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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)

2019 INTERIM RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICES

- 1 This interim results announcement is extracted from the 2019 Interim Report. To comprehensively understand operating results, financial position and future development plans of Beijing Jingcheng Machinery Electric Company Limited (the “Company”), investors should carefully read the full text of the 2019 Interim Report.**
- 2 The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”), the directors (the “Directors”), the supervisors and senior management of the Company guarantee the authenticity, accuracy and completeness of the contents of the 2019 interim results announcement, in which there are no false representations, misleading statements contained, or material omissions, and assume several and joint responsibilities.**
- 3 All directors of the Company have attended the meetings of the Board.**
- 4 The 2019 interim results has not been audited.**
- 5 The proposal of distribution of profit for the reporting period or the transfer of capital reserve to equity considered by the Board**

Nil

II. BASIC INFORMATION OF THE COMPANY

2.1 Company profile

Basic Information of the Company's Shares

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

Contact persons and contact information	Secretary to the Board	Securities affairs representative
Name	Luan Jie	Chen Jian
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Telephone number	010-67365383/58761949	010-67365383/58761949
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Email address	jcgf@btic.com.cn	jcgf@btic.com.cn

2.2 Major financial data of the Company

Unit: Yuan
Currency: RMB

	As at the end of the reporting period	As at the end of last year	Increase/Decrease comparing the end of the reporting period with the end of last year (%)
Total assets	1,778,671,992.85	1,775,485,766.32	0.18
Net assets per share attributable to shareholders of listed company	431,141,749.86	466,876,306.94	-7.65
	For the reporting period (January to June)	For the same period last year	Increase/Decrease comparing the reporting period with the reporting period last year (%)
Net cash flow from operating activities	15,298,022.79	27,405,511.86	-44.18
Operating income	595,157,618.64	474,972,512.03	25.30
Net profit attributable to shareholders of listed company	-35,573,865.71	-28,682,450.33	
Net profit attributable to shareholders of listed company after extraordinary items	-36,309,230.68	-30,049,827.55	
Return on net assets on weighted average basis (%)	-7.92	-5.12	Decreased by 2.80 percentage points
Basic earnings per share (RMB/share)	-0.08	-0.07	N/A
Diluted earnings per share (RMB/share)	-0.08	-0.07	N/A

2.3 Shareholdings held by top ten shareholders

Unit: share

Total number of shareholders as at the end of the reporting period	22,507
Total number of preference shareholders with voting rights restored at the end of the reporting period	0

Shareholdings of top ten shareholders					Pledged or frozen		
Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Share status	Number	Shareholder(s) nature
Beijing Jingcheng Machinery Electric Holding Co., Ltd	0	182,735,052	43.30%	0	Nil	0	State- owned legal- person
HKSCC Nominees Limited	59,947	99,303,147	23.53%	0	Unknown	–	Unknown
Industrial and Commercial Bank of China-Zhonghai Energy Strategy Mixed Securities Fund	5,649,076	5,649,076	1.34%	0	Unknown	–	Unknown
Hong Kong Securities Clearing Company Limited	1,399,328	2,736,366	0.85%	0	Unknown	–	Unknown
Xu Zihua	0	1,708,100	0.53%	0	Unknown	–	Unknown
He Yong	-201,280	1,680,320	0.52%	0	Unknown	–	Unknown
Zhou Jichang	1,634,282	1,634,282	0.51%	0	Unknown	–	Unknown
Xu Rui	-7,300	1,564,400	0.49%	0	Unknown	–	Unknown
Li Changping	766,000	1,507,600	0.47%	0	Unknown	–	Unknown
Yang Qing	0	1,409,500	0.44%	0	Unknown	–	Unknown
Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders	As of the reporting period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.						
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings	N/A						

Notes:

- (1) Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the controlling shareholder of the Company, no share of which are being pledged or frozen.
- (2) HKSCC Nominees Limited held shares on behalf of many of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who individually held 5% or more of the total share capital of the Company.

(3) DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 2019, so far as was known to the Directors, the Directors, the supervisors and chief executive of the Company or their respective associates had the following interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations below (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Hong Kong Listing Rules"), to be notified to the Company and the Stock Exchange:

Long position in Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the Shareholding in the entire Share capital of the Company (A Shares and H Shares)
Wu Yan	Beneficial owner	43,001	0.01%

Save as disclosed above, as at 30 June 2019, none of the Directors, the supervisors and chief executive of the Company or their respective associates had any interest or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

- (4) Save as disclosed above, as at 30 June 2019, the Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- (5) There is no provision for pre-emptive rights under the laws of the PRC and the articles of association of the Company.
- (6) As of 30 June 2019, the Company did not issue any convertible securities, options, warrants or any other similar right.

2.4 Particulars of the total number of shareholders of preference shares and top ten shareholders of preference shares as at the end of the reporting period

☐ Applicable ☒ Not Applicable

2.5 Changes in controlling shareholder or beneficial controller

☐ Applicable ☒ Not Applicable

2.6 Undue and unpaid or overdue corporate bonds

☐ Applicable ☒ Not Applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Management discussion and analysis

Under the influence of various adverse factors, such as the persistent pressure of the economic downturn, the fluctuation of the natural gas market and overcapacity, etc., the workload of the gas storage and transportation industry has also been fluctuating.

During the first half of 2019, affected by China-US trade war, export markets faced significant risks of uncertainty. Faced with complex and changing market situation and arduous development task, the Company paid concerted efforts to overcome difficulties and solidly promoted all kinds of work in an orderly manner.

In terms of principal business, we always adhere to market orientation and strengthen products diversification structure. While maintaining the stable development of traditional products, we actively integrated resources and seized the market shares, focused on strengthening the resources layout and cultivating of the hydrogen energy industry chain business and the Type IV cylinder business. At the same time, the Company also paid attention to strengthen the optimization of internal management of the Company, accelerate the operational efficiency, and by making full use of the advantages of the capital market, a foundation was laid for the Company's sustainable and healthy development.

During the reporting period, the Company realized operating income of approximately RMB595,000,000, representing an increase of 25.3% as compared with the corresponding period of last year. Net profits attributable to shareholders of the Company was -RMB35,573,900, representing an increase of loss of RMB6,891,400 as compared with the corresponding period of last year.

During reporting period, the Company focused on the following works:

1. Both domestic and foreign markets forged ahead with remarkable results performance, consolidating the principal business of gas storage and transportation equipment

In the field of industrial gas cylinders, the industrial gas market remained stable, the competition of low cost has become increasingly fierce. Based on product quality and brand advantages, the Company actively implemented sales policy of agency plus direct sales, sales systems in domestic and overseas both improved to maintain market share.

In the field of natural gas applications, during the first half of 2019, affected by the requirement to upgrade the automobile emission standard to China VI Emission Standard, the demand for gas heavy trucks market increased significantly, proportion of LNG vehicle products of the Company has increased significantly in the domestic OEM. At the same time, the HPDI products manufactured by the Company were sold in bulk to European OEMs, gaining good reputation. By focusing on the dynamic market demand of LNG filling stations and peak regulation stations, the market share of LNG cryogenic storage tank products increased significantly, and marine tanks also made major breakthroughs.

In the field of hydrogen energy, the Company has been keeping up with new markets and new business formats, actively explored the target customer market, actively occupied market share in the field of high-pressure hydrogen storage cylinders for use of hydrogen fuel cell vehicles and hydrogen system; at the same time, the Company cooperated with the OEMs, and product announcements were made for the new vehicles equipped with the hydrogen supply system produced by the Company, which ensured the subsequent application of newly developed products.

2. Reform and adjustment progressed smoothly and achieved remarkable results

During the reporting period, the Company actively deployed the hydrogen energy industry, the name of Pioneer Company was changed to Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (北京天海氢能装备有限公司), integrated relevant resources in the system, built a hydrogen energy development platform, concentrated its advantages to expand the hydrogen energy market, and improved the profitability of hydrogen energy products. The Company also actively promoted the development and investment promotion work of Tianhai Science and Technology Plaza, in order to realize the rental income as soon as possible, and to procure its revenue contribution to the Company as soon as possible. At the same time, the Company strictly complied with the relevant provisions on equity transfer in China, carefully carried out the public tender procedures of Shandong Tianhai High Pressure Containers Co., Ltd. (“**Shandong Tianhai**”) to ensure the Company to complete the exit successfully.

