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北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

ANNOUNCEMENT ON 2022 ANNUAL RESULTS

The board of directors (the “**Board**”) of Beijing Jingcheng Machinery Electric Company Limited (the “**Company**”) hereby announces that the audited preliminary consolidated results ended 31 December 2022 (the “**Reporting Period**”) prepared by the Company and its subsidiaries (the “**Group**”) in accordance with the China Accounting Standards for Business Enterprises are as follows:

I. FINANCIAL DATA

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan Currency: RMB

Item	Note	31 December 2022	31 December 2021
Current assets:			
Cash at bank and on hand		336,627,993.24	105,776,763.72
Settlement reserve			
Loans to banks and other financial institutions			
Financial assets held for trading		–	30,675.01
Derivative financial assets			
Notes receivable		8,603,853.52	
Accounts receivable	10	315,652,015.26	175,225,191.63
Receivables financings		29,790,417.72	10,465,061.76
Advances to suppliers		46,525,117.75	53,915,051.53
Premiums receivable			

Item	Note	31 December 2022	31 December 2021
Reinsurance premium receivable			
Reinsurance contract reserves receivable			
Other receivables		4,809,858.44	9,636,026.09
Including: Interests receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories		310,798,445.44	324,694,186.81
Contractual assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		<u>10,221,016.45</u>	<u>27,386,862.15</u>
Total current assets		<u>1,063,028,717.82</u>	<u>707,129,818.70</u>
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		83,828,193.76	79,947,483.76
Other equity instruments investments			
Other non-current financial assets			
Investment properties			
Fixed assets		594,584,383.38	618,317,885.27
Construction in progress		59,457,140.18	38,592,075.56
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		220,518,068.16	
Intangible assets		192,378,307.38	120,037,115.68
Development expenditures			
Goodwill		168,996,039.10	
Long-term deferred expenses		16,622,473.45	4,372,745.88
Deferred income tax assets		8,340,599.88	51,632.65
Other non-current assets		<u>26,835,176.42</u>	
Total non-current assets		<u>1,371,560,381.71</u>	<u>861,318,938.80</u>
Total assets		<u>2,434,589,099.53</u>	<u>1,568,448,757.50</u>

Item	Note	31 December 2022	31 December 2021
Current liabilities:			
Short-term borrowings		100,000,000.00	83,825,972.96
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		77,497,454.43	50,693,681.14
Accounts payable	11	242,600,960.24	263,096,766.13
Advances from customers			
Contractual liabilities		60,289,757.30	68,094,818.68
Financial assets sold under agreements to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		25,714,018.81	27,257,688.27
Taxes payable		21,834,560.15	6,186,732.62
Other payables		63,942,916.44	25,960,072.78
Including: Interests payable			
Dividends payable			349,853.79
Handling charges and commissions payable			
Reinsurance amounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		21,127,930.84	7,000,000.00
Other current liabilities		6,677,447.44	4,613,930.02
Total current liabilities		<u>619,685,045.65</u>	<u>536,729,662.60</u>

Item	Note	31 December 2022	31 December 2021
Non-current liabilities:			
Reserve of insurance contract			
Long-term borrowings			0
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Lease liabilities		248,801,063.86	
Long-term payables		113,207,700.00	30,000,000.00
Long-term employee benefits payable		30,779,454.07	29,193,698.39
Estimated liabilities		8,020,131.96	5,794,470.12
Deferred incomes		358,604.17	5,318,879.05
Deferred income tax liabilities		7,255,633.01	
Other non-current liabilities			
Total non-current liabilities		408,422,587.07	70,307,047.56
		<hr/>	<hr/>
Total liabilities		1,028,107,632.72	607,036,710.16
		<hr/> <hr/>	<hr/> <hr/>
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		542,265,988.00	485,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		1,151,111,016.32	835,353,861.68
Less: treasury stocks			
Other comprehensive incomes		2,128,736.81	-1,030,194.20
Special reserves		124,960.21	
Surplus reserves		45,665,647.68	45,665,647.68
Provisions for general risk			
Undistributed profit	12	-669,031,286.39	-687,333,700.32
Total owners' equity (or shareholders' equity) attributable to parent company		1,072,265,062.63	677,655,614.84
Minority interest		334,216,404.18	283,756,432.50
		<hr/>	<hr/>
Total owners' equity (or shareholders' equity)		1,406,481,466.81	961,412,047.34
		<hr/>	<hr/>
Total liabilities and owners' equity (or shareholders' equity)		2,434,589,099.53	1,568,448,757.50
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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Total operating revenue		1,372,261,232.14	1,182,664,494.03
Including: Operating revenues	9	1,372,261,232.14	1,182,664,494.03
Interest incomes			
Earned premiums			
Handling charges and commissions incomes			
II. Total operating cost		1,384,549,487.08	1,227,324,128.28
Including: Operating cost		1,186,461,657.86	1,053,267,942.82
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provision for insurance contract reserves			
Policyholder dividend expenses			
Expenses for reinsurance accepted			
Taxes and surcharges		7,512,492.91	5,534,307.59
Selling expenses		31,940,023.66	34,036,511.06
Administrative expenses		101,820,649.76	95,132,712.12
R&D expenses		47,649,016.32	26,536,621.86
Financial expenses		9,165,646.57	12,816,032.83
Including: Interests expense		12,931,363.31	8,926,217.03
Interests income		994,136.53	1,186,644.27
Add: Other earnings		15,304,144.59	10,065,386.91
Investment incomes (with “-” for losses)		25,075,531.62	19,146,786.10
Including: Investment incomes from affiliated enterprises and joint ventures		20,659,931.05	18,591,872.49
Derecognition income of financial asset measured at the amortized cost			
Exchange gains (with “-” for losses)			
Gains from net exposure hedges (with “-” for losses)			
Gains from changes of fair values (with “-” for losses)		-	30,675.01

Item	Note	2022	2021
Credit impairment losses (with “-” for losses)		3,594,695.68	199,499.78
Assets impairment losses (with “-” for losses)		-19,531,341.09	-21,618,520.66
Incomes of assets disposal (with “-” for losses)		324,288.25	197,317.56
III. Operating profit (with “-” for losses)		12,479,064.11	-36,638,489.55
Add: non-operating income		12,213,843.95	872,734.66
Less: non-operating expenses		3,340,210.19	1,311,245.38
IV. Total profits (with “-” for total losses)		21,352,697.87	-37,077,000.27
Less: income tax expenses	13	7,298,542.11	4,158,891.52
V. Net profits (with “-” for net losses)		14,054,155.76	-41,235,891.79
(I) Classified according to operating continuity			
1. Net profit from continuing operations (with “-” for net losses)		14,054,155.76	-41,235,891.79
2. Net profit from discontinuing operations (with “-” for net losses)			
(II) Classified according to attribution of the ownership			
1. Net profit attributable to the parent company’s shareholders (with “-” for net losses)		18,302,413.93	-23,282,271.43
2. Minority interests profit and loss (with “-” for net losses)		-4,248,258.17	-17,953,620.36
VI. Other net comprehensive incomes after-tax		3,486,077.88	-773,087.38
(I) Other net after-tax comprehensive income attributable to the owner of the parent company		3,158,931.01	-704,769.61
1. Other comprehensive income that cannot be reclassified through profit or loss			
(1) Changes recalculating and setting of the benefit plan			
(2) Under the equity method, other comprehensive incomes that cannot be transferred to loss and profit in the future			
(3) Change of fair value of investments in other equity instruments			
(4) Changes of fair value of the Company’s own credit risk			

