open up new markets as well as new businesses.

Field of industrial fire services: the Company will continue to enter high-end markets such as light weight, ultra-high pressure, and electronic gas, and maintain stable and established channels for major customers; maintain the leading position of fire-fighting cylinders in the market and moderately increase the scale and improve profitability; strengthen cooperation with existing multi-national gas companies and expand its shares in export market.

Field of natural gas: on the one hand, the Company will further strengthen the development of the LNG storage tanks reserves and production and marine tanks markets. At the same time, pay close attention to the dynamics of the railway tanks market, actively participate in demonstration projects, seize market opportunities; on the other hand, strengthen the development of the natural gas heavy truck market, making use of the advantage and opportunities of HPDI products of the Company, with clear objective orientation, the Company will gradually expand the market share in the domestic and international markets.

Field of hydrogen energy application: the Company will pay close attention to relevant national industrial policies. It will strengthen the cooperation with the upstream and downstream enterprises in the industry based on the "high-tech" industrial development planning of the capital city and local hydrogen energy industry development plans. At the same time, the Company will accelerate the research and development and market promotion of hydrogen system and the product series of 70MPa while expanding cooperation with vehicles OEMs; The Company will also actively conduct research and development works on liquid hydrogen storage tank in the field of hydrogen energy so as to promote the development of hydrogen energy business as soon as possible.

2. Accelerate the pace of strategic guidance and reform adjustment to promote business development comprehensively

The Company will fully prepare for the“14th Five-Year” Strategic Planning to ensure the Company’s strategy is scientific, forward-looking and accurate. The Company will also continue to improve the operation work of Tianhai Hydrogen Energy Platform, seize the development trend of the hydrogen energy market and accelerate the business development; it will continue to proceed with the equity transfer of BTIC America to ensure the smooth transition; the Company will carry out the reform on the remuneration system and actively implement the innovation reform on the incentive mechanism and model to stimulate employees’ spirit of long-term striving.

3. Accelerate research and development and innovation of new products to strengthen the advantageous position in the field of gas storage equipment

In the field of industrial gas storage: the Company will focus on the technology development work for the respirators with a full fluorescent bottle. At the same time, the research and application of new technique, craftsmanship and materials will be carried out continuously to develop a series of product with lighter weight and lower price.

In the field of natural gas storage: the Company will focus on the design and development work for the large volume marine tank and LNG regular large storage tank product.

In the field of hydrogen energy storage: the Company will accelerate the progress of the research and development of the hydrogen energy product and speed up the deployment of hydrogen energy industry and business development while mainly focus on the speeding up of construction, research and production work of type IV cylinders; the Company will also actively promote the localization development certification of 35MPa hydrogen supply system, continue to advance the completion and implementation of national major project of 70MPa hydrogen cylinders, focus on the development of large-diameter and large-volume 35MPa type III cylinders, and accelerate the development of skid-mounted hydrogen refueling stations and hydrogen cylinders for station use.

4. Develop financing methods and guarantee working capital

The Company will optimize the mode of funds management and promote efficient operation of funds. In addition to making use of bank loans and bank acceptance drafts, the Company will develop new financial instruments and expand financing methods. At the same time, it is necessary to have good fund income and expenditure plan management, strengthen the inspection, analysis and examination of the implementation of the income and expenditure plan; strengthen the management of accounts receivable, to improve the receivables management system, and to ensure the proper receipt of the accounts receivables; constantly optimize tax planning, realize the effective integration of enterprise economic activities and tax management.

5. Prevent and control the epidemic by implementing various measures

The outbreak of the novel coronavirus pneumonia epidemic in the beginning of 2020 has obviously affected the economy in China, and brought challenges and opportunities to the enterprise's development.

The Company actively responded and strictly implemented various regulations and requirements of China for the prevention and control of the novel coronavirus pneumonia, implemented various measures for the prevention and control of the epidemic, coordinated various work of resuming business and production as well as the operation and development, actively negotiated with customers, suppliers and logistics companies to communicate and maintain relationship. The Company supports China's war against the epidemic in a multi-pronged manner from the aspects of supply guarantee, social responsibility and internal management.

(II) Principal Operation during the Reporting Period

In 2019, the Company was exposed to many uncertainties and unstable factors including the complicated and harsh external environment and the downward pressure on the economy. All employees of the Company made efforts to cope with difficulties, strived to ensure the production and operation of the Company. All the work has been carried out in an orderly manner. Although the main economic indicators still did not meet the expectation, we made certain achievements and also made breakthroughs in a number of major tasks.

During the Reporting Period, the Company had focused on the following work:

1. Reinforcement of corporate governance to enhance operation standard of the Company

In 2019, in strict compliance with the requirements of the listing rules of both stock exchanges, the Company established a sound governance mechanism, and implemented a number of measures to improve corporate governance and ensure its compliance and sustainable development.

2. Actively seize domestic and international markets and make the principal business of gas storage and transportation equipment bigger and stronger

In 2019, the Company aimed at making the principal business bigger and stronger while actively sought for seizing the domestic and international markets. The Company fully leveraged on the advantage of the technology and equipment of the Company's advanced gas storage and transportation equipment to strengthen the quality of the products which were manufactured by equipment, and integrated resources and broadened channels so as to actively develop domestic and international markets.

Domestic market: For the year 2019, as affected by a series of favorable policies such as environmental protection policies, policies on emission standards for vehicles and ships, progress was made in the sales of various types of products of the Company. Industrial gas products remained steady. Proportion of LNG vehicle products has increased significantly in the domestic vehicles OEM. Marine tank achieved significant breakthrough. Railway tanks have taken the lead and entered into the pilot run. Hydrogen series products have been supplied to vehicles OEMs in batches.

International market: Being affected by China-U.S. trade war, the annual sales revenue of the U.S. market decreased on a year-on-year basis; LNG business in European market achieved a major breakthrough with its sales surpassed that of America's market and became the overseas largest export market. Product HPDI-T6 has officially entered well-known vehicles OEMs; in view of low-cost competition in the Asian market, the Company adjusted its product positioning to increase the market competitiveness. At the same time, the Company actively pays attention to the national policy of "One Belt, One Road" and market investment condition in countries along the route, vigorously carries out international cooperation and expands the development space of overseas market.