3. *Achieve significant progress in technological innovation through research and innovation simultaneously*

Type IV cylinder is a new product leading the development direction of international highpressure hydrogen containers for hydrogen energy vehicles. During the reporting period, the Company actively entered into the field of Type IV cylinders manufacturing, and firmly grasped the rapid-developing period of Type IV cylinders manufacturing, accelerated the research and development, production line construction and production, put strong efforts to develop products with high added value for business expansion. At present, the construction progress of Type IV cylinder is progressing in an orderly manner according to strategic deployment. The Company paid close attention to the rapid development of domestic hydrogen fuel cell vehicles. On the basis of the research and development of 35MPa Type III hydrogen 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 R&D projects of the Beijing Science and Technology Commission and the Ministry of Science and Technology, research and development work has been completed at present and is at the stage of third-party certification.

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

The resolution in relation to the non-public issuance of A Shares project was considered and approved by the thirteenth extraordinary general meeting of the ninth session of Board of Directors of the Company on 6 May 2019, and such resolution was considered and approved at the extraordinary general meeting held on 15 July 2019. At present, the project has been submitted to the China Securities Regulatory Commission (“CSRC”) for approval. The proceeds will be used for developing the projects of Type IV cylinders and the research and development project of hydrogen energy products, replenishing working capital and repaying debts and etc. The implementation of this project will be beneficial to improve the Company’s capital and liability structure, comprehensively promote the Company’s development in the hydrogen energy equipment industry chain, and achieve a leap-forward improvement in the Company’s operating scale, capital strength and market influence.

5. *Carry out the system construction and comprehensively enhance the management level*

During the reporting period, the Company formulated new assessment management measures in accordance with the new requirements of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality ("Beijing SASAC") for the assessment of the first-level enterprises, and combined with the actual situation of the Company, it established a training system for middle-level management personnel to enhance the management capabilities of middle-level management cadres and strengthened their team building. The high-quality echelon with high performance and strong team management ability facilitated the Company's principal business to achieve a rapid development.

At the same time, the Company also 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; encouraged subsidiaries to establish a sound internal control systems, strengthened internal control management, improved audit systems, conducted internal audits, and strengthened audit supervision to ensure the orderly operations and management of the Company.

6. *To ensure the safety of financial fund by standardizing fund management and strict financial system*

During the reporting period, the Company strengthened the overall budget management and expenses were strictly controlled. Business expenses were analyzed, audited, controlled and evaluated, and dynamic management of expenses throughout the entire process were achieved to ensure safe and efficient operation of financial funds. At the same time, the Company refined financial analysis function, focused on the analysis of product costs and inventory changes in monthly operations, identified the reasons behind the differences in with cost abnormality products, formulated measures, proposed management opinions, the important role of financial management was fully exerted in the Company's operations.

During the second half of the year, the Company will focus on the following work:

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

For international market, the Company will actively respond to the trade friction between China and the United States and "Anti-double", eliminate the unfavorable factors, and promote market extension; pay attention to the national policy of "One Belt, One Road" and market investment in countries along the route, vigorously carry out international cooperation and expand the development space of overseas market; continue to explore potential customers, implement accurate marketing of large customers, and expand the proportion of overseas business of multinational gas companies to ensure the continued growth of sales.

In the field of industrial fire protection, 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 improving profitability; strengthen cooperation with existing multi-national gas companies and expand its shares in export market.

In the field of natural gas, on the one hand, the Company will further strengthen the development of the heavy truck market, making use of HPDI products of the Company, and the Company will gradually expand the market share of automotive products; pay close attention to the dynamics of the marine tanks market, actively participate in demonstration projects, seize market opportunities; expand marine tank technology and products, actively develop the marine tanks market.

In the field of hydrogen energy market, the Company will make full use of Tianhai Hydrogen Energy platform, consolidate internal top-quality resources, establish and improve the design and manufacturing capabilities of hydrogen systems for vehicles, and expand cooperation with OEMs; plan the hydrogen station equipment in advance, seek better business cooperation model, establish industry chain strategic cooperation relationship, and promote the development of the hydrogen energy business as soon as possible.

2. *Promote the Company's A shares refinancing work*

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.

3. *Unswervingly implement strategic deployment, continue to promote deepening reform*

By continuing on the construction of Tianhai Hydrogen Energy platform, the Company will firmly grasp the development speed of the hydrogen energy market, actively explore the new hydrogen industry chain cooperation model; it will continue to implement the investment promotion work of Tianhai Science and Technology Plaza, increase publicity, and adopt diversified investment methods. With innovate business management ideas and the construction of the intelligent park being promoted, the equity transfer of equity in Shandong Tianhai will be carried in strict compliance with the disposal procedures to ensure the Company to complete the exit successfully.

4. Accelerate research and innovation of new products, fully promote business development

In the field of industrial gas: the Company will continue to promote the development, improvement and promotion of light and high pressure gas cylinders, and at the same time increase the development of medical oxygen cylinder products, and complete the certification of related products.

In the field of natural gas: the Company will focus on the design of 40-foot LNG rail tank containers, marine tanks and non-standard tanks. At the same time, the Company will continue to promote the relevant technical certification of LNG cylinders for ultra-large volume vehicles, and actively innovate the gas supply system products for light trucks.

For field of hydrogen energy products: the Company will accelerate the research and development of hydrogen energy products, and rapidly promote the layout and business development of the hydrogen energy industry. The Company will mainly accelerates the construction, research and development and commissioning of Type IV cylinders production lines; actively promotes the localization development verification of 35MPa hydrogen supply system; and promotes the 70MPa research project of the Ministry of Science and Technology and the Beijing Municipal Science and Technology Commission according to the progress of the project.

5. 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 establish and improve the receivables management system, and to ensure that the measures for the accounts receivable management are implemented; constantly optimize tax planning, realize the effective integration of enterprise economic activities and tax administration, reduce taxes and save taxes according to law, and strive to reduce the tax burden of enterprises.

Upholding the strategic positioning of “building the world’s leading gas storage and transportation equipment manufacturing and service enterprise”, under the current socio-economic environment clouded by both international and domestic problems, the Company must understand the precise trend of socio-economic 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 in high quality, and foundation for implementing the “13th Five-Year” strategy was laid.

(1) Analysis of principal businesses

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

Unit: Yuan
Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)
Operating income	595,157,618.64	474,972,512.03	25.30
Operating cost	529,850,732.05	412,718,486.70	28.38
Sales expense	30,029,952.91	23,603,845.45	27.22
Management expense	47,714,070.26	49,780,676.47	-4.15
Financial expense	10,945,290.27	12,012,276.65	-8.88
R&D expenditure	4,488,434.23	1,486,494.42	201.95
Net cash flows from operating activities	15,298,022.79	27,405,511.86	-44.18
Net cash flows from investment activities	-6,908,049.77	-30,892,011.27	
Net cash flows from financing activities	23,115,963.55	36,800,588.87	-37.19

Reasons for the change in the operating income: mainly due to the impact of the natural gas market, resulted in an increase of income from the principal business;

Reasons for the change in operating cost: income from principal business increased which led to an increase in operating costs of principal business;

Reasons for the change in sales expense: mainly due to the increase of sales revenue which led to an increase in costs;

Reasons for the change in management expense: mainly due to the strict implementation of budget management by the Company;

Reasons for the change in financial expense: mainly due to the decrease in loans during the current period;

Reasons for the change in R&D expenditure: mainly due to the increase in investment in the development of 70MPa hydrogen energy cylinders during the current period;

Reasons for the change in net cash flows from operating activities: decrease of RMB12,107,500 as compared with the corresponding period of last year, attributable to the decrease of cash received from operating activities;

Reasons for the change in net cash flows from investment activities: increase of RMB23,984,000 as compared with the corresponding period of last year, which was mainly due to the decrease in cash payment for purchase of fixed assets;

Reasons for the change in net cash flows from financing activities: decrease of RMB13,684,600 as compared with the corresponding period of last year, which was mainly due to the decrease of borrowings in the current period as compared to the corresponding period of last year.