Item	<i>Note</i>	2022	2021
2. Other comprehensive incomes that can be reclassified into loss and profit in the future		3,158,931.01	-704,769.61
(1) Under the equity method, other comprehensive incomes that can be transferred to loss and profit in the future		-6,087.45	-8,093.01
(2) Change of fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive incomes			
(4) Credit impairment provisions for other debt investment			
(5) Reserves for cash flows hedges			
(6) Converted difference in foreign currency statements for foreign currency		3,165,018.46	-696,676.60
(7) Others			
(II) Net of tax of other comprehensive attributable to minority shareholders incomes		327,146.87	-68,317.77
VII. Total comprehensive incomes		17,540,233.64	-42,008,979.17
(I) Total comprehensive incomes attributable to owners of the parent company		21,461,344.94	-23,987,041.04
(II) Total comprehensive income attributable to minority shareholders		-3,921,111.30	-18,021,938.13
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan per share)	<i>14</i>	0.04	-0.05
(II) Diluted earnings per share (Yuan per share)		0.04	-0.05

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Scope of Consolidated Financial Statements

The Company's consolidated financial statements cover Qingdao BYTQ United Digital Intelligence Co., Ltd. (formerly known as Qingdao BYTQ United Digital Intelligence Holding Co., Ltd.), Jingcheng Holding (Hong Kong) Co., Ltd., Beijing Tianhai Industry Co., Ltd. and its subsidiaries Tianjin Tianhai High Pressure Container Co., Ltd., Shanghai Tianhai Composite Cylinders Co., Ltd., Beijing Tianhai Cryogenic Equipment Co., Ltd., Beijing Tianhai Hydrogen Energy Equipment Co., Ltd., Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd., Kuancheng Tainhai Pressure Container Co., Ltd., Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. ("**Jingcheng Haitong**") and BTIC AMERICA CORPORATION.

II. Basis for preparation of Financial Statements

(1) Preparation basis

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

(2) Going concern

The Group has evaluated the going concern ability within 12 months since 31 December 2022 and has not found any event and condition causing substantial doubt about the going concern ability. Therefore, these financial statements were prepared on the basis of the going concern assumption.

III. Significant Accounting Policies and Accounting Estimates

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

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

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

2. Accounting period

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

3. Business cycle

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

4. Recording currency

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

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

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

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

6. Preparation methods of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

8. Cash and cash equivalents

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

9. Turnover

Unit: Yuan Currency: RMB

Category of contracts	Amount in the current year		Amount in the previous year	
	Revenue	Cost	Revenue	Cost
Classification by type of goods				
Including: gas storage and				
transportation product	1,163,154,426.08	1,067,783,011.85	1,135,698,023.21	1,024,501,365.99
Automatic manufacturing equipment system integration	129,517,170.72	73,292,666.20	–	–
Others	31,870,104.51	8,200,219.98	–	–
Classification by business area				
Including: domestic				
Overseas	751,446,463.47	632,911,260.37	670,919,622.62	595,229,963.21
	573,095,237.84	516,364,637.66	464,778,400.59	429,271,402.78
Total	<u>1,324,541,701.31</u>	<u>1,149,275,898.03</u>	<u>1,135,698,023.21</u>	<u>1,024,501,365.99</u>

(1) Taxes

Item	Amount in current year	Amount in previous year
Corporate income tax in the current year	15,238,085.22	3,921,024.01
Deferred income tax	<u>-7,939,543.11</u>	<u>237,867.51</u>
Total	<u>7,298,542.11</u>	<u>4,158,891.52</u>

(2) Dividend

No dividend paid or proposed during the year of 2022, and no dividend has been proposed since the end of this Reporting Period (2021: nil).

10. Accounts receivable

(1) Accounts receivable

Unit: Yuan Currency: RMB

Type	Book balance	Closing balance	Book value	Book balance	Opening balance	Book value
	Amount	Provision for bad debts Amount		Amount	Provision for bad debts Amount	
Provision for bad debts made on an individual basis	31,539,057.16	31,539,057.16	0	36,408,471.66	36,408,471.66	0
Allowance for bad debts made on a collective basis	347,397,618.28	31,745,603.02	315,652,015.26	199,297,639.76	24,072,448.13	175,225,191.63
Including: aging portfolio	347,397,618.28	31,745,603.02	315,652,015.26	199,297,639.76	24,072,448.13	175,225,191.63
Total	378,936,675.44	63,284,660.18	315,652,015.26	235,706,111.42	60,480,919.79	175,225,191.63

(2) Accounts receivable listed by age

Unit: Yuan Currency: RMB

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	277,297,992.49	165,584,448.61
1-2 years	35,964,140.99	13,505,072.55
2-3 years	10,731,439.87	2,406,936.19
Over 3 years	54,943,102.09	54,209,654.07
Including: 3-4 years	5,870,419.80	1,421,088.15
4-5 years	1,423,032.24	4,420,182.94
Over 5 years	47,649,650.05	48,368,382.98
Total	378,936,675.44	235,706,111.42

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

11. Accounts payable

(1) Presentation of accounts payable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Material payment, etc.	226,302,452.09	257,186,660.09
Project payment	16,298,508.15	5,910,106.04
Total	242,600,960.24	263,096,766.13

(2) Significant payables with the aging over 1 year

Unit: Yuan Currency: RMB

Item*	Closing balance	Reasons for non-repayment or carrying over
Beijing Lantianda Vehicle Clean Fuel Technology Co., Ltd.	10,492,652.22	Unsettled
World Precise Machinery (China) Co., Ltd.	9,479,395.77	Unsettled
Beijing Machinery Industry Automation Research Institute Co., Ltd.	6,103,774.58	Unsettled
Kunshan Ocs Suspension Transportation System Co., Ltd.	3,510,619.55	Unsettled
Tianjin Lebeier Catering Management Co., Ltd.	2,899,529.00	Unsettled
Total	32,485,971.12	—

* The English translation of company names in Chinese is for identification purpose only. If there is any discrepancy between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

(3) *Presentation of accounts payable as per age*

Unit: Yuan Currency: RMB

Aging of accounts payable	Closing balance	Opening balance
Within 1 year	159,213,774.99	207,871,626.04
1-2 years	61,708,074.97	25,619,375.00
2-3 years	7,510,274.95	21,583,659.94
Over 3 years	14,168,835.33	8,022,105.15
Total	242,600,960.24	263,096,766.13