3. Deepen reform and adjustment and serve the real economy

In 2019, the Company actively integrated the resources of hydrogen energy business by establishing Beijing Tianhai Hydrogen Energy Equipment Co., Ltd., concentrated its advantages to expand the hydrogen energy market to fully promote the Company's industrial development of hydrogen storage, hydrogen transportation and the construction of hydrogen station. The Company also continuously advanced the completion of the transfer of equity interests in Shandong Tianhai, accelerated the pace of capacity replacement and optimised the product structures which facilitated the promotion of key industry clustering of the Company and the promotion of the enterprise's high-quality development.

4. Exert the refinancing function of the listed platform and facilitate the development of subsidiaries

In 2019, by continuing to implement the non-public issuance of A Shares project of the Company, the Company will fully leverage on the advantages and resources of capital market to explore new profit growth points for the Company, promote the integration of the Company's industrial resources, comprehensively promote the Company's business upgrades and strategic implementation, and to enhance the general operating performance and competitive strength of the Company.

5. Strengthen the management of internal control and prevent corporate operational risk

The Company strengthened the strict review of contracts, rules and regulations and major decisions. The Company established a legal affairs management system to prevent and control legal risks; promoted subsidiaries to establish sound internal control systems, strengthened internal control management, improved audit systems, conducted internal audits, and strengthened audit supervision to ensure the orderly operation and management of the Company.

(III) Analysis of principal business

1. Table of movement analysis on the related items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Operating income	1,195,847,102.19	1,121,564,249.15	6.62
Operating cost	1,090,367,319.46	1,016,767,617.68	7.24
Selling expense	61,218,869.03	50,936,486.91	20.19
Administrative expense	112,494,870.48	112,348,840.47	0.13
R&D expenses	14,278,613.00	11,827,458.65	20.72
Finance cost	23,064,724.52	24,487,149.13	-5.81
Net cash flows generated from operating activities	85,942,384.39	11,215,989.36	666.25
Net cash flows generated from investing activities	8,978,348.53	-14,240,366.57	Not applicable
Net cash flows generated from financing activities	-63,572,793.32	-27,447,642.13	Not applicable
Other earnings	1,395,441.21	719,631.91	93.91
Investment income	-6,901,747.15	-3,275,533.08	Not applicable
Credit impairment losses	-11,772,908.42	-2,017,334.49	Not applicable
Income from disposal of assets	12,910.15	8,596,214.61	-99.85
Non-operating income	2,132,221.33	13,014,749.97	-83.62
Non-operating expenses	2,065,682.17	445,593.90	363.58
Income tax expenses	2,707,355.39	7,089,870.89	-61.81
Net profit from discontinuing operations	–	8,646,788.21	-100.00
Net profit attributable to the parent company's shareholders	-130,036,755.55	-93,936,155.30	Not applicable
Other net comprehensive income after tax	863,225.84	2,252,331.17	-61.67

2. Analysis of income and cost

During the Reporting Period, total profit of the Company decreased by approximately RMB34,264,600 over the same period last year. Operating income increased by approximately RMB74,282,900 over the same period last year; operating cost increased by approximately RMB73,599,700 over the same period last year; and operating profit decreased by approximately RMB21,762,000 year-on-year.

The increase in operating income with decrease in product profitability were mainly due to the changes in industry demand and fierce product competition. In order to compete for the limited market demand, some products were sold at reduced prices. At the same time, expenses such as transportation costs, labour costs, and energy and power costs also led to higher costs and decrease in gross profit margin, which led to the decrease in operating profit year-on-year.

(1). Principal business by industry, by product and by region

Unit: Yuan Currency: RMB

By product	Operating income	Operating cost	Principal business by product			Increase/decrease in gross profit margin over last year (%)
			Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	
Seamless steel gas cylinders	457,238,392.59	413,891,657.59	9.48	1.20	17.37	Decrease of 12.47 percentage points
Winding cylinders	133,322,479.64	138,375,757.11	-3.79	-33.43	-28.01	Decrease of 7.82 percentage points
Cryogenic gas cylinders	206,528,273.89	175,711,235.05	14.92	77.83	44.92	Increase of 19.32 percentage points
Cryogenic devices for storage and transportation	195,652,784.90	188,122,208.88	3.85	82.32	52.74	Increase of 18.63 percentage points
Others	142,825,780.38	133,563,288.58	6.49	-24.34	-26.45	Increase of 2.68 percentage points
Total	1,135,567,711.40	1,049,664,147.21	7.56	6.69	8.12	Decrease of 1.22 percentage points

By region	Principal business by region					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in gross profit margin over last year (%)
Domestic	653,079,470.12	605,206,220.02	7.33	0.76	-2.10	Increase of 2.71 percentage points
Overseas	482,488,241.28	444,457,927.19	7.88	15.93	26.03	Decrease of 7.38 percentage points
Total	1,135,567,711.40	1,049,664,147.21	7.56	6.69	8.12	Decrease of 1.22 percentage points

Description of principal business by industry, by product and by region

As affected by a series of favourable policies such as environmental protection policies, policies on emission standards for vehicles and ships, bigger progress was made in the sales of various natural gas products such as cryogenic gas cylinders and low temperature storage and transportation equipment of the Company.

Overseas region increased by 15.93% as compared with the corresponding period of last year. European market has become the overseas largest export market of the Company which achieved a relatively positive growth in sales revenue. As affected by the influences of China-U.S. trade war, the performance in North America market declined.

(2). Analysis of production and sales volume

Principal product	Unit	Production		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 (%)
		volume	Sales volume				
Seamless steel gas cylinders	Unit	803,575	929,052	99,593	-9.69	-2.57	47.96
Winding cylinders	Unit	60,073	60,672	4,857	-38.39	-44.96	-16.72
Cryogenic tanks	Unit	573	627	58	54.86	104.90	-48.21
Cryogenic gas cylinders	Unit	11,795	9,630	3,189	16.42	19.49	211.38
Type III cylinders	Unit	4,049	3,711	286	114.57	92.88	353.97
Filling stations	Station	3	7	0	-93.18	-87.72	-100
Carbon fiber full-winding compound gas cylinders	Unit	63,678	61,316	5,859	5.25	-2.00	67.54

Description of production and sales volume

The production volume in 2019 was approximately 1.03 million, representing a decrease of approximately 10% over the same period last year. The sales volume was approximately 1.15 million, representing a decrease of approximately 5% over the same period last year. Although the production volume and sales volume fell at the same time, the operating income increased as compared with same period of last year, mainly due to the increase in sales volume of high-value-added products such as marine tanks and tank containers which secured the industry position and market advantage of the Company in the cryogenic tanks industry.