2 Others

(1) Details of the material changes in profit components or income source

☐ Applicable ☒ Not Applicable

(2) Others

☒ Applicable ☐ Not Applicable

Unit: Yuan
Currency: RMB

Items	Current period	Corresponding period of last year	Changes as compared with corresponding period of last year (%)	Description
Taxes and surcharges	4,302,406.86	6,374,803.05	-32.51	Mainly due to the decrease in the current turnover tax for the current period
Investment income	161,801.18	3,195,881.57	-94.94	Mainly due to the decrease in net profits of joint ventures during the Period
Assets impairment losses	10,183,520.45	5,153,782.49	97.59	Assets were tested during the current period, provision for inventory depreciation increased as compared with same period of last year

Items	Current period	Corresponding period of last year	Changes as compared with corresponding period of last year (%)	Description
Non-operating income	983,539.32	2,472,503.68	-60.22	Government subsidy decreased during the current period
Non-operating expenses	418,778.96	314,219.56	33.28	Mainly due to the disposal of scrap assets by subsidiaries
Income tax expenses	1,586,865.62	2,673,283.91	-40.64	Mainly due to the decrease in income tax expenses of subsidiaries in the current period
Other net comprehensive income after tax	-315,646.89	546,273.29	-157.78	Mainly due to the effect of the translation balance in the financial statements of foreign currency

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

☐ Applicable ☒ Not Applicable

(III) Analysis of assets and liabilities

✓ Applicable □ Not Applicable

1. Assets and liabilities

Unit: Yuan
Currency: RMB

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount at the end of current period over the previous period (%)	Description
Monetary funds	79,823,773.84	4.49	61,162,121.34	3.44	30.51	Mainly due to the increase in cash inflow from operating activities during the current period
Construction in progress	23,769,589.54	1.34	11,653,942.58	0.66	103.96	Mainly due to increased investment in the Type IV cyclinder, Tianjin production line and Kuancheng production line
Notes payable			30,000,000.00	1.69	-100	Mainly due to the expiration of the acceptance notes and no new acceptance notes for the current period
Taxes payable	6,503,103.39	0.37	15,822,084.92	0.89	-58.9	Mainly due to the decrease in the unpaid taxes payables during the current period
Long-term borrowings	5,500,000.00	0.31	11,000,000.00	0.62	-50.00	Mainly due to the decrease in long-term borrowings by Kuancheng Tianhai, a subsidiary of the Company
Deferred income	2,941,458.70	0.17	2,087,460.36	0.12	40.91	Mainly due to the special fund for transformation and upgrading received by Kuancheng Tianhai, a subsidiary of the Company.

Other descriptions

Nil

2. Major restricted assets at the end of the Reporting Period

☒ Applicable ☐ Not Applicable

Unit: Yuan
Currency: RMB

Item	Ending carrying amount	Reasons for restriction
Monetary funds	2,553,000.00	Letter of credit
Fixed assets	247,455,366.13	Pledged to secure bank borrowings and notes
Intangible assets	68,013,669.58	Pledged to secure bank borrowings and notes
Total	318,022,035.71	–

3. Other descriptions

☐ Applicable ☒ Not Applicable

(IV) Analysis of investments

1. General analysis of external equity investments

☐ Applicable ☒ Not Applicable

(1) Material equity investments

☐ Applicable ☒ Not Applicable

(2) *Material non-equity investments*

☐ Applicable ☒ Not Applicable

(3) *Financial assets measured at fair value*

☐ Applicable ☒ Not Applicable

(V) Material disposal of assets and equity interest

☒ Applicable ☐ Not Applicable

On 16 January 2019, the resolution in relation to the transfer of 51% equity interests in Shandong Tianhai, held by Beijing Tianhai Industry Co., Ltd. (“**Beijing Tianhai**”), a subsidiary of the Company and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price to be based on a minimum consideration not less than the valuation results approved by Beijing SASAC was considered and approved at the eleventh extraordinary meeting of the ninth session of the Board. 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 was listed on China Beijing Equity Exchange Co., Ltd. (“**CBEX**”) for transfer by public tender. The base price of transfer consideration was RMB61,409,200. As at the date of this announcement, the Company has not gathered any potential transferee.

Based on the above situation, Beijing Tianhai intended to amend its listing conditions, and continue to transfer 51% equity interests in Shandong Tianhai through public tender on CBEX. 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 relevant requirements by Beijing SASAC and CBEX.

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 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. The Company also disclosed the announcement in relation to the amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai through public tender.

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. The Company also disclosed the announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Shandong Yong’an Heli, in which, Yong’an Heli intended to acquire 51% 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.

So far, all the work has been carried out in an orderly manner. If there is any significant progress in the transfer of equity interest in the subsidiary, the Company will strictly disclose the progress in accordance with the requirements of the listing rules of Shanghai and Hong Kong.

(VI) Analysis of major subsidiaries and associates

☒ Applicable ☐ Not Applicable

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co. Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$61,401,800	1,775,812,617.33	439,139,501.04	-51,693,140.15
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	166,126,002.52	159,212,131.99	95,119.10

(VII) Structured entities under the control of the Company

☐ Applicable ☒ Not Applicable

II. OTHER DISCLOSURES

(I) Warning and explanation about predicted negative accumulated net profit for the period from the beginning of the year to the end of the next reporting period or significant change as compared with the corresponding period of last year

☐ Applicable ☒ Not Applicable

(II) Potential risks

☒ Applicable ☐ Not Applicable

(1) 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 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.

(2) 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 facing 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.

III. OTHER DISCLOSURES

✓Applicable ☐ Not Applicable

1. Financial position analysis

By implementing prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a sound capital structure and solid financing channels. The Company has kept its loan scale under strict control such that it can satisfy the capital need of operating activities while minimizing its financial costs and preventing 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

	At the end of the period	At the beginning of the period
(1) Gearing ratio	54.21%	51.38%
(2) Quick ratio	61.22%	60.14%
(3) Liquidity ratio	99.77%	104.87%

2. Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to strictly control the bank loan scale. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. 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 RMB313,464,200, representing an increase of 12.76% as compared with the beginning of the year. Long-term borrowings: long-term

borrowings amounted to RMB5,500,000 as at the end of the period, non-current liabilities due within one year amounted to RMB9,000,000, representing a decrease of RMB3,500,000 for the period; representing a decrease of 19.44% as compared with the beginning of the year calculated in accordance with non-classification method.

3. Foreign exchange risk management

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Company, together with its subsidiaries (the “Group”), are mainly exposed to foreign exchange risk relating to USD. The Group’s main operation is settled by RMB, except BTIC America Corporation and Jingcheng Holding (Hong Kong) Co., Ltd., subsidiaries of the Company, has US dollar sales and purchases. The Company actively adopted such measures to reduce the foreign exchange risk.

4. Principal Sources of Fund and Its Use

(1) Cash flows from operating activities

The Company’s cash inflows are mainly derived from the income of product sales during the reporting period. Cash outflow was mainly related to the production and operating activities. The Company’s cash inflow from operating activities for the reporting period amounted to RMB500,496,900, while cash outflow amounted to RMB485,198,900. Net cash flow during the reporting period from operating activities amounted to RMB15,298,000.

(2) Cash flows from investment activities

Cash inflow from investment activities during the reporting period was nil while cash outflow to investment activities amounted to RMB6,908,000, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investment activities for the reporting period amounted to RMB-6,908,000.

(3) Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to RMB145,466,000, which was mainly derived from bank loans. Cash outflow to fundraising activities during the reporting period amounted to RMB122,350,000. Net cash flow from fund-raising activities for the reporting period amounted to RMB23,116,000.

Net cash flow from operating activities during the current period decreased by RMB12,107,500 compared with the corresponding period last year, which was mainly due to the cash received from operating activities decreased. Net cash flow generated from the investment increased by RMB23,984,000 compared with the corresponding period last year was mainly attributable to the decrease in cash payment for purchase of fixed assets for the current period. Net cash flow generated from fundraising activities decreased by RMB13,684,600 compared with the corresponding period last year, which was mainly due to the borrowings decreased in the current period as compared to the corresponding period of last year

Net cash flow generated from operating activities for the current period was RMB15,298,000. Net profit for the current period was RMB-48,526,500, which was mainly attributable to the capital raised by internal cash flow generated and borrowings for operation.

5. Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the reporting period. Shareholders' equity interests amounted to RMB814,426,700, of which, minority interests amounted to RMB383,285,000, and total liabilities amounted to RMB964,245,200. Total assets amounted to RMB1,778,672,000. As at the end of the period, the Company's gearing ratio was 54.21%.

The Company's total borrowings at the end of the first half of 2019 increased by RMB 31,966,200 over the beginning of the year. As at 30 June 2019, the total borrowings of the Company at fixed interest rates amounted to RMB32,964,200.

Capital structure by liquidity

Total current liabilities	RMB783,429,600	Accounting for 44.05% of assets	44.05%
Total equity interest attributable to shareholders	RMB814,426,700	Accounting for 45.79% of assets	45.79%
Of which: minority shareholders interests	RMB383,285,000	Accounting for 21.55% of assets	21.55%

6. Contingent liabilities

As at the end of the reporting period, the Company has no significant contingent liabilities that needs to be disclosed.