12. **Undistributed profit**

Unit: Yuan Currency: RMB

Item	Current year	Previous year
Opening balance	-687,333,700.32	-664,051,428.89
Add: adjusted amount of opening undistributed profits	0.00	0.00
Opening balance of the current year	-687,333,700.32	-664,051,428.89
Add: net profit attributable to owners of parent company of the current year	18,302,413.93	-23,282,271.43
Less: appropriation to statutory surplus reserves	0.00	0.00
Appropriation of discretionary surplus reserves	0.00	0.00
Appropriation to general risk provision	0.00	0.00
Common stock dividends payable	0.00	0.00
Ordinary share dividends transferred into share capital	0.00	0.00
Closing balance of the current year	-669,031,286.39	-687,333,700.32

13. Income tax expenses

Unit: Yuan Currency: RMB

Income tax expenses	Amount in current year	Amount in previous year
Current income tax calculated according to tax law and relevant provisions	15,238,085.22	3,921,024.01
1. Mainland China corporate income tax	11,824,623.57	2,203,902.43
2. Hong Kong income tax	0.00	0.00
3. Other regions (USA)	3,413,461.65	1,717,121.58
Deferred income tax expenses	<u>-7,939,543.11</u>	<u>237,867.51</u>
Total	<u>7,298,542.11</u>	<u>4,158,891.52</u>

14. Return on net assets and earnings per share

Unit: Yuan Currency: RMB

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	2.15	0.04	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	<u>-0.57</u>	<u>-0.01</u>	<u>-0.01</u>

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Chairman's Report

I. Review

2022 was an extraordinary year, with the changing international situation, the Russo-Ukrainian conflict, energy crisis and high inflation, the domestic economy was “weakly stabilized” under the overlapping of “threefold pressure” and the diminishing demand and other unexpected impacts, and the economic development faced serious challenges. In the face of many unfavorable factors, the Company overcame many difficulties and made great efforts for the normal operation of its production and operation, paid close attention to reformation and adjustment, and carried out various tasks in a solid manner to protect the fundamentals of the Company's operation. In terms of the principal business, the Company always insisted on being market-oriented, strengthened the construction of products diversification structure, and actively integrated resources to seize the market shares. The Company also made full use of the advantages of the capital market to lay a foundation for the Company's sustainable and healthy development, to strengthen the optimization and integration of internal management of the Company, to enhance management, to accelerate operational efficiency, to increase business synergy level so as to better complete the annual operation target.

During the Reporting Period, the Company recorded operating income of approximately RMB1,372,000,000, representing an increase of approximately 16.03% year-on-year. Net profits attributable to shareholders of the listed company was approximately RMB18,302,400.

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

1. Further enhancing market development and moving forward in both gas storage and transportation and intelligent manufacturing sectors

a) Gas storage and transportation

In the international market, revenue from export grew steadily. The Company achieved certain growth in export markets by overcoming the impact of de-globalization and diminishing demand. Except for the resuming growing trend of various traditional products, the Company actively developed the hydrogen energy products market to make necessary preparations for future sales product restructuring.

In the domestic market, the results of lightweight high-pressure products from the industrial cylinders market increased. By locking up annual orders from some large customers in China and gradually developing new major customers, the revenue from the sales of industrial cryogenic gas cylinders increased year-on-year. By further optimizing product performance, the Company increased product diversification and completed the delivery of civilian-used liquid oxygen tanks. The Company seized the opportunity of rising demand in the CNG market and made great efforts to develop new customers while retaining existing ones, as a result there is a year-on-year increase in revenue. As for Type IV cylinders, the Company completed the delivery of cylinders for export vehicles and provided CNG sample cylinders to various customers. The Company completed the delivery of multiple customer orders of hydrogen storage cylinders for vehicles.

b) Automatic production line

Qingdao BYTQ United Digital Intelligence Co., Ltd. (“BYTQ”), a subsidiary of the Company, met the expected revenue targets after the completion of the acquisition and reorganization project and the profit was better than expected. The assembly line assembly systems, suspension chain transfer system, stamping lines project, integrated robotic applications and metal products business had all achieved the established goals. It also improved the management efficiency through means such as project lean management to gradually catch up with the project revenue and profit affected by the short term market environment and other factors.

2. *Raiding major research and development project by cohesive strength to accelerate the Company’s digital transformation and upgrade*

Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, completed the compilation of the “14th Five-Year Plan for the Transformation of Informatization and Digitalization and IT Plan”, which is designed to fully support the Company’s strategic deployment in building a digital platform and transforming and upgrading to digitalization in four aspects, including assessment on the current state of informatization, overall design plan, digitalization construction and implementation plan and implementation on safeguard measures. The automation transformation project in Shanghai Tianhai Composite Cylinders Co., Ltd. has completed pre-inspection and the intelligent transformation project in Tianjin Tianhai High Pressure Container Co., Ltd. has completed the overall adjustment, the automation equipment is running in a stable manner with its production capacity increasing steadily, the production capacity and efficiency have reached the target value.

BYTQ, a subsidiary of the Company, was the first batch of enterprises awarded with the title of “Specialised and New” small and medium-sized enterprise in Qingdao City for 2022, and is currently awaiting the issuance of certificate. By strengthening the technological innovation, the upgrading of intelligent manufacturing and the construction of integrated intelligent factories, BYTQ has gradually improved its technological competitiveness in intelligent manufacturing and made its intelligent products deeply integrated into the domestic circular economy.

3. *Making use of the advantages of the capital market to successfully complete the acquisition and reorganization project*

Since the Company’s disclosure on the suspension announcement of the preparation of the acquisition and reorganization on 3 August 2020, the Company’s acquisition of the material asset reorganization transaction of BYTQ was approved in writing by the China Securities Regulatory Commission (“CSRC”) on 24 March 2022 after being reviewed and approved by the Board of the Company, the general meeting, Beijing Jingcheng Machinery Electric Holding Co., Ltd., the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing, and the CSRC. The Company and BYTQ jointly promoted the asset delivery arrangement and completed the transfer and industrial and commercial registration of the equity interest in BYTQ on 17 June 2022, and the issuance and listing of shares relating to the asset purchase was completed on 27 June 2022. The core work of this major asset reorganization transaction was successfully completed within 2022 and BYTQ officially became a controlled subsidiary of the Company.

The acquisition enables the Company to make full use of BYTQ’s technical accumulation and advantageous resources in automation system integration, intelligent manufacturing area and intelligent factory construction to layout the intelligent manufacturing industry, promote the development of intelligent manufacturing and information construction business, accelerate the Company’s progress of “high-end, precise and advanced” industrialization, optimize the industrial structure, expand the Company’s business scope and market space, which helps the Company in forming a relevant diversified equipment manufacturing industry pattern, achieving complementary advantage in businesses and facilitating the Company to accelerate the promotion on industrial transformation and upgrade.