(3). Cost analysis

Unit: Yuan Currency: RMB

By product	Component of cost	Current period	By product		Change in amount over last year (%)	Description
			Proportion over total cost for the current period (%)	Corresponding period of last year		
Seamless steel gas cylinders	Materials	261,620,916.76	63.21	218,193,574.95	61.88	19.90
	Labour cost	32,449,105.96	7.84	26,985,489.39	7.65	20.25
	Manufacturing cost	119,821,634.87	28.95	107,454,141.47	30.47	11.51
	Total	413,891,657.59	100.00	352,633,205.81	100.00	17.37
Winding cylinders	Materials	97,125,943.92	70.19	134,174,134.85	69.81	-27.61
	Labour cost	8,925,236.33	6.45	10,093,229.99	5.25	-11.57
	Manufacturing cost	32,324,576.86	23.36	47,945,072.34	24.94	-32.58
	Total	138,375,757.11	100.00	192,212,437.19	100.00	-28.01
Cryogenic gas cylinders	Materials	140,340,563.43	79.87	96,467,202.86	79.56	45.48
	Labour cost	14,197,467.79	8.08	10,018,898.40	8.26	41.71
	Manufacturing cost	21,190,774.95	12.06	14,757,880.23	12.17	43.59
	Total	175,728,806.17	100.01	121,243,981.48	100.00	44.94
Cryogenic devices for storage and transportation	Materials	117,595,192.77	62.51	75,015,933.28	60.90	56.76
	Labour cost	22,461,791.74	11.94	14,467,676.15	11.75	55.26
	Manufacturing cost	48,065,224.37	25.55	33,685,339.35	27.35	42.69
	Total	188,122,208.88	100.00	123,168,948.78	100.00	52.74

Other information on cost analysis

In 2019, the Company endeavoured to reduce procurement costs through various measures. The scope of the purchasing platform in an open, transparent and systematic manner was expanded. The procurement of materials of each subsidiary was included in the scope of monitoring, which facilitated in strengthening the prevention and control of integrity risks and improving the level of procurement business.

(4). Information on major customers and major suppliers

Sales to five largest customers amounted to approximately RMB299,119,200, representing 25.01% of total annual sales, of which sales to related parties were approximately RMB45,697,900, representing 3.82% of total annual sales.

Procurement from five largest suppliers amounted to approximately RMB230,038,600, representing 27.93% of total annual procurement cost, of which procurement from related parties were approximately RMB56,583,800, representing 6.87% of total annual procurement cost.

3. Expenses

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Selling expense	61,218,869.03	50,936,486.91	20.19
Administrative expense	112,494,870.48	112,348,840.47	0.13
Research and development expenses	14,278,613.00	11,827,458.65	20.72
Finance cost	23,064,724.52	24,487,149.13	-5.81

4. *Research and development expenditure*

Breakdown of research and development expenditure

Unit: Yuan Currency: RMB

Research and development expenditure recorded in expenses during the period	14,278,613.00
Research and development expenditure capitalised during the period	–
Total research and development expenditure	14,278,613.00
Percentage of total research and development expenditure over operating income (%)	1.19
Number of research and development staff	181
Number of research and development staff over total number of staff (%)	12.3
Percentage of research and development expenditure capitalised (%)	–

Description

During Reporting Period, in the field of hydrogen energy applications, the Company stressed on carrying out the development and certification for different specification and series of 35MPa aluminium liner and carbon fiber full winding compound gas cylinders (Type III cylinder) for hydrogen fuel vehicles, and completed the research and manufacturing of 70MPa Type III cylinder and hydrogen supply system for buses, highway passenger vehicles and passenger vehicles by combining with the topics of research from Ministry of Science and Technology and Beijing Science and Technology Commission and has completed the research and manufacturing of 35MPa hydrogen supply system for several hydrogen fuel vehicles.

Plastic liner carbon fiber full-winding compound gas cylinders (Type IV cylinder) are undergoing production line construction and production, the procurement by tender for core equipment and the installation and testing of part of the equipment has been completed while 70MPa products are currently in the process of trial production.

In the field of natural gas applications, the Company stressed on the research and development of steel liner carbon fiber full-winding gas cylinders for vehicles, which had been placed on the market in large-scale. The LNG tank for vessels has completed its series development and undertook two domestic large-scale demonstration projects while marine tanks has entered into the pilot run.

In the field of industrial gas and fire services, more than 100 developments and certification of various products such as various types of seamless steel gas cylinders, accumulator shells, SCBA respirator cylinders, cryogenic gas cylinders, and cryogenic tanks were completed in 2019.

5. Cash flows

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Cash inflows from operating activities	1,024,225,091.20	875,446,604.95	16.99
Cash outflows from operating activities	938,282,706.81	864,230,615.59	8.57
Net cash flows generated from operating activities	85,942,384.39	11,215,989.36	666.25
Cash inflows from investing activities	27,634,150.00	29,084,740.50	-4.99
Cash outflows from investing activities	18,655,801.47	43,325,107.07	-56.94
Net cash flows generated from investing activities	8,978,348.53	-14,240,366.57	Not Applicable
Cash inflows from financing activities	238,442,835.31	510,775,808.30	-53.32
Cash outflows from financing activities	302,015,628.63	538,223,450.43	-43.89
Net cash flows generated from financing activities	-63,572,793.32	-27,447,642.13	Not Applicable

Description:

1. Net cash flows from operating activities increased by approximately RMB74,726,400 as compared to the corresponding period of last year, mainly due to the increase in net cash flows from operating activities during the period, as the increase in cash inflows from operating activities was far larger than the increase in cash outflows from operating activities during the period;
2. Net cash flows generated from investing activities increased by approximately RMB23,218,700 as compared to the corresponding period of last year, mainly due to the transfer of equity interest in joint venture Shandong Tianhai during the period.
3. Net cash flows generated from financing activities decreased by approximately RMB36,125,200 as compared to the corresponding period of last year, mainly because the net repayment of borrowings made during the period was higher than that during the corresponding period of last year.