7. Government subsidies

Item	Amount for the current period (RMB)	Source
Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce	12,675.00	Application of supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Supporting fund of Zhongguancun international innovative resources	127,391.00	“Notice on payment of supporting fund of Zhongguancun international innovative resources (second phase) in 2018”
Intellectual Property Administration of Beijing Municipal	1,500.00	“Notice on application for 2019 Beijing Municipal Patent Subsidy”
Subsidy for transformation of gas boilers	490,500.00	Summary Table of low nitrogen transformation of gas (oil) boilers
Total	632,066.00	—

8. Number of Employees, Employees’ rewards, Remuneration Policy and Training Program during the Reporting Period

(1) Number of employees:

Number of employees during the reporting period was 1,624.

(2) *Remunerations:*

Remunerations during the reporting period: RMB74,087,800.

(3) *Remuneration Policies*

The Company implemented a diversified salaries system based on the performance of positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to labour market for confirming the relative value of the position, so as to ensure the internal and external equality of salaries level. On this basis, the remuneration policy is to be implemented in accordance with different personnel and nature of work to undertake a diversified salaries system such as the implementation of technology and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework or hourly wage system for production workers and annual salary system for senior management.

(4) *Training Plan*

In 2019, according to the 2019 annual training plan, a total of 108 training programs were completed with training of 1,654 staff members, number of training hours per staff reached 10.01 hours. According to the Company's annual training plan, the Company organized continuing education, internal control training, construction of the Party's working style and its clean and honest administration, position and quality enhancement, safety production training, emergency plan training, fire safety training, product and process knowledge training for team leaders, financial and statisticians.

9. Corporate Governance

During the reporting period, the Company effectively ensured that the general meeting, the Board, the Supervisory Committee and managers of the Company have well-defined power and responsibilities, allowing them to maintain checks and balances, coordinate with each other and to operate in compliance with requirements. The Board and its strategic committee, the audit committee, the remuneration and monitoring committee and the nomination committee, and the Supervisory Committee carried out their work according to their responsibilities. The information of the Company was disclosed on a true, accurate, complete and timely basis. The actual situation of the Company's governance complied with relevant requirements.

11. Others

- (1) The applicable enterprise income tax rate for the Company for the reporting period was 25%.
- (2) The unaudited 2019 interim report of the Company has been reviewed by the audit committee under the Board of the Company.
- (3) The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules during the reporting period.
- (4) During the reporting period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Hong Kong Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the six months ended 30 June 2019.
- (5) During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
- (6) There was no change in scope of the consolidated statements as compared to the financial report for the previous year.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Scale and Brand Advantages

The Company is a group company consisted of 8 production bases manufacturing of professional gas storage and transportation equipment (including Beijing Tianhai, Minghui Tianhai, Tianhai Low Temperature, Tianjin Tianhai, Shanghai Tianhai, Kuancheng Tianhai, Shandong Tianhai, Jiangsu Tianhai) and a hydrogen industry platform (Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.), and an American Company. With 20 years of operation development, the Company has established a corporate image of fine technology basis and product stability and reliability and the brand Tianhai has become one of the well-known brands.

2. Technology advantage

Relied on continuously technology research and development, the Company has A1, A2, C2, and C3 level pressure vessel design qualifications and A1, A2, B1, B2, B3, C2, C3, D1 and D2 level pressure vessel manufacturing qualifications. It can produce over 800 types of seamless steel gas cylinders, winding cylinders, accumulator shells, asbestos-free acetylene cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders (including those for vehicles), cryogenic tanks and filling stations. The Company's products are widely applied in automotive, chemical, fire-fighting, medical, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

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

3. Sales network advantage

The Company has established a complete sales network equipped with over 30 distribution offices scattering across the country, realizing a full geographical coverage nationwide, and is capable of offering spare parts to largest-scaled automobile manufacturer of national automobile among the supply chain of spare parts for domestic mainstream automobile manufacturers. The Company has also set up eight overseas sales offices mainly located in the United States, Singapore, Korea, India, Australia and other countries. Its products have been accepted by seven out of the world's top eight gas companies. To build a bridge between the basic unit and the market, and to increase the vitality of the strategy execution unit and results of operation, the Company carried out transformation and upgrade of the internal management and control so that each of its subsidiaries could establish a business model of unifying research, production, supply and sales, so as to fully unleash the potential of the organization, make flexible and quick responses to the changes in the market and effectively enhance the results of operation.

Leveraging on advanced technology, outstanding management, reliable products and completed aftersales services system, the Company is keeping its pace of becoming a global leading manufacturing and service enterprise of energy gas storage devices.

4. Human resource advantage

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

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Description of appointment and dismissal of accounting firms

☐ Applicable ☒ Not Applicable

Description of change of accounting firms during the audit period

☐ Applicable ☒ Not Applicable

The Company's description of "Non-Standard Auditors' Report" of the accounting firm

☐ Applicable ☒ Not Applicable

The Company's description of "Non-Standard Auditors' Report" on the financial report in the annual report for the previous year issued by the accountant

☐ Applicable ☒ Not Applicable

V. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

☐ Applicable ☒ Not Applicable

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

☐ The Company has material litigations and arbitrations during the Reporting Period

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

VII. PUNISHMENT AND RECTIFICATION AGAINST LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER AND BUYER

☐ Applicable ☒ Not Applicable

VIII. DESCRIPTION OF THE REPUTATION OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

During the reporting period, the Company and its controlling shareholders were in good faith.

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

(I) Incentives disclosed in extraordinary announcements without progress or change in the follow-up implementation

☐ Applicable ☒ Not Applicable

(II) Incentives not disclosed in extraordinary announcements or with progress in the follow-up implementation

Share incentive

☐ Applicable ☒ Not Applicable

Other descriptions

☐ Applicable ☒ Not Applicable

Employee share scheme

☐ Applicable ☒ Not Applicable

Other incentive measures

☐ Applicable ☒ Not Applicable

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operation

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

☐ Applicable ☒ Not Applicable

2. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

3. *Matters which were not disclosed in extraordinary announcements*

☐ Applicable ☒ Not Applicable

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

1. *Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

2. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

☒ Applicable ☐ Not Applicable

On 16 January 2019, the resolution in relation to the transfer of 51% equity interests in Shandong Tianhai, held by Beijing Tianhai and to authorise the board of directors of Beijing Tianhai to determine the transfer-related matters including the listing price to be based on a minimum consideration not less than the valuation results approved by Beijing SASAC has considered and approved at the eleventh extraordinary meeting of the ninth session of the Board. The Company also disclosed the Announcement of Disposal of the Equity Interests in Shandong Tianhai 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 was listed on CBEX for transfer by public tender. The base price of transfer consideration was RMB61,409,200. As at the date of this announcement, the Company has not gathered any potential transferee.

Based on the above situation, Beijing Tianhai intended to amend its listing conditions, and continue to transfer 51% equity interests in Shandong Tianhai held by the Company through Beijing Tianhai by public tender on CBEX. 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 relevant requirements by Beijing SASAC and CBEX.

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 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. The Company also disclosed the announcement in relation to the amendments to the conditions of listing in relation to the transfer of the 51% equity interests in Shandong Tianhai through public tender.

On 24 July 2019, the resolution in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong’an Heli was considered and approved at the fifteenth extraordinary meeting of the ninth session of the Board. The Company also disclosed the announcement in relation to the agreement, being a connected transaction, entered into between Beijing Tianhai and Yong’an Heli, in which, Yong’an Heli intended to acquire 51% 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.

So far, all the work has been carried out in an orderly manner. If there is any significant progress in the transfer of equity interest in Shandong Tianhai, the Company will strictly disclose the progress in accordance with the requirements of the listing rules of Shanghai and Hong Kong.