4. *Exploring the Company's needs in transformation and upgrading in-depth and initiating the non-public issuance project*

In order to implement the national and Beijing's industry policies and decisions and deployments, promote the strategic plan of Beijing Jingcheng Machinery Electric Holding Co., Ltd. to construct and improve the "precised and high-tech" industrial structure, actively promote the expansion of the equipment manufacturing industry towards the directions of high-end, intelligent and core basic technology solutions, the Company has formulated the investment project to raise funds by non-public issuance in accordance with relevant national industrial policies and the overall strategic future development direction of the Company to optimize the structural layout of the equipment manufacturing industry on the basis of the overall enhancement of the business scale, so as to facilitate the Company in accelerating the industrial transformation and upgrade, optimizing the financial structure, enhancing profitability and comprehensive competitiveness, so as to build a leading domestic equipment manufacturing industry listing platform.

The proceeds to be raised under the non-public issuance will not exceed RMB1.172 billion, which will be invested in four projects: the industrial development of hydrogen energy frontier technology, intelligent manufacturing industrial park, acquisition of 100% equity interest in Beiren Intelligent Equipment Technology Co., Ltd. ("**Beiren Intelligent**") and replenishment of the Company's working capital.

In the gas storage and transportation segment, the non-public issuance will comprehensively enhance the hydrogen energy product industrialisation capabilities of the Company, create strategic growth points, rapidly increase the production capacity of Type III and Type IV cylinders, improve the research and development capabilities of hydrogen energy product, expand the scope of hydrogen energy products and industrialisation capability, maintain and improve the Company's technological leadership, competitive advantage and market position in the hydrogen energy industry, and create future strategic growth points for the Company.

In the intelligent manufacturing segment, through the non-public issuance, the Company will invest part of the raised funds in the intelligent manufacturing industrial park project, which will effectively enhance the production capacity and customer service capacity of the Company's intelligent manufacturing business segment and improve the business scale and profitability of the intelligent manufacturing business segment. Meanwhile, the non-public issuance will acquire high-quality equipment manufacturing assets of Beiren Intelligent to further build a competitive listing platform for the equipment manufacturing industry and enhance the business scale and profitability of the Company.

The non-public project will provide RMB240 million raised funds to replenish the working capital of the Company, which can increase the liquidity of the Company's assets, enhance the Company's solvency and reduce financial expenses.

6. *Standardizing systems and processes and strengthening internal control and compliance construction*

The Company has implemented the three-year reform of state-owned enterprises, which clarified compliance management requirements in key areas and included them in the evaluation of internal control compliance, instructed subsidiaries to clarify their focus and formulate compliance plan in line with actual practice to achieve full coverage of the compliance management system of the Company. The Company coordinated and promoted the interconnection of policies of BYTQ. The interconnection of policies covers key areas and business segments such as financial management, information disclosure and strategic investment. Taking into account the patrol inspection, auditing, legal disputes and the actual situation of the Company in recent years, the Company formulated work plans, organized special training and conducted several rounds of communication to continuously optimize the system and process. At the same time, the Company strengthened the centralized management of the system and process, where new or revised system and process are subject to legal and compliance auditing. The Company has completed the compilation and revision of the "Compliance and Internal Control Management Manual", which covers important areas of production and operation, presents business risks and control measures in an intuitive and systematic manner, clarifies duties and authorities and strengthens legal and compliance operations.

7. Continuing to reduce costs and increase efficiency and control costs

In terms of budget, the Company has further strengthened the overall budget management by strictly auditing the cost and expenses and monitoring the implementation of the budget so as to formulate more concrete financial budget protection measures, strengthen procedural control, and realize the full dynamic management of cost and expenses, resulting in cost and expenses during the period being effectively under control and being reduced significantly. In terms of cost, the Company further strengthened its cost analysis by regularly comparing the actual and expected gross profit of products sold, and developing sales strategies with business departments to improve product gross profit. The Company continued to promote standard cost management, and refined the staffing of product processes.

II. Outlook

Under the influence of multiple factors such as Russo-Ukrainian conflict, energy crisis, inflation and interest rate hikes by the Federal Reserve, the global economic data will be under pressure in 2023. In the face of the complex and severe external environment, the Company will continue to insist on having the equipment manufacturing as the main business. While maintaining the steady development of the main business, the Company will actively develop new business segments, expand the scale of the Company through non-public issuance, strengthen the Company's risk resistance capacity, and at the same time, strengthen lean management, further reduce costs and increase efficiency to lay a solid foundation for the Company's high-quality development.

For 2023, the Company's specific objectives include the following:

1. Continuously grasp the market development and consolidate the "fundamentals" of economic indicators

Gas storage and transportation segment:

Field of international market:

The Company will stabilize the market scale of traditional products, focus on international market, retain major customers while actively develop new customers; expand customer services, attempt to develop new business models and enhance customer adhesion. Meanwhile, the Company will vigorously explore new product markets and develop new customers to create new incremental volume.

Field of domestic market:

The Company will focus on the annual sales target, intensify its efforts to actively explore the market, determine key industries, key customers and key areas, and through improving or adjusting the organisational structure, improving the market allocation mechanism for sales staff and reducing product manufacturing costs, enhance its core competitiveness in the product market, and find new incremental markets while stabilizing existing market share. The Company will also increase product differentiation, improve added value, enhance customer adhesion, expand new areas. By seizing the opportunity of hydrogen energy development, the Company will build strategic partnerships in key regions, and target annual orders from key customers to maintain both market share and operational continuity.

Intelligent manufacturing segment:

In order to expand the production capacity of the Company's intelligent manufacturing segment, the Company will increase its market share in high value-added products, further broaden the source of profit based on the foundation of the stable development of the original research and development, production and processing and sales business, and strengthen the Company's sustainable operation capability through the continuous expansion of the development of automatic manufacturing equipment system integration business. Secondly, the Company will optimize its production and craftsmanship layout and enhance the efficiency of production and the degree of intelligence in the production process, so as to realize the refinement of production, and further enhance its market dominance position of high-end products.

2. *Promote non-public issuance of share project to facilitate industrial upgrading of the Company*

The Company is paying great efforts to ensure the key works of the non-public issuance of shares project are completed to effectively push forward the successful completion of the non-public issuance of A share project. The non-public issuance of shares project can further optimize the Company's capital structure, reduce financial risks, enhance the Company's overall competitiveness, and strengthen its sustainable profitability and risk resistance capacity, laying a solid foundation for the Company's long-term sustainable development.

3. *Promote the transformation and upgrading of the industry*

The Company actively pursues the development strategy of both endogenous growth and external expansion in order to promote the optimization of the Company's industrial structure. The Company will broaden its horizons and seek opportunities to increase the exploration of high-end intelligent manufacturing products, and extensively collaborating with more key industries that are in line with the Company's strategic focus and the functional positioning of the capital. The Company will establish a strategic partnership mechanism to promote the strong alliance of enterprises and enhance the profitability of the Company. The Company will realize the sound and sustainable development of its operation results and capital operation to serve the strategic transformation of the Company and facilitate the Company to achieve leapfrog growth.