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

Not applicable

(V) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount over the previous period (%)	Description
Monetary funds	83,509,311.05	5.00	61,162,121.34	3.44	36.54	Mainly due to the increase in cash inflows from operating activities during the period
Notes receivable	-	-	23,161,071.50	1.30	-100.00	Mainly due to the decrease in notes to be collected
Receivables financing	8,247,436.93	0.49	-	-	100.00	Mainly due to the increase in bank acceptance bill planned to be settled in advance
Other receivables	46,407,948.62	2.78	20,470,775.75	1.15	126.7	Mainly due to the increase in equity transfer receivables
Contractual assets	21,661,449.47	1.30	-	-	100.00	Mainly due to the increase in rent of Jingcheng Haitong
Long-term equity investments	61,184,187.22	3.66	124,898,949.39	7.03	-51.01	Mainly due to the losses from the transfer of joint venture Shandong Tianhai and associates during the period
Construction in progress	25,554,133.59	1.53	11,653,942.58	0.66	119.27	Mainly due to the increase in investment in type IV cylinders project of the Company
Long-term deferred expenses	7,042,191.37	0.42	10,298,416.72	0.58	-31.62	Mainly due to the amortisation of cylinders turnover fees
Notes payable	-	-	30,000,000.00	1.69	-100.00	Mainly due to the failure of subsidiary to issue the bank acceptance bill at the end of the year
Taxes payable	6,941,271.99	0.42	15,822,084.92	0.89	-56.13	Mainly due to the unpaid value-added tax payables by the subsidiary and the decrease in enterprise income tax
Long-term borrowings	-	-	11,000,000.00	0.62	-100	Mainly due to the long-term borrowings of Kuancheng Tianhai Pressure Containers Co., Ltd., a subsidiary of the Company reclassified into non-current liabilities due within one year

2. Major restricted assets at the end of the reporting period

Unit: Yuan Currency: RMB

Item	Book value at the end of year	Reasons for restriction
Monetary funds	4,622,068.80	Letters of guarantee, borrowings guarantee from letter of credit
Fixed assets	176,729,003.21	Pledged to secure bank borrowings
Intangible assets	8,862,075.94	Pledged to secure bank borrowings
Total	190,213,147.95	–

3. Other description

Not applicable

(VI) Analysis of industry operation

(1) Industrial Fire Services Industry

The industrial gas industry in China has made excellent progress over the past decade, however, as compared to those of developed countries, the per capita industrial gas consumption in China remained at a comparatively low level, which represented a great potential for future development, and is expected to maintain a steady growth in 2020. However, the low-cost competition of industrial cylinder in China is increasingly fierce. In addition, the transportation and storage methods of industrial gas gradually shifted to the mode of low-temperature and liquefied, and this will result in the continuously increasing market demand for cryogenic gas cylinders and cryogenic tanks. The average annual sales growth rate of fire services market in China has reached 10% for the past 5 years, and the fire services industry is expected to grow in a speedy trend in the coming few years with an annual growth rate of 15% to 20%. With the ever-improving laws and regulations of fire safety, the increasingly stringent supervision of fire safety and the increasing importance attached by the government and regulatory authorities at all levels to the fire services industry, the healthy and rapid development of the fire services industry in China will be promoted effectively. While the reform of the fire services administrative review will further enhance the marketization level of the fire services industry in China, creating a favourable environment for the growth and competition of brand enterprises.

(2) Liquefied Natural Gas Industry

The proportion of natural gas in the primary energy consumption structure is expected to be about 10% in 2020. China will promote the establishment of a natural gas production, supply and sales system, accelerate the increase of domestic natural gas reserves and production, fully promote the interconnection of natural gas infrastructure, and improve the peak adjustment system of natural gas reserves. The National Development and Reform Commission revealed that it will establish a peak adjustment mechanism of about 200 million square meters to stabilize China's natural gas supply and reserves. The growing demand for LNG peak adjustment infrastructure in various regions will stimulate the growth of demand for large LNG storage tanks. In terms of natural gas vehicles, there are currently several policies which promote the development of natural gas vehicles: the "13th Five-Year for Natural Gas", the purpose of which is to promote the demand for natural gas heavy trucks to show an upward trend. Other policies include the "State Council's Opinions on Strengthening the Protection of the Ecological Environment in All Aspects and Firmly Winning the Battle of the Preventing and Controlling Environmental Pollution", the "Three-Year Action Plan on Defending the Blue Sky", the "Three-Year Action Plan for Implementing Transportation Structure Adjustment (2018 to 2020)" and the "Action Plan for Controlling Diesel Truck Pollution" which clearly demand "encourage the promotion and use of clean energy vehicles and ships", to "accelerate the use of new energy or clean energy vehicles for new and updated public transport, sanitation, postal, rental, commuter, and light logistics vehicles in urban built-up areas, to achieve its use by 80% in key areas; the use of new energy or clean energy vehicles by new and updated vehicles in key regional ports, airports, railway freight yards, etc" and to "promote the use of gas vehicles that meet the national emission standards VI." Along with the price of LNG continues to decrease in the future, fuel prices continue to rise, the economics of LNG powered ships will show up again. The core components such as marine gas cylinders in the industrial chain, LNG filling stations, barges, inland rivers and offshore LNG transportation and supply vessels will become the key link in the development of the combustion-supporting industry and fully share the high speed growth of the industry.

In accordance with the "Three-Year Action Plan on Defending the Blue Sky" (《打赢蓝天保卫战三年行动计划》) issued by the State Council, diesel vehicles will be gradually withdrawn from cities. The gasified vehicles are expected to reach approximately 10 million units by 2020. The LNG vehicles will undoubtedly embrace new development opportunities.