3. *Matters which were not disclosed in extraordinary announcements*

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(III) Material connected transactions relating to common external investments

1. *Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

2. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

3. *Matters which were not disclosed in extraordinary announcements*

☐ Applicable ☒ Not Applicable

(IV) Related creditor's right and debt transactions

1. *Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

2. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

☐ Applicable ☒ Not Applicable

3. Matters which were not disclosed in extraordinary announcements

✓ Applicable □ Not Applicable

		Unit: Yuan Currency: RMB					
Related party	Relationship	Provision of funding to related party			Provision of funding by related party to listed company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Shandong Tianhai High Pressure Container Co., Ltd	Joint venture	8,575,721.54	-1,760,498.75	6,815,222.79			
Jiangsu Tianhai Special Equipment Co., Ltd.	Associate	6,007,321.91	-4,204,158.73	1,803,163.18	825,317.28	10,019,174.18	10,844,491.46
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company				902,227.27		902,227.27
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Controlling shareholder				167,133,297.95	1,629,784.72	168,763,082.67
Beijing No. 1 Machine Tool Plant	Wholly-owned subsidiary of parent company				487,359.09	90,000.00	577,359.09
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	Associate	5,402,186.13	3,918,422.08	9,320,608.21	39,200,000.00		39,200,000.00
Kuancheng Shenghua Pressure Container Manufacturing Co., Ltd.	Other related party		38,400.00	38,400.00			
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party	7,711,724.37	-7,711,724.37				
Tianjin Seamless Investment Co. Ltd.	Other related party				4,294,369.42		4,294,369.42
Total		<u>27,696,953.95</u>	<u>-9,719,559.77</u>	<u>17,977,394.18</u>	<u>212,842,571.01</u>	<u>11,738,958.90</u>	<u>224,581,529.91</u>
Reasons for occurrence of related creditor's right and debt transactions		Under normal operation					
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company		None					

(V) Other material connected transactions

☒ Applicable ☐ Not Applicable

On 20 December 2018, the Company disclosed the “Indicative Announcement on Planning Non-Public Issuance of A Shares”. On 6 May 2019, the resolutions in relation to the non-public issuance of A Shares (the “Proposed A Shares Issuance”) were passed at the thirteenth Extraordinary Meeting of the Ninth Session of the Board of Directors, and were considered and approved at the general meeting held on 15 July 2019.

The target subscriber of the Proposed A Shares Issuance is Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Jingcheng Machinery Electric”), the controlling shareholder of the Company, the total number of A shares to be issued shall not exceed 84.4 million, the total amount of funds to be raised shall not exceed RMB462 million, which will be used for the Type IV cylinders construction project, research and development of hydrogen energy products and repayment of debts to Jingcheng Machinery Electric and the financial institutions and etc.

At present, the Company has made an application to the CSRC in respect of the project, on 25 July 2019, the Company received the Acceptance Notice of the Application for Administrative Permission from the CSRC, please refer to “Announcement on the Acceptance by the CSRC of Application for the Proposed A Shares Issuance” by the Company” for details. The Proposed A Shares Issuance remains subject to approval by the CSRC.

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.

(VI) Others

☐ Applicable ☒ Not Applicable

XI. CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

1 Trust, contracting and lease matters

☐ Applicable ☒ Not Applicable

2 Guarantee

☐ Applicable ☒ Not Applicable

3 Other material contracts of significance

☐ Applicable ☒ Not Applicable

XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

☐ Applicable ☒ Not Applicable

XIII. CONVERTIBLE BONDS

☐ Applicable ☒ Not Applicable

XIV. ENVIRONMENTAL INFORMATION

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

☐ Applicable ☒ Not Applicable

(2) Environmental information of companies other than those falling under key sewage emission entities

☒ Applicable ☐ Not Applicable

1. Industrial sewage:

Names of major pollutants and characteristic pollutants: chemical oxygen demand of approximately 8.78 tons, ammonia nitrogen of approximately 0.63 tons, suspended solids of approximately 3.94 tons, PH value of 6.64~7.56, total phosphorus of approximately 0.06 tons, animal and vegetable oil of approximately 0.01 tons, anionic surfactant of approximately 0.001 tons, mineral oil of approximately 0.04 tons; a total of 3 discharges, all meet the discharge standard.

2. *Exhaust gas emissions:*

Names of major pollutants and characteristic pollutants: nitrogen oxides of approximately 6,460 kg, sulfur dioxide of approximately 1,690 kg, benzene of approximately 58.5 Kg, benzene series of approximately 211.8 kg, non-methane total hydrocarbon of approximately 711.5 kg, particulate matter of approximately 3,460 kg; a total of 18 discharges, all meet the discharge standard.

3. *Solid waste:*

Total amount of waste generated was approximately 26,392.86 tons, of which total amount of hazardous waste generated was approximately 30.68 tons (excluding storage), total amount of hazardous waste disposed was approximately 65.67 tons, and the storage capacity was approximately 12.02 tons; the wastes were disposed by companies which possess hazardous waste treatment qualifications.

4. *Construction and operation of pollution prevention & treatment facilities:*

Beijing Minghui Tianhai added 66 welding dust treatment nozzles, 6 grinding and cleaning heads, and 32 welding dust treatment nozzles in Tianhai low temperature equipment. The treatment facilities are regularly maintained and in good condition.

5. *Environmental impact assessment of construction project and other administrative licenses regarding environmental protection:*

Acceptance on environmental impact assessment of the Company's new construction project, the construction project of intelligent numerical control production line for Plastic tank full-winding compound gas cylinder (塑料內膽纖維全纏繞複合氣瓶) has been obtained.

6. *Environmental Emergency Response Plan*

The Company formulated the "Emission Response Plan for Radiation Safety Accidents QSD/EH12-01-07", "Emergency Plan for Sudden Environmental Pollution Incidents QSD/EH12-01-08", "Beijing Tianhai Industry Co., Ltd.'s Emergency Plan for Heavy Air Pollution" to respond to sudden environmental problem.

7. *Environmental self-monitoring scheme:*

The Company accepts and cooperates with the local environmental protection bureau to supervise the inspection, and arranges third party to self-monitor according to the requirements of the Company's ISO14001:2015 "Environmental Management System Requirements and Usage Guidelines".

(3) Explanation of reasons for non-disclosure of environmental information of companies other than those falling under key sewage emission entities

☐ Applicable ☒ Not Applicable

(4) Description of the follow-up progress or changes in the disclosure of environmental information during the reporting period

☐ Applicable ☒ Not Applicable

XV. EXPLANATION ON OTHER IMPORTANT MATTERS

(I) Details, reasons and impact from the changes to the accounting policies, accounting estimates and audit methods compared with the last accounting period

☒ Applicable ☐ Not Applicable

- (1) The Group would prepare the 2019 interim financial statements, annual financial statement and the financial statements of subsequent periods in accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2019 (Cai Kuai [2019] No.6) and its interpretation and the Accounting Standards for Business Enterprises, and the change of comparative figures of the 2018 financial statement is subject to retrospective adjustments. Details of adjustments are as follows:

The consolidated balance sheet being affected as at 31 December 2018

Item	Consolidated balance sheet (RMB)	
	Before adjustment	After adjustment
Notes receivable and accounts receivable	246,254,665.67	N/A
Notes receivable	N/A	23,161,071.50
Accounts receivable	N/A	223,093,594.17
Notes payable and accounts payable	264,374,639.10	N/A
Notes payable	N/A	30,000,000.00
Accounts payable	N/A	234,374,639.10

- (2) On 7 December 2018, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 21 –Leasing (Cai Kuai [2018] No. 35), the “New Leasing Standards”. In preparing the financial statements for the first half of 2019, the relevant accounting standards were implemented and handled in accordance with the relevant linking regulations.

(II) Relevant items in the financial statements at the beginning of the year upon first implementation of the New Leasing Standards

First implementation of the New Leasing Standards has no effect on the relevant items in the financial statements at the beginning of the year.

(II) Particulars, correction amount, reason and its influence of significant accounting errors amended by retrospective restatement during the reporting period

☐ Applicable ✓ Not Applicable

(III) Others

☐ Applicable ✓ Not Applicable

I Financial Statements

Consolidated Balance Sheet

June 30, 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Item	Note	30 June 2019	31 December 2018
Current assets:			
Cash at bank and on hand		79,823,773.84	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		18,363,421.77	23,161,071.50
Accounts receivable		253,850,391.94	223,093,594.17
Receivables financing			
Advances to suppliers		51,876,059.80	58,395,221.68
Premiums receivable			
Reinsurance premium receivable			
Reinsurance contract provision receivable			
Other receivables		25,968,409.64	20,470,775.75
Including: Interest receivable			
Dividends receivable		6,075,169.12	6,075,169.12
Financial assets purchased under agreements to resell			
Inventories		302,005,630.64	325,700,866.01
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		49,746,256.53	51,641,219.69
Total current assets		<u>781,633,944.16</u>	<u>763,624,870.14</u>

Consolidated Balance Sheet (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Non-current assets:			
Loans and advances			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		125,060,750.57	124,898,949.39
Other equity instrument investments			
Other non-current financial assets			
Investment properties		28,382,746.70	28,723,902.58
Fixed assets		685,149,234.52	707,396,045.56
Construction in progress		23,769,589.54	11,653,942.58
Bearer biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		126,028,601.64	128,526,552.10
Development expenditures			
Goodwill			
Long-term deferred expenses		8,212,840.37	10,298,416.72
Deferred income tax assets		434,285.35	363,087.25
Other non-current assets			
Total non-current assets		<u>997,038,048.69</u>	<u>1,011,860,896.18</u>
Total assets		<u><u>1,778,671,992.85</u></u>	<u><u>1,775,485,766.32</u></u>