4. *Insist on innovation-driven development and continue to foster "new drivers" for development*

The Company will strengthen the management of research and development projects, further implement the mechanism of "taking the lead" and firmly grasp national policies and opportunities for scientific and technological innovation by increasing investment in scientific and technological research and development, overcoming difficulties and solving bottlenecks, constantly seeking breakthroughs in key technologies and process bottlenecks of new products, so as to continuously promote the optimisation and upgrading of existing products and enhance the innovation capability of enterprises and the core competitiveness of products. The Company will insist on the innovation-driven development strategy, constantly improve its research and development system, on the basis of self-development and research, to explore, attract and integrate all kinds of innovation resources at all levels. The Company will also accelerate the process of significant industrialisation and commercialisation, be market-driven, optimise product design and craftsmanship in a timely manner, continuously improve the design concept and quickly develop products to meet market needs, transforming the first-mover advantage into a competitive advantage.

5. *Determined to strengthen risk management and deepen the implementation of safe production responsibilities*

The Company shall strengthen its compliance and internal control management. By deepening the construction of the compliance system, the Company will promote the full coverage of the compliance system together with each subsidiary. The Company will also strengthen audit supervision and application of the results. The Company will also enhance the maintenance and authorization management of trademarks and patents to improve the ability to protect intellectual property rights. By strengthening audit supervision in key areas, the Company will increase supervision on overseas enterprises, enhance guidance, supervision and training on contract management of subsidiaries to further strengthen the construction of the rule of law, continue to implement legal compliance audit requirements, and improve the quality of the audit. Through implementation of the three audit items, the Company will strengthen the prevention of legal compliance risks in contracts, systems and major decisions to protect the Company's development.

2023 is the opening year of the full implementation of the spirit of the 20th National Congress and is the year for the Company to strive for the implementation of China's "14th Five-Year Plan" as well as the motto of the year, which is simplicity and solid work above all. The Company will continue to focus its resources in promoting the industrial transformation and upgrading, accelerating the process of the Company's industrialisation of "high-end, precise and advanced", and adjusting its operation ideas in a timely manner so as to unswervingly implement the new development concept and integrate into the new development pattern. By insisting on high-quality development, the Company will continuously reach new breakthroughs and achieve the sustainable profitability of the Company, as well as keep on being firmly confident and double its efforts, creating a better future for the Company.

(II) Principal Operation during the Reporting Period

2022 was a crucial year for the implementation of the 14th Five-Year Strategic Plan. The Company was determined to carry out the general requirements of “stabilizing the economy, developing in a safe manner”, and firmly implemented various decisions and deployments surrounding the strategic plan and the annual budget, and strived to overcome the impact of objective and unfavorable factors such as the short term market fluctuation, the Russo-Ukrainian conflict, energy crisis, and the aggravation of international trade risks, striving to grasp the daily operational works, completing the annual operation target in a better way and laying a solid foundation for achieving high quality development in the 14th Five-Year Plan.

1. Complete BYTQ’s acquisition and reorganization project to enhance the profitability of the Company

The BYTQ acquisition project was successfully completed. BYTQ focuses on the field of industrial automation and informatisation, and is a leading enterprise in the field of intelligent manufacturing equipment in the home appliance industry, with the ability to provide customers with comprehensive intelligent manufacturing solutions of automation and informatisation and overall application solutions of industrial internet smart factory. The acquisition enables the Company to fully utilise the accumulated technology and advantageous resources of BYTQ in automation system integration, intelligent manufacturing and intelligent factory construction, to lay out the intelligent manufacturing industry, promote the development of intelligent manufacturing and informatisation construction business, accelerate the process of promoting the Company’s business towards “precision and high-tech”, optimise the business structure and expand the business scope and market space of the Company, helping the Company to form a diversified equipment manufacturing industry and achieve complementary advantages in its business, which will help the Company to accelerate the transformation and upgrade of its business.

2. *Keep an eye on the annual budget and make progress on market development in a stable manner*

Gas Storage and Transportation Segment:

The steady growth in the revenue from export business indicates that the Company overcame the impact of anti-globalization and the short term market fluctuation to achieve certain growth in the export markets. The Company has achieved delivery in multiple batches for hydrogen energy products. The Company has also focused on developing lightweight and high-pressure series products in the industrial gas and fire services fields, and completed batch delivery of Type IV cylinders for the field of natural gas applications.

Intelligent Manufacturing Segment:

By expanding the home appliances business market and grasping the core customers, the Company can give full play to the brand advantages and expand the high end market share. Beijing Jingcheng Machinery Electric Holding Co., Ltd established strategic cooperation with Haier Group and concentrated on developing core customer resources, achieving breakthroughs in the field of intelligent manufacturing of air conditioners, refrigerators (cabinets), washing machines and stamp lines in water heaters, which provided order guarantee for the realization of BYTQ's annual operation target.

3. *Continue innovation-driven development and intensively undertaking key projects*

The 35MPa type IV cylinder were fully certified. The Company's design and development project of large volume hydrogen storage cylinder for vehicles has also completed small batch trial production and test. The research and development of key equipment for 70MPa hydrogen filling station has completed the design of self-innovative research hydrogen filling machine and compressor skid. The digital automation transformation has been carried out in an orderly manner. Shanghai Tianhai Composite Cylinders Co., Ltd. automation transformation project has completed pre-inspection with its work efficiency increased by approximately 60%; Tianjin Tianhai High Pressure Container Co., Ltd. intelligent transformation has completed overall adjustment and the production capacity has been steadily improved, and the production capacity and efficiency have reached the target value.

BYTQ, the subsidiary, has obtained the title of the first batch of "Specialized and New" small and medium-sized enterprise in Qingdao City in 2022. By increasing the technological innovation and upgrading of intelligent manufacturing and the construction of integrated intelligent factory, BYTQ will gradually improve the Company's technical competitiveness of intelligent manufacturing, resulting in the deep integration of the intelligent products into the domestic circular economy, which will be conducive to broaden the business scale of the Company, improve the profitability of the Company and promote synergy and efficiency in the businesses of enterprises.

4. Strengthen the lean management and standardize the system process

Through reducing costs expensed in procurement, production, technology and management and reducing the percentage of accounts receivable and inventory in total assets as the grasp, and promoting the “three cutting, one reduction and one improvement” special action as the opportunity to implement the whole process of production and operation and the whole chain of lean management, the Company comprehensively improved its operation quality.

To implement the requirements of the three-year reform of state-owned enterprises, the Company clarified compliance management requirements in key areas and included them in the evaluation of internal control compliance, guided its subsidiaries to clarify their focus and formulate compliance plan in line with actual practice to achieve full coverage of the compliance management system of the Company.