(3) Hydrogen and Fuel Cell Industry

As an important direction for the transformation and upgrading of automobile powertrain system and strategy for new energy vehicles, the Chinese government attaches great importance to the development of hydrogen fuel cell automobile at a macro level and has launched a series of supportive policies. In 2019, “Promoting the construction of charging and hydrogen filling facilities” was stated in the “Government Working Report” for the first time, indicating that the country highly valued the development of hydrogen energy. Driven by national policies, local governments are paying more attention to the development of fuel cell industry, and have successively launched subsidy policy for the construction of hydrogen filling stations to accelerate the development of infrastructure and ancillary facilities. Under the continuous strengthening policies, construction plans for hydrogen filling stations in various places have also been announced. Meanwhile, some automobile manufacturers such as SAIC (上汽), YuTong (宇通), Foton (福田) and DongFeng (東風) have obtained fuel cell vehicles models which have obtained announcements. Several provinces have implemented hydrogen energy economic demonstration application projects. In Guangdong, the hydrogen filling and petrol stations jointly constructed by PetroChina and Sinopec have commenced construction. It is expected that the hydrogen energy industry will enter an outbreak period in around 2020.

(VII) Analysis of investments

1. General analysis of external equity investments

(1) Material equity investments

Not applicable

(2) Material non-equity investments

Not applicable

(3) Financial assets measured at fair value

Not applicable

(VIII) Material disposal of assets and equity interest

1. On 16 January 2019, the Company disclosed the listing for the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. held by the Company through Beijing Tianhai Industry Co., Ltd. (the “Beijing Tianhai”), and the authorization of the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration not less than the valuation results approved by the SASAC in the resolution announcement on the eleventh extraordinary meeting of the ninth session of the Board of the Company. The Company also disclosed the “Announcement of Disposal of the Equity Interests in subsidiary by public tender” on the same date. On 21 February 2019, the Company disclosed the “Announcement in relation to the Approval on the Asset Valuation Report of Shandong Tianhai By Beijing SASAC”. On 7 March 2019, 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. were listed on China Beijing Equity Exchange for transfer by public tender. The base price of the transfer was RMB61,409,200. However, the Company has not gathered any potential transferee.

Based on the above situation, Beijing Tianhai intended to amend its terms of public tender, and continue to transfer 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. through public tender on China Beijing Equity Exchange. According to “Supervision and Management Measures for Enterprises State-owned Assets” (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council) and “Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets” (Jing Guo Zi Fa [2017] No. 10). Such amendment procedures are in compliance with the relevant requirements of Beijing SASAC and China Beijing Equity Exchange.

On 22 July 2019, the resolution in relation to the amendment to conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. held by Beijing Tianhai through public tender, and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration of not less than 90% of the valuation results approved by Beijing SASAC was considered and approved at the fourteenth extraordinary meeting of the ninth session of the Board of the Company. The Company also disclosed the “Announcement in relation to amendments to the terms of public tender in relation to the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd.”.

On 24 July 2019, the resolution in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Shandong Yong’an Heli Steel Cylinder Co., Ltd. (“Yong’an Heli”) was considered and approved at the fifteenth extraordinary meeting of the ninth session of the Board of the Company. The Company also disclosed the “Announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai Industry Co., Ltd. and Yong’an Heli Steel Cylinder Co., Ltd.”, in which, Yong’an Heli intended to acquire equity interests in Shandong Tianhai, and

entered into an agreement on the payment with a bank guarantee letter as a commitment to registration. Please refer to the said announcement for details.

On 9 September 2019, the Company convened the third extraordinary general meeting of 2019 and the “Resolution in relation to the amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. held by the Company through Beijing Tianhai Industry Co., Ltd. through public tender, and the authorization of the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price based on a minimum consideration of not less than 90% of the valuation results approved by Beijing SASAC” was considered and passed.

On 16 September 2019, Beijing Tianhai has completed the application in respect of amendments to the transfer conditions of listing in relation to the 51% equity interests in Shandong Tianhai at China Beijing Equity Exchange. The amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai by Beijing Tianhai has entered into the disclosure stage of official listing commencing from 17 September 2019. Details of which please refer to the “Announcement on the progress of the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. through public tender”.

On 25 October 2019, Beijing Tianhai and Yong’an Heli entered into the “Asset Transaction Agreement” and other documents in relation to the matter of asset transfer. Details of which please refer to the “Announcement on the progress of the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. through public tender”.

On 7 November 2019, Beijing Tianhai had received the “Transaction Confirmation” issued by the China Beijing Equity Exchange, and completed the industrial and commercial registration procedures of Shandong Tianhai. the asset transfer is completed thereat. In accordance with the relevant requirements of the “Asset Transaction Agreement” entered into by Beijing Tianhai and Yong’an Heli, Beijing Tianhai has confirmed receipt of 50% of the transfer price, being RMB27,634,150.00, while the remaining balance of RMB27,634,150.00 and the corresponding interests shall be settled within one year from the effective date of the “Asset Transaction Agreement” (i.e. before 24 October 2020). Details of which please refer to the “Announcement in relation to the result of the transfer of the 51% equity interests in Shandong Tianhai High Pressure Containers Co., Ltd. through public tender”.

(IX) Analysis of major subsidiaries and associates

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$61,401,800	1,665,489,284.92	325,669,239.95	-165,349,902.69
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	164,344,436.34	162,339,025.03	865,695.44

(X) Structured entities under the control of the Company

Not applicable

(XI) Industry structure and trends

1. Competition within the industry

In recent years, the competition landscape of the gas storage and transportation industry was deteriorating. China currently has more than 30 CNG cylinder manufacturers with a total annual production capacity of over 2 million units and more than 80 LNG cylinder manufacturers with a total annual production capacity of nearly 500,000 units. The production capacity is much higher than the demand. However, the period of economic downturn is the key period for reshaping the industry landscape and for enterprises to take chance in attaining the leading position by improving competitiveness. The industrial gas industry has maintained a steady growth and the LNG industry continued its downward trend due to low oil price. However, the LNG industry still has a promising prospect as China faces pressure relating to the environment protection and the treatment of haze. China's determination on adjusting the energy structure is steadfast. The plan for natural gas application is gradually implemented while non-piped natural gas will further develop.