Consolidated Balance Sheet (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Current liabilities:			
Short-term borrowings		313,464,154.25	277,998,046.30
Borrowings from the central bank			
Deposits and placements from other financial institutions			
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		287,241,821.10	234,374,639.10
Advances from customers			
Contractual liabilities		50,282,176.61	48,104,438.48
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Employee benefits payable		20,955,838.82	22,929,823.79
Taxes payable		6,503,103.39	15,822,084.92
Other payables		84,780,978.53	80,624,608.94
Including: Interest payable			72,000.00
Dividends payable			
Reinsurance amounts payable			
Customer broking			
Securities underwriting			
Held-for-sale liabilities			
Current portion of non-current liabilities		20,000,000.00	18,000,000.00
Other current liabilities		201,563.68	286,545.11
Total current liabilities		783,429,636.38	728,140,186.64

Consolidated Balance Sheet (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings		5,500,000.00	11,000,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables		143,100,000.00	143,100,000.00
Long-term employee benefits payable		26,022,342.56	24,637,440.48
Provisions		3,251,807.32	3,251,807.32
Deferred income		2,941,458.70	2,087,460.36
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>180,815,608.58</u>	<u>184,076,708.16</u>
Total liabilities		<u>964,245,244.96</u>	<u>912,216,894.80</u>

Consolidated Balance Sheet (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Owner's equity:			
Capital stock		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 income		2,147,309.20	2,308,000.57
Special reserves			
Surplus reserves		45,665,647.68	45,665,647.68
General risk reserve			
Undistributed profits		<u>-726,020,296.62</u>	<u>-690,446,430.91</u>
Total equity attributable to shareholders of the parent company		<u>431,141,749.86</u>	<u>466,876,306.94</u>
Minority equity		<u>383,284,998.03</u>	<u>396,392,564.58</u>
Total shareholders' equity		<u>814,426,747.89</u>	<u>863,268,871.52</u>
Total liabilities and shareholders' equity		<u><u>1,778,671,992.85</u></u>	<u><u>1,775,485,766.32</u></u>

Balance Sheet of Parent Company*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Current assets:			
Cash at bank and on hand		2,255,361.60	3,199,803.46
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers			280.00
Other receivables		371,225,146.14	373,391,396.14
Including: Interest receivable		25,525,146.14	27,691,396.14
Dividends receivable			
Inventories			
Contractual assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		152,330.29	
Total current assets		<u>373,632,838.03</u>	<u>376,591,479.60</u>

Balance Sheet of Parent Company (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		694,842,724.41	694,842,724.41
Other equity instrument investments			
Investment properties			
Fixed assets		41,078.75	40,541.86
Construction in progress			
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		<u>694,883,803.16</u>	<u>694,883,266.27</u>
Total assets		<u><u>1,068,516,641.19</u></u>	<u><u>1,071,474,745.87</u></u>

Balance Sheet of Parent Company (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Financial assets at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contractual liabilities			
Employee benefits payable		101,108.63	1,719,891.15
Taxes payable		7,861.27	722,783.52
Other payables		5,068,714.57	2,141,585.68
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		201,563.68	279,193.39
Total current liabilities		<u>5,379,248.15</u>	<u>4,863,453.74</u>
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		<u><u>5,379,248.15</u></u>	<u><u>4,863,453.74</u></u>

Balance Sheet of Parent Company (Continued)*June 30, 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	30 June 2019	31 December 2018
Owner's equity:			
Capital stock		422,000,000.00	422,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		666,639,987.85	666,639,987.85
Less: treasury stocks			
Other comprehensive income			
Special reserves			
Surplus reserves		38,071,282.24	38,071,282.24
Undistributed profits		-63,573,877.05	-60,099,977.96
Total shareholders' equity		<u>1,063,137,393.04</u>	<u>1,066,611,292.13</u>
Total liabilities and shareholders' equity		<u><u>1,068,516,641.19</u></u>	<u><u>1,071,474,745.87</u></u>

Consolidated Income Statement

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	Note	January-June 2019	January-June 2018
I. Total operating revenue		595,157,618.64	474,972,512.03
Including: Operating revenue		595,157,618.64	474,972,512.03
Interest income			
Earned premiums			
Fee and commission income			
II. Total operating cost		627,330,886.58	505,976,582.74
Including: Operating cost		529,850,732.05	412,718,486.70
Interest expenses			
Fee and commission expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Reinsurance expenses			
Taxes and surcharges		4,302,406.86	6,374,803.05
Selling expenses		30,029,952.91	23,603,845.45
Administrative expenses		47,714,070.26	49,780,676.47
R & D expenses		4,488,434.23	1,486,494.42
Financial expenses		10,945,290.27	12,012,276.65
Including: Interest expenses		10,606,563.98	12,465,065.58
Interest income		63,953.07	1,022,640.84
Add: Other incomes		506,001.66	
Investment income (loss to be listed with "-")		161,801.18	3,195,881.57
Including: Income from investment in associates and joint ventures		161,801.18	3,195,881.57
Derecognition income of financial asset measured at the amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")			

Consolidated Income Statement (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	Note	January-June 2019	January-June 2018
Exchange gain (loss to be listed with "-")			
Credit impairment losses (loss to be listed with "-")		-5,815,385.93	-7,647,533.66
Asset impairment losses (loss to be listed with "-")		-10,183,520.45	-5,153,782.49
Income from assets disposal (loss to be listed with "-")			
III. Operating profit (loss to be listed with "-")		-47,504,371.48	-40,609,505.29
Add: non-operating revenue		983,539.32	2,472,503.68
Less: non-operating expenses		418,778.96	314,219.56
IV. Total profit (total loss to be listed with "-")		-46,939,611.12	-38,451,221.17
Less: income tax expenses		1,586,865.62	2,673,283.91
V. Net profit (net loss to be listed with "-")		-48,526,476.74	-41,124,505.08
(I) Classified according to operating continuity		-48,526,476.74	-41,124,505.08
1. Net profit from continuing operations (net loss to be listed with "-")		-48,526,476.74	-41,124,505.08
2. Net profit from discontinuing operations (net loss to be listed with "-")			
(II) Classified according to attribution of the ownership		-48,526,476.74	-41,124,505.08
1. Net profit attributable to the owner of the parent company		-35,573,865.71	-28,682,450.33
2. Non-controlling interests		-12,952,611.03	-12,442,054.75
VI. Net of tax of other comprehensive income		-315,646.89	546,273.29
Net of tax of other comprehensive income attributable to the owner of the parent company		-160,691.37	281,899.59
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			

Consolidated Income Statement (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	Note	January-June 2019	January-June 2018
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss		-160,691.37	281,899.59
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investment			
3. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profit or loss of held-to-maturity investments reclassified to available-for-sale financial assets			
6. Provision for impairment of credit in other debt investments			
7. Reserves for cash flow hedge			
8. Translation difference of foreign currency financial statements		-160,691.37	281,899.59
9. Others			
Net of tax of other comprehensive income attributable to minority shareholders		-154,955.52	264,373.70
VII. Total comprehensive income		-48,842,123.63	-40,578,231.79
Total comprehensive income attributable to shareholders of the parent company		-35,734,557.08	-28,400,550.74
Total comprehensive income attributable to minority shareholders		-13,107,566.55	-12,177,681.05
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		-0.08	-0.07
(II) Diluted earnings per share (RMB/share)		-0.08	-0.07

Income Statement of Parent Company

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	Note	January-June 2019	January-June 2018
I. Operating revenue			
Less: Operating cost			
Taxes and surcharges		5,523.38	11,354.62
Selling expenses			
Administrative expenses		4,258,710.28	2,362,210.00
R & D expenses			
Financial expenses		-790,334.57	-716,781.73
Including: Interest expenses			1,343,062.52
Interest income		792,560.90	2,062,394.19
Add: other incomes			
Investment income (loss to be listed with "-")			
Including: Income from investment in associates and joint ventures			
Derecognition income of financial asset measured at the amortized cost (loss to be listed with "-")			
Net exposure hedging income (loss to be listed with "-")			
Income from changes in fair value (loss to be listed with "-")			
Credit impairment losses (loss to be listed with "-")			
Asset impairment losses (loss to be listed with "-")			
Income from assets disposal (loss to be listed with "-")			
II. Operating profit (loss to be listed with with "-")		-3,473,899.09	-1,656,782.89
Add: non-operating revenue			
Less: non-operating expenses			
III. Total profit (total loss to be listed with "-")		-3,473,899.09	-1,656,782.89
Less: income tax expenses			
IV. Net profit (net loss to be listed with "-")		-3,473,899.09	-1,656,782.89
(I) Net profit from continuing operations (net loss to be listed with "-")		-3,473,899.09	-1,656,782.89
(II) Net profit from discontinuing operations (net loss to be listed with "-")			