(III) Analysis of principal business

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

Unit: Yuan Currency: RMB

Item	Corresponding		Change (%)
	Current period	period of last year	
Operating income	1,372,261,232.14	1,182,664,494.03	16.03
Operating cost	1,186,461,657.86	1,053,267,942.82	12.65
Selling expense	31,940,023.66	34,036,511.06	-6.16
Administrative expense	101,820,649.76	95,132,712.12	7.03
Finance cost	9,165,646.57	12,816,032.83	-28.48
Research and Development expenses	47,649,016.32	26,536,621.86	79.56
Net cash flows generated from operating activities	5,223,758.74	-32,694,712.35	Not applicable
Net cash flows generated from investing activities	-63,409,608.31	-59,371,985.68	Not applicable
Net cash flows generated from financing activities	242,886,708.61	-71,190,178.01	Not applicable
Taxes and surcharges	7,512,492.91	5,534,307.59	35.74
Other earnings	15,304,144.59	10,065,386.91	52.05
Investment income	25,075,531.62	19,146,786.10	30.96
Profit arising from changes in fair value	–	30,675.01	-100.00
Credit impairment losses	3,594,695.68	199,499.78	1701.85
Income from disposal of assets	324,288.25	197,317.56	64.35
Non-operating revenue	12,213,843.95	872,734.66	1,299.49
Non-operating expenses	3,340,210.19	1,311,245.38	154.74
Income tax expenses	7,298,542.11	4,158,891.52	75.49
Other net comprehensive income after tax	3,486,077.88	-773,087.38	Not applicable

2. Analysis of income and cost

✓ Applicable □ Not Applicable

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

Unit: Yuan Currency: RMB

By product	Operating income	Operating cost	Principal business by product			Increase/decrease in gross profit margin over last year
			Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	
Gas storage and transportation products	1,163,154,426.08	1,067,783,011.85	8.20	2.42	4.22	Decrease of 1.59 percentage points
Automatic manufacturing equipment system integration	129,517,170.72	73,292,666.20	43.41	–	–	
Others	31,870,104.51	8,200,219.98	74.27	–	–	
Total	1,324,541,701.31	1,149,275,898.03	13.23	16.63	12.18	Increase of 3.44 percentage points

By region	Operating income	Operating cost	Principal business by region			Increase/decrease in gross profit margin over last year
			Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	
Domestic	751,446,463.47	632,911,260.37	15.77	12.00	6.33	Increase of 4.49 percentage points
Overseas	573,095,237.84	516,364,637.66	9.90	23.31	20.29	Increase of 2.26 percentage points
Total	1,324,541,701.31	1,149,275,898.03	13.23	16.63	12.18	Increase of 3.44 percentage points

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

Domestic market: Adjusting the product structure, focusing on improving cost control and product delivery capability, and actively expanding into the fields of new application, the revenue from the domestic market grew by 12% year-on-year during the Reporting Period.

International market: Growing steadily in revenue, overcoming the impact of counter-globalization and the short term market fluctuation, the Company achieved substantial growth in the North American and Asian markets. The revenue from the international markets grew by 23.31% year-on-year during the Reporting Period.

(2) Analysis of production and sales volume

Applicable Not Applicable

Principal product	Unit	Production volume	Sales volume	Inventory volume	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory volume over last year (%)
Seamless steel gas cylinders	Unit	868,108	1,190,959	148,584	-13.2%	3.2%	-24.6%
Compound gas cylinders	Unit	117,327	121,777	6,524	9.2%	11.9%	-42.1%
Cryogenic tanks	Unit	262	280	34	-46.1%	-37.4%	-34.6%
Cryogenic gas cylinders	Unit	8,426	7,758	969	5.0%	-2.0%	19.5%

Description of production and sales volume

Production volume declined in 2022 due to factors such as the short term market fluctuation, however, with the continued growth in demand from overseas markets, sales volume increased by 3.2% year-on-year and finished goods inventory declined significantly.

(3) Cost analysis

Unit: Yuan Currency: RMB

By product	Component of cost	Current period	By product		Change in amount over last year (%)	Description
			Proportion over total cost for the current period (%)	Proportion over total cost for the corresponding period of last year (%)		
Gas storage and transportation products	Materials	679,469,426.71	63.63	664,659,988.19	64.88	2.23
	Labour cost	90,598,033.89	8.49	90,571,010.61	8.84	0.03
	Manufacturing cost	<u>297,715,551.25</u>	<u>27.88</u>	<u>269,270,367.19</u>	<u>26.28</u>	<u>10.56</u>
	Total	1,067,783,011.85	100.00	1,024,501,365.99	100.00	4.22
Automatic manufacturing equipment system integration	Materials	61,451,642.01	83.85	-	-	-
	Labour cost	5,939,800.78	8.10	-	-	-
	Manufacturing cost	<u>5,901,223.41</u>	<u>8.05</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total	73,292,666.20	100	-	-	-
Others	Lease cost	<u>8,200,219.98</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total	8,200,219.98	100	-	-	-

Other information on cost analysis

During the Reporting Period, the Company further reduced the procurement cost of raw materials and auxiliary materials by developing new suppliers, implementing centralized procurement and cooperative negotiation etc., so as to effectively control the rapid increase in procurement cost.

(4) *Information on major customers and major suppliers*

Applicable Not Applicable

Sales to the five largest customers amounted to approximately RMB284,387,000, representing 20.72% of the total annual sales, of which sales to related parties were approximately RMB0, representing 0% of total annual sales.

Procurement from the five largest suppliers amounted to RMB397,151,700, representing 43.47% of total annual procurement cost, of which procurement from related parties were RMB99,175,800, representing 10.86% of total annual procurement cost.

Other information

Nil

3. Expenses

Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Selling expense	31,940,023.66	34,036,511.06	-6.16
Administrative expense	101,820,649.76	95,132,712.12	7.03
Research and Development expenses	47,649,016.32	26,536,621.86	79.56
Finance cost	9,165,646.57	12,816,032.83	-28.48

4. *Research and development expenditure*

(1) *Breakdown of research and development expenditure*

Applicable Not Applicable

Unit: Yuan Currency: RMB

Research and development expenditure recorded in expenses during the period	47,649,016.32
Research and development expenditure capitalised during the period	
Total research and development expenditure	47,649,016.32
Percentage of total research and development expenditure over operating income (%)	3.47
Percentage of research and development expenditure capitalised (%)	

(2) *Description*

Applicable Not Applicable

5. Cash flows

Unit: Yuan Currency: RMB

Item	Current year	Corresponding period of last year	Change (%)
Cash inflows from operating activities	1,259,985,741.75	1,086,666,026.03	15.95
Cash outflows from operating activities	1,254,761,983.01	1,119,360,738.38	12.10
Net cash flows generated from operating activities	5,223,758.74	-32,694,712.35	Not applicable
Cash inflows from investing activities	62,869,752.60	996,336.65	6,210.09
Cash outflows from investing activities	126,279,360.91	60,368,322.33	109.18
Net cash flows generated from investing activities	-63,409,608.31	-59,371,985.68	Not applicable
Cash inflows from financing activities	425,165,977.40	113,870,000.00	273.38
Cash outflows from financing activities	182,279,268.79	185,060,178.01	-1.50
Net cash flows generated from financing activities	242,886,708.61	-71,190,178.01	Not applicable

Description:

1. Net cash flow from operating activities increased by approximately RMB37,918,500 year-on-year, which was mainly due to the increase in cash inflow from operating activities during the period, resulting in the increase in net cash flows from operating activities during the period;
2. Net cash flow from the investment activities decreased by approximately RMB4,037,600 year-on-year, which was mainly attributable to the increase in the cash paid for the purchase of fixed assets, intangible assets and other long term assets during the period;
3. Net cash flow from financing activities increased by approximately RMB314,076,900 year-on-year, which was mainly due to the funds obtained from the issuance of shares and the special funds for the research and development project funded by the controlling shareholder during the period.