2. Development trend

(1) Cylinder products

As it is unlikely to change the competitive landscape of standardised industrial gas cylinder, the demand for highly pure cylinders will gradually increase. In 2020, and domestic industrial gas cylinders will still be unable to escape from the situation of excessive production capacity and competition in low prices. With the adjustment in the national industrial structure, energy saving and environmental protection, electronic information and renewable energy industries experienced rapid development, leading to the significant increase in the demand for special gas and also in the demand for domestic made highly pure gas cylinders. The market demand for vehicle cylinders will hopefully increase. With the increase in international oil price, the economic performance of vehicle LNG was demonstrated once again. According to national

policies on the requirements of vehicle weight reduction and along with the state's natural gas development policies consecutively taking effect, these factors may help to revitalize the natural gas vehicle industry. We will increase our efforts on maintaining and expanding vehicles OEM customers and establish a comprehensive service chain combining sales, technology with quality control to meet the increasing market demand for service. However, there are more liquidity problems for automobile manufacturers, so the market needs to be developed moderately.

(2) *Cryogenic products*

China's industrial restructuring and gradual changes in methods of industrial gas transportation and storage to low-temperature and liquefied will bring continuous increase in market demand for cryogenic cylinders and cryogenic tanks. In the long term, the trend of implementing environmental control globally, China's energy-saving and emission reduction and increasing the percentage of clean energy consumption remains unchanged. In the future, natural gas as a clean energy will still be applied in transportation sector such as LNG heavy trucks and vessels. Cryogenic tanks industry is exposed to favorable market opportunities. Large cryogenic tanks are required for receiving stations, peak adjustment stations, vessels, gas filling stations and the construction of factory buildings. The continuous increase in the demand for peak adjustment infrastructures will also stimulate the increase of demand for large LNG storage tanks.

(3) *Station-related products*

With a slowdown in economic growth and the shift from rapid growth to high quality growth, gas filling station enterprises are cautious about investment and slow down the market development. In addition, the cost recovery period of LNG filling stations currently continue to extend, obviously reducing the investment and slowing down the development of LNG filling stations. It will stick to implementing policies of accelerating application of natural gas, seize the opportunities of smog treating and promoting the "coal to gas" policy to strengthen the corporation among gas companies in all regions as well as develop bottle and integrated gasification stations to capture market share by LNG gasification skids, keeping the proper development of filling stations business.

(4) *Tank container products*

Undoubtedly the potential for the development of LNG tank container industry is huge in the coming years. Its flexible transportation methods can satisfy the large demand of LNG imports market in China, help the upgrade of global LNG logistic mode and provide a new approach to quickly allocate LNG resources, and therefore a broad market prospect. To actively develop long-term corporation with customers is the main development focus in the future.

(5) Hydrogen energy products

China has been paying high attention to the development of hydrogen power industry in recent years. National policies papers including the 13th Five-Year National Science and Technology Innovation Plan 《「十三五」國家科技創新規劃》, “Made in China 2025” initiative 《中國製造2025》 and the “13th Five-Year Plan for Projects of Science and Technology Innovation for the Transportation” 《「十三五」交通領域科技創新專項規劃》 classified the hydrogen energy and fuel cell technology as a priority and listed the fuel cell vehicles as a supporting focus, which expressly specified that the demonstration use of 5,000 public buses in certain areas will be achieved and 100 hydrogen filling stations will be set up in 2020. By 2025, there will be 50,000 buses in use and 300 hydrogen filling stations constructed. By 2030, there will be millions of fuel cell cars in commercial operation and the number of hydrogen filling stations reaches to 1,000. As of January 2020, China has achieved 61 hydrogen filling stations. Some automobile manufacturers such as SAIC (上汽), YuTong (宇通), Foton (福田) and DongFeng (東風) have obtained fuel cell vehicles models that has obtained announcements. Several provinces have proposed hydrogen energy economic demonstration application projects. By virtue of the advantage in producing gas storage and transportation equipment accumulated over years, we will seize the opportunities to develop Type III and IV cylinders and systems of hydrogen supply and to gain dominance in the area of hydrogen equipment manufacturing.

(XII) Development strategies of the Company

Strategic positioning: To build the world’s leading industrial gas and the domestic leading energy gas storage and transportation equipment manufacturing and service enterprise.

Overall strategy:

1. Traditional energy equipment (industrial gas): Strengthening the leading position of traditional product market such as industrial gas cylinders, maintaining proper scale and enhancing profitability to ensure profitability;
2. Clean energy equipment (natural gas): Focusing on the development of the leading natural gas storage and transportation equipment and enhancing the market shares of tank products and LNG cylinders;
3. New energy equipment (hydrogen): Accelerating the planning of hydrogen industry, introducing core technology and seizing market opportunities as well as the launch of Type IV cylinders.

(XIII) Operating plan

2020 represents the closing year for implementing the Company's "13th Five-Year" strategy. Under the current socio-economic environment clouded by both international and domestic problems, the Company must understand precisely the trend of socioeconomic development, enhance the awareness to risks and grasp and make use of the important strategic opportunities of China's development. The Company will focus its effort on turning loss into profit with strong determination and steady progress. By targeting the two issues of innovation and market and accomplish different key mission with continuous effort and high quality, the Company would aim at fully completing the target missions in 2020 and ensuring the "13th Five-Year" strategy planning was achieved successfully. The Company will adopt the adjusted strategy as guidance and actively implement different strategic initiatives. By enhancing the precision marketing of major customers, accelerating the completion of research and development of strategic new products, improving the corporate management capabilities and avoiding corporate operational risks, the achievement of all strategic objectives can be ensured.

(XIV) Potential risks

1. *Delisting risk*

The Company's net profit attributable to shareholders of the Company for 2018 was negative, and its net profit attributable to shareholders of the Company for 2019 was still negative. In accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, a delisting risk warning will be issued for its A shares following the disclosure of its A shares annual report for 2019. Commencement date of A shares delisting risk warning: following the disclosure of the A shares 2019 annual report of the Company (i.e. after 28 March 2020). Following the issue of the delisting risk warning, the A stock short name has become *ST京城(stock code: 600860), and the maximum daily movement limit in price for A shares has become 5%. Following the issue of the delisting risk warning for A shares, they will be traded on the risk warning board.