Income Statement of Parent Company (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	Note	January-June 2019	January-June 2018
V. Net of tax of other comprehensive income			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investment			
3. Profit or loss from changes in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profit or loss of held-to-maturity investments reclassified to available-for-sale financial assets			
6. Provision for impairment of credit in other debt investments			
7. Reserves for cash flow hedge			
8. Translation difference of foreign currency financial statements			
9. Others			
VI. Total comprehensive income		-3,473,899.09	-1,656,782.89

Consolidated Cash Flow Statement

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	Note	January-June 2019	January-June 2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		469,141,180.69	510,815,869.11
Net increase in deposits and placements from financial institutions			
Net increase of borrowings from the central bank			
Net increase in placement from other financial institutions			
Cash received from premiums of original insurance contract			
Net amount of reinsurance business			
Net increase in deposits from policyholders			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash received from interests, fees and commissions			
Net increase in placement from banks and other financial institutions			
Taxes and surcharges refunds		16,288,989.47	7,878,451.79
Other cash receipts related to operating activities		15,066,793.22	5,441,760.38
Subtotal of cash inflows from operating activities		500,496,963.38	524,136,081.28
Cash paid for goods and services		316,640,202.66	328,194,485.55
Net increase in loans and advances			
Net increase in deposits with the central bank and other banks			
Cash paid for claim settlements on original insurance contract			
Cash paid for interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		113,085,835.64	111,936,126.94
Taxes and surcharges cash payments		24,900,956.45	35,588,157.62
Other cash payments related to operating activities		30,571,945.84	21,011,799.31
Subtotal of cash outflows from operating activities		485,198,940.59	496,730,569.42
Net cash flows from operating activities		15,298,022.79	27,405,511.86

Consolidated Cash Flow Statement (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	January-June 2019	January-June 2018
II. Cash flows from investing activities:			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities			
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		6,908,049.77	30,892,011.27
Cash paid to acquire investments			
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		6,908,049.77	30,892,011.27
Net cash flows from investing activities		-6,908,049.77	-30,892,011.27
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Including: cash received from minority shareholders' investment in subsidiaries			
Cash received from borrowings		145,466,001.21	219,088,104.00
Cash received from issuing bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		145,466,001.21	219,088,104.00

Consolidated Cash Flow Statement (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	<i>Note</i>	January-June 2019	January-June 2018
Cash paid for repayments of debts		113,499,893.26	157,230,244.00
Cash paid for allocation of dividends, profits or interest repayment		8,850,144.40	7,057,271.13
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other cash payments related to financing activities			18,000,000.00
Subtotal of cash outflows from financing activities		122,350,037.66	182,287,515.13
Net cash flows from financing activities		23,115,963.55	36,800,588.87
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-897,284.07	-1,136,129.62
V. Net increase in cash and cash equivalents		30,608,652.50	32,177,959.84
Add: beginning balance of cash and cash equivalents		46,662,121.34	76,867,503.16
VI. Ending balance of cash and cash equivalents		77,270,773.84	109,045,463.00

Cash Flow Statement of Parent Company

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	Note	January-June 2019	January-June 2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services			
Taxes and surcharges refunds			
Other cash receipts related to operating activities		359,555.17	2,421,945.06
Subtotal of cash inflows from operating activities		<u>359,555.17</u>	<u>2,421,945.06</u>
Cash paid for goods and services			
Cash paid to and for employees		1,237,948.22	2,013,229.17
Taxes and surcharges cash payments		1,253,441.84	968,450.97
Other cash payments related to operating activities		1,806,756.97	2,674,220.09
Subtotal of cash outflows from operating activities		<u>4,298,147.03</u>	<u>5,655,900.23</u>
Net cash flows from operating activities		<u>-3,938,591.86</u>	<u>-3,233,955.17</u>
II. Cash flows from investing activities:			
Cash received from return of investment			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other cash receipts related to investing activities		3,000,000.00	2,770,479.17
Subtotal of cash inflows from investing activities		<u>3,000,000.00</u>	<u>2,770,479.17</u>
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		5,850.00	
Cash paid to acquire investments			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments related to investing activities			

Cash Flow Statement of Parent Company (Continued)*January ~ June 2019*

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

*Unit: Yuan
Currency: RMB*

Item	Note	January-June 2019	January-June 2018
Subtotal of cash outflows from investing activities		5,850.00	
Net cash flows from investing activities		2,994,150.00	2,770,479.17
III. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities			
Cash paid for repayment of debts			
Cash paid for allocation of dividends, profits or interest repayment			1,429,458.35
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities			1,429,458.35
Net cash flows from financing activities			-1,429,458.35
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-944,441.86	-1,892,934.35
Add: beginning balance of cash and cash equivalents		3,199,803.46	2,638,253.33
VI. Ending balance of cash and cash equivalents		2,255,361.60	745,318.98

Consolidated Statement of Changes in Owners' Equity

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

	January-June 2018												
	Equity attributable to shareholders of the parent company												
		Other equity instruments				Less:	Other						Total
Item	Capital stock	Preferred shares	Perpetual bond	Others	Capital reserves	treasury stocks	comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Minority equity	shareholders' equity
I. Closing balance of the previous year	422,000,000.00				687,349,089.60		2,308,000.57		45,665,647.68		-690,446,430.91	396,392,564.58	863,268,871.52
Add: changes in accounting policies													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Opening balance of the current year	422,000,000.00				687,349,089.60		2,308,000.57		45,665,647.68		-690,446,430.91	396,392,564.58	863,268,871.52
III. Change in increase or decrease of the current years (decrease to be listed with "-")							-160,691.37				-35,573,865.71	-13,107,566.55	-48,842,123.63
(I) Total comprehensive income							-160,691.37				-35,573,865.71	-13,107,566.55	-48,842,123.63
(II) Capital invested and decreased by shareholders													
1. Common shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment recognized as shareholders' equity													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-over in shareholders' equity													
1. Transfer from capital reserves to capital stock													
2. Transfer from surplus reserves to capital stock													
3. Recovery of losses by surplus reserve													
4. Retained earnings carried over from changes in defined benefit plans													
5. Retained earnings carried over from other comprehensive income													
6. Others													
(V) Special reserves													
1. Appropriation in current year													
2. Use in current year													
(VI) Others													
IV. Closing balance of the current year	422,000,000.00				687,349,089.60		2,147,309.20		45,665,647.68		-726,020,296.62	383,284,998.03	814,426,747.89

Consolidated Statement of Changes in Owners' Equity (Continued)

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

	January-June 2019												
	Equity attributable to shareholders of the parent company												
		Other equity instruments				Less:	Other						Total
Item	Capital stock	Preferred shares	Perpetual bond	Others	Capital reserves	treasury stocks	comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Minority equity	shareholders' equity
I. Closing balance of the previous year	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		-567,793,525.60	435,967,009.86	1,024,342,296.41
Add: changes in accounting policies													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Opening balance of the current year	422,000,000.00				687,349,089.60		1,154,074.87		45,665,647.68		-567,793,525.60	435,967,009.86	1,024,342,296.41
III. Change in increase or decrease of the current years (decrease to be listed with “-”)							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
(I) Total comprehensive income							281,899.59				-28,682,450.33	-12,177,681.05	-40,578,231.79
(II) Capital invested and decreased by shareholders													
1. Common shares invested by shareholders													
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment recognized as shareholders' equity													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-over in shareholders' equity													
1. Transfer from capital reserves to capital stock													
2. Transfer from surplus reserves to capital stock													
3. Recovery of losses by surplus reserve													
4. Retained earnings carried over from changes in defined benefit plans													
5. Retained earnings carried over from other comprehensive income													
6. Others													
(V) Special reserves													
1. Appropriation in current year													
2. Use in current year													
(VI) Others													
IV. Closing balance of the current year	422,000,000.00				687,349,089.60		1,435,974.46		45,665,647.68		-596,475,975.93	423,789,328.81	983,764,064.62