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

Not applicable

(V) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount over the previous period (%)	Description
Monetary funds	336,627,993.24	13.83	105,776,763.72	6.74	218.24	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements
Financial assets held for trading	-	0.00	30,675.01	0.00	-100.00	Mainly due to the forward exchange settlement and sales in the previous period
Notes receivable	8,603,853.52	0.35	-	0.00	100.00	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements
Accounts receivable	315,652,015.26	12.97	175,225,191.63	11.17	80.14	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements

Name of item	Balance at the end of the current period	Balance	Balance at the end of the previous period	Balance	Change in amount over the previous period (%)	Description
		at the end of the current period over total assets (%)		at the end of the previous period over total assets (%)		
Receivable financing	29,790,417.72	1.22	10,465,061.76	0.67	184.67	Mainly due to the decrease in bank acceptance bill planned to be settled in advance during the current period
Other receivables	4,809,858.44	0.20	9,636,026.09	0.61	-50.08	Mainly due to the decrease in the intercourse funds during the current period
Other current assets	10,221,016.45	0.42	27,386,862.15	1.75	-62.68	Mainly as a result of the impact of tax refunds retained by subsidiaries
Construction in progress	59,457,140.18	2.44	38,592,075.56	2.46	54.07	Mainly due to the increased investment on type IV cylinder project during the current period
Right-of-use assets	220,518,068.16	9.06	–	0.00	100.00	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements
Intangible assets	192,378,307.38	7.90	120,037,115.68	7.65	60.27	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements
Goodwill	168,996,039.10	6.94	–	0.00	100.00	Mainly as a result of the cost of acquiring the equity interest in BYTQ being greater than the share of the fair value of the identifiable net assets based on the percentage of shareholding

Name of item	Balance at the end of the current period	Balance	Balance at the end of the previous period	Balance	Change in amount over the previous period (%)	Description
		at the end of the current period over total assets (%)		at the end of the previous period over total assets (%)		
Long-term deferred expenses	16,622,473.45	0.68	4,372,745.88	0.28	280.14	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of Jingcheng Haitong in the scope of the Company's consolidated statements
Other non-current assets	26,835,176.42	1.10	-	0.00	100.00	Mainly due to the prepayment for equipment by subsidiaries during the current period
Deferred income tax assets	8,340,599.88	0.34	51,632.65	0.00	16,053.73	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements
Notes payable	77,497,454.43	3.18	50,693,681.14	3.23	52.87	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements
Taxes payable	21,834,560.15	0.90	6,186,732.62	0.39	252.93	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements
Other payables	63,942,916.44	2.63	25,960,072.78	1.66	146.31	Mainly attributable to the amount payable to the former shareholder of BYTQ for the transfer of equity interest and the deposits payable by Jingcheng Haitong

Name of item	Balance at the end of the current period	Balance	Balance at the end of the previous period	Balance	Change in amount over the previous period (%)	Description
		at the end of the current period over total assets (%)		at the end of the previous period over total assets (%)		
Non-current liabilities due within one year	21,127,930.84	0.87	7,000,000.00	0.45	201.83	Mainly due to the change in the scope of the consolidated statements during the current period and the lease liabilities due within one year from Jingcheng Haitong
Other current liabilities	6,677,447.44	0.27	4,613,930.02	0.29	44.72	Mainly due to the reclassification of value-added tax in contract liabilities for the current period
Lease liabilities	248,801,063.86	10.22	–	0.00	100.00	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ and Jingcheng Haitong in the scope of the Company's consolidated statements
Long-term payables	113,207,700.00	4.65	30,000,000.00	1.91	277.36	Mainly due to the acquisition of specific payables by subsidiaries during the current period
Estimated liabilities	8,020,131.96	0.33	5,794,470.12	0.37	38.41	Mainly due to the change in the scope of the consolidated statements during the current period and the impact of the inclusion of BYTQ in the scope of the Company's consolidated statements
Deferred incomes	358,604.17	0.01	5,318,879.05	0.34	-93.26	Mainly due to the carrying over from a subsidiary to other income during the current period
Capital reserves	1,151,111,016.32	47.28	835,353,861.68	53.26	37.80	Mainly due to the difference between the consideration for the purchase and merger of BYTQ and the consideration of share issuance and cash payment during the current period

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount over the previous period (%)	Description
Other comprehensive income	2,128,736.81	0.09	-1,030,194.20	-0.07	-306.63	Mainly due to the impact of exchange differences arising from translation of foreign currency statements
Special reserves	124,960.21	0.01	-	0.00	100.00	Mainly due to the provision of production safety expense by subsidiaries

Other information

Nil

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

Unit: Yuan Currency: RMB

Monetary funds	Book value at the end of year	Reasons for restriction
3,551,143.00	22,374,406.22	Letter of Credit guarantee deposit
22,000,000.00	46,822,813.02	Deposits of bank acceptance bill
0.00	3,625,647.23	Litigation freeze
2,908.98	2,926.79	Bond for letter of guarantee
330,878.00	0.00	Foreign exchange trading margin
Total 25,884,929.98	72,825,793.26	

3. Other description

Applicable Not Applicable

(VI) Analysis of industrial operation

(1) Gas Storage and Transportation Segment

Industrial gas industry

In recent years, the national and local governments have successively issued a series of policies to continuously encourage the development of industrial gas industry. New energy, new materials, electronics, semiconductors, environmental protection, biopharmaceuticals and other emerging industries have a growing demand for industrial gases, which further expand the room for development of the industrial gas industry, and the development prospects of China's industrial gas industry continues to show positive sign.

Fire fighting industry

The "14th Five-Year National Fire Work Plan" issued by the Work Safety Committee of the State Council points out that by 2025, the fire safety risk prevention and control system and the fire rescue force system with Chinese characteristics will be basically established, and by 2035, a fire governance system with Chinese characteristics will be established to match with the basic realization of modernization. Under the continuous promotion of national policies, governments at all levels attach high importance to fire protection work and continuously promote the rapid development of the fire fighting industry, the future demand for fire fighting products will continue to expand, and it is expected that the fire fighting industry will continue to show a growth trend in 2023.

Natural gas industry

In 2022, due to the slowdown in domestic economic growth and the impact of high international natural gas prices, the natural gas industry market demand has been suppressed to certain extent. The data recently published by the National Bureau of Statistics of China shows that natural gas which rapidly rose in 2022 appeared simultaneous negative growth in total consumption and consumption structure for the first time. The demand for natural gas in China is mainly industrial, chemical, transportation and residential-used gas, and natural gas power generation will also increase in the future, therefore, the long-term trend of natural gas consumption will still return to the growth track. In 2023, with the recovery of the national economy, energy prices maintain a low and stable confidence growth, China's natural gas consumption is expected to return to positive growth, coupled with the promotion of a series of policies such as domestic low-carbon environmental protection, energy-saving and emission reduction subsidies, the long-term development is expected to remain optimistic.