2. *Non-public issuance risk*

On 17 December 2019, the Company received the "Approval in relation to the Non-public Issuance of Shares by Beijing Jingcheng Machinery Electric Company Limited" (Zheng Jian Xu Ke [2019] No. 2551) issued by the CSRC, approving the non-public issuance of no more than 84,400,000 share of new shares by the Company, which will be used for the Type IV cylinders intelligent digital control production line construction project, research and development of hydrogen energy products and repayment of debts to controlling shareholders and the financial institutions. On 18 December 2019, the Company disclosed the "Announcement in relation to the Approval Obtained from the CSRC for the Application of Non-public Issuance of A Shares". Currently, there are uncertainties in the matter of issuance of A Shares by the Company. The Company will strictly protect the confidentiality of information based on the progress of the relevant matters and perform the obligation of information disclosure in strict compliance with the requirements of relevant laws and regulations, and will publish an announcement on the progress of such matters in a timely manner.

3. *Industrial policy risks*

On one hand, due to the fluctuation of international oil prices, the subsidy policy of new energy vehicles and the increasingly strict environmental protection policies, the demand for natural gas storage and transportation industry fluctuated significantly, which had a great impact on the natural gas storage and transportation segment of the Company's principal business. On the other hand, the hydrogen energy storage and transportation segment that the Company involves is a new industry and is susceptible to the influence of national policies, economic environment, industrial development policies, and national energy strategies. Therefore, in response to the above risks, the Company will grasp the national macro policy in a timely manner, pay attention to the development of the industry, expand the application field of products, strengthen the development of core technologies, expand new product market, minimize the industrial policy risks, so as to reduce the impact on the Company.

4. *Risk of intensified market competition*

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

5. *Development risk on new business and new market*

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

6. *Risk of the novel coronavirus pneumonia epidemic*

As affected by the epidemic, employees' return to Beijing and logistics and transportation were blocked, the resumption of work and production of the Company is affected. In response to the above situation, the Company has been in close communication with customers and suppliers to take up relevant coordination works. The operation of the Company is now partially resumed. Subsequently, the Company will continue to pay close attention to the development of the epidemic, adopt scientific prevention and control continuously while reasonably allocate resources, implement the prevention and control works of the epidemic for the systematic resumption of work and production of the Company to steadily and orderly resume normal production and operation. Investors are advised to be cautious for their investments and be aware of the investment risks.

(XV) Analysis of financial position and operating results of the Company during the Reporting Period

1 Analysis of operating results

During the Reporting Period, total profit of the Company decreased by approximately RMB34,264,600 over the same period last year. Operating income increased by approximately RMB74,282,900 over the same period last year; operating cost increased by approximately RMB73,599,700 over the same period last year; and operating profit decreased by approximately RMB21,762,000 year-on-year.

The increase in operating income with decrease in product profitability was mainly due to the changes in industry demand, fierce product competition. In order to compete for the limited market demand, products are sold at reduced prices. At the same time, higher transportation costs, labour costs, energy and power costs, etc. also lead to higher costs and decreased gross profit margin, and the operating profit decreased year-on-year.

During the Reporting Period, expenses increased by approximately RMB11,457,200 over the same period last year, of which, selling expenses increased by approximately RMB10,282,400, mainly due to increase in sales revenue and increase in transportation fee and packaging fee. Management expense increased by approximately RMB146,000, which is basically in line with the same period last year. Research and development expenditure increased by approximately RMB2,451,200, mainly due to increase in research and development investment by subsidiaries. Financial expense decreased by approximately RMB1,422,400, mainly due to decrease in interest expense.

During the Reporting Period, impairment loss on assets decreased by approximately RMB9,244,400 over the same period last year. 1. Provision for inventory impairment loss decreased by approximately RMB5,624,500. 2. Impairment of goodwill decreased by approximately RMB3,679,700. 3. Provision for fixed assets made in the current period was approximately RMB59,800.

The investment income during the Reporting Period decreased by approximately RMB3,626,200, mainly due to the decrease in profits of associates.

The credit impairment losses increased by approximately RMB9,755,600 during the Reporting Period, mainly due to the increase in long-term receivables.

Gains from disposal of assets decreased by approximately RMB8,583,300 during the Reporting Period, mainly due to the income generated from the disposal of a batch of fixed asset of Langfang Tianhai, a subsidiary of the Company, during the same period last year.

Non-operating income decreased by approximately RMB10,882,500 during the Reporting Period. In particular, the debt restructuring gain resulted from the debt restructuring agreement with the suppliers decreased by approximately RMB8,064,000 as compared to the previous year. Government subsidies decreased by approximately RMB2,653,900 year-on-year.

During the Reporting Period, the non-operating expenses increased by approximately RMB1,620,100, mainly due to the disposal of scrap assets by subsidiaries during the current period.

2 Analysis of assets, liabilities and shareholders' equity

As at the end of the Reporting Period, total assets decreased from the beginning of the year while total liabilities increased from the beginning of the year.

As at the end of the Reporting Period, total assets were approximately RMB1,670,839,500, representing a decrease by approximately RMB104,646,300 or 5.89% as compared with the beginning of the year, of which: accounts receivable decreased by approximately RMB32,866,900 or 14.73%, and long-term equity investment decreased by approximately RMB63,714,800 or 51.01%.

Total liabilities were approximately RMB970,214,200, representing an increase of approximately RMB57,997,400 or 6.36% as compared with the beginning of the year, of which accounts payable increased by approximately RMB57,134,900 or 24.38% and long-term payables increased by approximately RMB12,000,000 or 8.39%.

Total shareholders' equity amounted to approximately RMB700,625,300, representing a decrease of approximately RMB162,643,600 or 18.84% as compared with the beginning of the year, mainly due to the decrease in net profit for the year.

3 Analysis of financial position

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

Liquidity and capital structure

	2019	2018
(1) Gearing ratio	58.07%	51.38%
(2) Quick ratio	58.79%	60.14%
(3) Current ratio	99.93%	104.87%

4 Bank loans

The Company prudently implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to timely reduce finance cost and prevent financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to approximately RMB290,964,200, representing an increase of 4.66% as compared with the beginning of the year. Long-term loan amounted to RMB11,000,000, reclassified into non-current liabilities due within one year at the end of the year.