Parent Company's Statement of Changes in Owner's Equity

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	January-June 2019										Total s hareholders' equity
	Capital s tock	Preferred shares	Other equity instruments Perpetual bond	Others	Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	
I. Closing balance of the previous year	422,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96	1,066,611,292.13
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	422,000,000.00				666,639,987.85				38,071,282.24	-60,099,977.96	1,066,611,292.13
III. Change in increase or decrease of the current years (decrease to be listed with "-")											
(I) Total comprehensive income										-3,473,899.09	-3,473,899.09
(II) Capital invested and decreased by shareholders										-3,473,899.09	-3,473,899.09
1. Common shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment recognized as shareholders' equity											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Transfer from capital reserves to capital stock											
2. Transfer from surplus reserves to capital stock											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried over from changes in defined benefit plans											
5. Retained earnings carried over from other comprehensive income											
6. Others											
(V) Special reserves											
1. Appropriation in current year											
2. Use in current year											
(VI) Others											
IV. Closing balance of the current year	422,000,000.00				666,639,987.85				38,071,282.24	-63,573,877.05	1,063,137,393.04

Parent Company's Statement of Changes in Owner's Equity (Continued)

January ~ June 2019

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan
Currency: RMB

Item	January-June 2018										Total s hareholders' equity
	Capital s tock	Preferred shares	Other equity instruments Perpetual bond	Others	Capital reserves	Less: treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	
I. Closing balance of the previous year	422,000,000.00				666,639,987.85				38,071,282.24	-65,337,306.25	1,061,373,963.84
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	422,000,000.00				666,639,987.85				38,071,282.24	-65,337,306.25	1,061,373,963.84
III. Change in increase or decrease of the current years											
(decrease to be listed with "-")										-1,656,782.89	-1,656,782.89
(I) Total comprehensive income										-1,656,782.89	-1,656,782.89
(II) Capital invested and decreased by shareholders											
1. Common shares invested by shareholders											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment recognized as shareholders' equity											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over in shareholders' equity											
1. Transfer from capital reserves to capital stock											
2. Transfer from surplus reserves to capital stock											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried over from changes in defined benefit plans											
5. Retained earnings carried over from other comprehensive income											
6. Others											
(V) Special reserves											
1. Appropriation in current year											
2. Use in current year											
(VI) Others											
IV. Closing balance of the current year	422,000,000.00				666,639,987.85				38,071,282.24	-66,994,089.14	1,059,717,180.95

Note:**1. AGING ANALYSIS OF ACCOUNTS RECEIVABLE**

Unit: Yuan
Currency: RMB

Name	Accounts receivable	Closing balance Bad debt provision	Provision proportion (%)
Within one year	219,657,695.98	2,042,816.62	0.93
One to two years	23,058,610.11	1,784,736.42	7.74
Two to three years	5,973,370.84	943,792.59	15.80
Three to four years	14,188,875.21	5,448,528.08	38.40
Four to five years	3,681,536.98	2,489,823.46	67.63
More than five years	13,347,302.97	13,347,302.98	100.00
Total	279,907,392.09	26,057,000.15	—

2. AGING ANALYSIS OF ACCOUNTS PAYABLE**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
Tianjin Xingrong Machinery Equipment Co., Ltd.	1,636,992.00	Unsettled
Beijing Zhisheng Cryogenic Equipment Maintenance Co., Ltd.	1,622,304.40	Unsettled
Nanpi County Taixin Machinery Manufacturing Co., Ltd.	1,428,673.25	Unsettled
Zhongtai Jiecheng (Tianjin) Freight Forwarding Co., Ltd.	1,310,959.93	Unsettled
Total	8,589,095.47	—

3. REVENUE

The turnover shall include 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:

	<i>Unit: Yuan</i>	
	<i>Currency: RMB</i>	
Item	Amount in the Current Period	Amount in the Previous Period
Seamless Steel Gas Cylinder	233,574,260.28	128,041,670.04
Full-wrapped Cylinder	74,864,185.85	102,317,911.84
Cryogenic Cylinder	120,390,292.13	124,560,936.16
Cryogenic Storage and Transportation Equipment	79,551,266.97	967,870.98
Other	67,323,083.90	88,972,097.25
Gross Sales	575,703,089.13	444,860,486.27
Less: Sales Tax and Other Additional Charges	4,302,406.86	6,374,803.05
Total	571,400,682.27	438,485,683.22

4. TAXES

(1) Main Tax Types and Tax Rate

Tax category	Tax category	Tax category
Value-added tax	Taxable added value	16%, 13%, 6%, 5%, 0%
Consumption tax		
Business Tax		
City maintenance and construction tax	VAT payable	5%, 7%
Education surcharge	VAT payable	3%
Local education surcharge	VAT payable	2%
Property tax	70%-80% of the original house property value and income from house property leasing	1.2% and 12%
Corporate income tax	Taxable income	25%
Hong Kong profits tax	Taxable income	16.50%
Corporate income tax (USA)	Taxable income	Excess progressive of tax rate

(2) Corporate Income Tax Rates for Each Subsidiary of the Group are as Follows:

Names of the taxpayer	Income tax rate (%)
The Company	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Cylinders Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd.	25%
Kuancheng Tianhai Pressure Container Co., Ltd.	25%
Jingcheng Holding (Hong Kong) Co., Ltd.	16.50%

BTIC America Corporation is a company incorporated in America, whose corporate income tax is based on the surtax system, and the tax rate of taxable income ranges from 15% to 39%.

(3) Tax Preference

Beijing Tianhai Industry Co., Ltd, a subsidiary of the Company, has obtained the High-tech Enterprise Certificate on 22 December 2016 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, Beijing Municipal Office of SAT and Beijing Local Taxation Bureau, with the Certificate No. GR201611003805. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate for January to June 2019.

Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, has obtained the High-tech Enterprise Certificate on 22 December 2016 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing Municipality, Beijing Municipal Office of SAT and Beijing Local Taxation Bureau, with the Certificate No. GR201611004210. The validity of the certificate is three years. The provision for corporate income tax for the time being is based on the 15% of its preferential tax rate for January to June 2019.

(4) Changes in Taxation and Taxation Preferential Policy

There is no change in taxation and taxation preferential policy this year compared with the previous year.

(5) Taxes

Unit: Yuan
Currency: RMB

Item	Amount in the Current Period	Amount in the Previous Period
Corporate Income Tax in the Current Year	1,658,063.72	2,673,283.91
Deferred Income Tax	-71,198.10	0.00
Total	1,586,865.62	2,673,283.91

5. EARNINGS PER SHARE

- (1) Basic earnings per share is calculated through consolidated net profit attributable to the common shareholders of the parent divided by the weighted average outstanding common shares.

Unit: Yuan
Currency: RMB

Item	Current period	Previous period
Consolidated net profit attributable to the common shareholders of the parent company	-35,573,865.71	-28,682,450.33
Consolidated net profit attributable to the common shareholders of the parent company (net of non-operating gains and loss)	-36,309,230.68	-30,049,827.55
The weighted average numbers of outstanding common shares of the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	-0.08	-0.07
Basic earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.09	-0.07
The calculation of the weighted average number of basic EPS:		
Item	Current period	Previous period
The beginning balance of outstanding common shares	422,000,000.00	422,000,000.00
Adjustment of capital reserves transfer to the capital	0.00	0.00
The balance of outstanding common shares at the end of the period	422,000,000.00	422,000,000.00

(2) Diluted earnings per share

Unit: Yuan
Currency: RMB

Item	Current period	Previous period
Adjusted consolidated net profit attributable to the basic shareholders of the parent company	-35,573,865.71	-28,682,450.33
Adjusted consolidated net profit attributable to the basic shareholders of the parent (net of non-operating gains and loss)	-36,309,230.68	-30,049,827.55
The adjusted weighted average numbers of outstanding common shares	422,000,000.00	422,000,000.00
Diluted earnings per share (Yuan/share)	-0.08	-0.07
Diluted earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.09	-0.07

6. SHARE CAPITAL

The change of the legal, issued and paid share capital of the Company is as follows: All the shares of the Company are ordinary one with the face value of RMB1 per share.

(Unit: Yuan)
Currency: RMB

Item	Opening amount		Change in the current period					Closing amount	
	Amount	Proportion (%)	Issuing new shares	Bonus shares	Transfer from capital surplus to share capital	Others	Subtotal	Amount	Proportion (%)
Total restricted shares									
Unrestricted shares	—	—	—	—	—	—	—	—	—
RMB ordinary shares	322,000,000	76.30						322,000,000	76.30
Overseas listed foreign share	100,000,000	23.70						100,000,000	23.70
Total unrestricted shares	422,000,000	100.00						422,000,000	100.00
Total shares	422,000,000	100.00						422,000,000	100.00

7. STOCK DIVIDEND

No dividend paid or declared during the first half of 2019. No dividend was declared after the end of the reporting period up to the date of this announcement (2018: none).

Beijing Jingcheng Machinery Electric Company Limited

Wang Jun

Chairman

Beijing, the PRC

9 August 2019

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. 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.