5 Foreign exchange risk management

Foreign exchange risks assumed by the Company are mainly related to US dollars. Apart from BTIC AMERICA CORPORATION and Jingcheng Holding (Hong Kong) Co., Ltd., the subsidiaries of the Company that procure and sell in US dollars, other principal business activities of the Group were priced and settled in RMB. Therefore, the Company was exposed to the foreign exchange risk arising from the fluctuation of exchange rate between RMB and US dollars. The Company actively adopted measures to reduce the foreign exchange risk.

(XVI)Principal Sources of Fund and Its Use

1 Cash flows from operating activities

Cash inflows from operating activities during the Reporting Period were mainly derived from the income of product sales. Cash outflow was mainly used in expenses related to the production and operating activities. The Company's cash inflows from operating activities during the Reporting Period amounted to approximately RMB1,024,225,100, while cash outflow amounted to approximately RMB938,282,700. Net cash flow during the Reporting Period from operating activities amounted to approximately RMB85,942,400.

2 Cash flows from investment activities

Cash inflows from investment activities during the Reporting Period amounted to approximately RMB27,634,200, mainly due to the equity disposal of Shandong Tianhai while cash outflows from investment activities amounted to approximately RMB18,655,800 which was mainly used for capital expense on the purchase of fixed assets. Net cash flows from investment activities during the Reporting Period amounted to approximately RMB8,978,300.

3 Cash flows from financing activities

Cash inflows from financing activities during the Reporting Period amounted to approximately RMB238,442,800, which was mainly derived from bank loans and loans from Jingcheng Holding. Cash outflows from financing activities during the Reporting Period amounted to approximately RMB302,015,600, which was mainly due to the repayment of borrowings from banks and Jingcheng Holding and interest. Net cash flow from financing activities for the Reporting Period amounted to approximately RMB-63,572,800.

In 2019, net cash flows from operating activities increased by approximately RMB74,726,400 as compared to the corresponding period of last year, mainly due to the increase in net cash flows from operating activities during the period, as the increase in cash inflows from operating activities was larger than the increase in cash outflows from operating activities during the period. Net cash flows generated from investing activities increased by approximately RMB23,218,700 as compared to the corresponding period of last year, mainly due to the equity disposal of Shandong Tianhai, during the current period. Net cash flows generated from financing activities decreased by approximately RMB36,125,200 as compared to the corresponding period of last year, mainly because the net repayment of borrowings made during the year was higher than that during the corresponding period of last year.

During the Reporting Period, the Company mainly financed its operations through cash inflows from operating activities, borrowings from controlling shareholder and bank loans.

(XVII) Capital Structure

The Company's capital structure consists of shareholders' equity and liabilities during the Reporting Period. Shareholders' equity amounted to approximately RMB700,625,300, of which minority interests amounted to approximately RMB363,339,200, and total liabilities amounted to approximately RMB970,214,200. Total assets amounted to approximately RMB1,670,839,500. As at the end of the year, the Company's gearing ratio was 58.07%.

Capital structure by liquidity

Total current liabilities	approximately RMB783,120,600	Percentage of assets 46.87%
Total shareholders' equity	approximately RMB700,625,300	Percentage of assets 41.93%
Of which: minority interest	approximately RMB363,339,200	Percentage of assets 21.75%

(XVIII) Contingent Liabilities

As at the end of the Reporting Period, the Company did not have any discloseable significant contingency.

(XIX) Details of the Group's charge on assets

Unit: Yuan Currency: RMB

Item	Book value at the end of year	Reasons for restriction
Monetary funds	4,622,068.80	Letters of guarantee, borrowings guarantee from letter of credit
Fixed assets	176,729,003.21	Pledged to secure bank borrowings
Intangible assets	8,862,075.94	Pledged to secure bank borrowings
Total	190,213,147.95	–

(XX) Embezzlement of funds and repayment of debt during the Reporting Period

Not applicable

(XXI) Explanation of the Company on “Non-Standard Auditors’ Report” issued by the auditors

Not applicable

(XXII) Profit distribution plan or plan to convert surplus reserves into share capital

1. Formulation, implementation or adjustment of cash dividend policy

Not applicable

2. Profit distribution plan or pre-arranged plan or plan or pre-arranged plan to convert surplus reserves into share capital in the previous three years (inclusive of the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed companies in the consolidated financial statement (%)
2019	0	0	0	0	-130,036,755.55	0
2018	0	0	0	0	-93,936,155.30	0
2017	0	0	0	0	20,868,364.01	0

3. Repurchase of shares under cash included in cash dividend

Not applicable

4. If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in details

Not applicable

III. EXPLANATION ON OTHER IMPORTANT MATTERS

1. **Changes of the subsidiaries that included in the consolidation scope during the Reporting Period**

No subsidiaries are included in the consolidation scope during the Reporting Period.

2. **During the Reporting Period, Beijing Pioneer Up Lifter Co., Ltd changed its name into Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. and completed the commerce and industry registration on 18 April 2019.**

3. **During the Reporting Period, the Company was subject to an applicable enterprise income tax rate of 25%.**

4. **Review of financial statements for the Reporting Period by the Audit Committee**

The Audit Committee of the Board of the Company has reviewed and confirmed the financial report for 2019.

5. **Corporate Governance Code**

The Company has always complied with the Listing Rules of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited during the Reporting Period.

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) to the Listing Rules as its own corporate governance code. The Board considered that the Company has complied with all the applicable code provisions set out in the CG Code throughout the year.

6. **Model Code for Securities Transactions by Directors and Supervisors**

During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of the directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the 12 months ended 31 December 2019.

7. **Share capital**

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

(2) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

IV. ANNUAL REPORT AND OTHER INFORMATION

This announcement will be published on the websites of the Company (www.jingchenggf.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report in entirety will be published on the websites of the Company and the Hong Kong Stock Exchange on 24 April 2020.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Wang Jun
Chairman

Beijing, the PRC
27 March 2020

As at the date of this announcement, 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 Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.