Hydrogen and fuel cell industry

The medium and long-term plan for the development of the national hydrogen energy industry and the "14th Five-Year Plan" for the development of hydrogen energy in various provinces and municipalities have clearly defined the important position of the hydrogen energy industry in the future national energy system. In 2022, the domestic hydrogen energy industry grew at a relatively fast pace and the domestic hydrogen fuel cell vehicle has formed a regional industrial clustering effect, however, in the short term, due to the high costs in various aspects such as hydrogen products production, storage and transportation, the annual sales volume of hydrogen-fueled vehicles has not met the expectations. Recently, various provinces and cities, including Beijing, Shanghai and Guangdong, have formulated policies and plans related to the hydrogen fuel cell vehicle industry, with detailed layouts for the planning and construction of hydrogen filling stations, the promotion and application of hydrogen fuel cell vehicles and the core industrial chain. The sales volume of hydrogen fuel cell vehicles is expected to achieve growth in 2023.

(2) *Intelligent Manufacturing Segment*

Automation equipment industry:

In 2022, the robotics industry companies showed a trend of rapid growth in market size, operating income and profits, and the market size of automation equipment is expected to further expand in the future as the level of automation in China's manufacturing industry continues to increase. In addition, the industry nationalisation rate such as industrial robots and work monitoring system is still relatively low and the industrial robotics market is a blue ocean market. In the future, there will be a huge room for the future growth of the domestic market share, and there is plenty of opportunity and space for the development of intelligent manufacturing enterprises.

Home appliances industry:

Qingdao City focuses on building strong linkage of key industries to accelerate the cultivation of world-class intelligent home appliance advanced manufacturing clusters, and promote the quality development of the manufacturing industry. The Industry and Information Bureau has formulated the “Qingdao City Intelligent Home Appliance Key Components Investment Guide Catalogue (2022)” to guide the core investment enterprises such as Haier, Aucma and Hisense. The largest project invested by Haier in China is located in Jiaozhou, Qingdao, and the Haier Kaaosi industrial internet ecological park project has commenced construction in the core area of Shanghai Cooperation Demonstration Zone, and the future development of the industry is promising.

(VII) Analysis of investments

1. General analysis of external equity investments

(1) Material equity investments

Unit: Yuan Currency: RMB

Name of investee company	Main business	Whether the subject is mainly engaged in investment business	Investment method	Investment amount	Shareholding	Whether consolidated	Financial statement item (if applicable)	Sources of fund	Cooperation partner (if applicable)	Duration of investment (if any)	Progress as of the balance sheet date	Estimated earnings (if any)	Effect on profit or loss for the period	Whether any lawsuit is involved	Date of disclosure (if any)	Index of disclosure (if any)
Qingdao BYTQ United Digital Intelligence Co., Ltd.	Automatic manufacturing equipment system integration	No	Acquisition	246.4 million	80%	Yes	/	Share issuance	/	/	Completed	/	41.4013 million	No	First disclosed on 17 August 2020	The website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the HKEXNews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Qingdao BYTQ United Digital Intelligence Co., Ltd.	Automatic manufacturing equipment system integration	No	Capital increase	30 million	81.45%	Yes	/	Share issuance	/	/	Completed	/	/	No	First disclosed on 17 August 2020	The website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the HKEXNews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.	property management, property leasing	No	Acquisition	0.4617 million	51%	Yes	/	privately-owned funds of the subsidiary	/	/	Completed	/	13.5708 million	No	First disclosed on 28 April 2022	The website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the HKEXNews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Total	/	/	/	276.8617 million	/	/	/	/	/	/	/	/	54.9721 million	/	/	/

(2) Material non-equity investments

Not applicable

(3) Financial assets measured at fair value

Not applicable

(VIII) Material disposal of assets and equity interest

Not applicable

(IX) Analysis of major subsidiaries and associates

Company name	Business nature	Principal products or services	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc.	US\$83,386,300	RMB1,842,402,792.24	RMB583,765,360.22	RMB-24,242,320.97
Jingcheng Holding (Hong Kong) Company Limited	Trading and investment	Import and export trade, investment holding and consultancy services, etc.	HK\$1,000	RMB167,877,271.34	RMB163,496,471.70	RMB67,761.81
Qingdao BYTQ United Digital Intelligence Co., Ltd.	Production	Robots and automation equipment products etc.	RMB21,418,633	RMB315,149,472.18	RMB203,040,951.89	RMB48,042,819.15

(X) Structured entities under the control of the Company

Not applicable

(XI) Industry structure and trends

Gas Storage and Transportation Segment:

(1) Industrial cylinder and natural gas products

It is difficult to change the intense low-price competition among the conventional industrial gas cylinders market in a short period. The application field of special gas is wide, and its market size will continue to maintain rapid development. Against the backdrop of energy transformation, energy conservation and environmental protection policies have sped up the construction of a low-carbon energy system and driven the growth of natural gas consumption in China while market demand for automotive cylinders is also expected to rise. In the future, it will be necessary for the Company to strengthen cooperation with large-scale gas companies and establish a full-service chain consisting of sales, technology and quality management to meet the increasing market service demand.

In the context of energy saving and environmental protection, the Company built a green and low-carbon transportation system, developed clean transportation equipment, which is conducive to driving the market demand for cryogenic products. The essence of carbon emission peak is the substitution of low-carbon clean energy for high-carbon energy. In the long run, the trend of global promotion of environmental governance, the Chinese government's energy saving and emission reduction, and the gradual proportionate increase of clean energy consumption will not change, and natural gas will remain the main force against the backdrop of energy transformation. The marine market, natural gas storage peak market and overseas tank container market demand will remain positive in the future.

(2) Hydrogen energy products

The development of hydrogen energy has become a global consensus under the context of “carbon emission peak and carbon neutrality”. It can be used in a wide range of traditional energy applications, including transportation, industrial fuel and power generation. The “14th Five-Year Plan” states that China will actively develop the hydrogen energy industry and deploy a number of key hydrogen energy projects, formally determining the overall foundation of the development of the hydrogen fuel cell vehicle industry. With the release of the “14th Five-Year Plan” and the strong support for the hydrogen energy industry from all regions, China’s hydrogen energy technology continues to make breakthroughs and the industry system is gradually being improved. As for hydrogen filling stations, more than 270 stations had been constructed and put into operation in China by the end of 2022. The industry predicts that the number of hydrogen filling stations in China will exceed approximately 400 stations by 2023. As for fuel cell vehicles, 4,463 units of hydrogen fuel cell vehicles were sold in 2022, with a year-on-year increase of 135.64%, and the hydrogen energy industry will achieve rapid growth with the tilt of national policy. The Company will adhere to the guiding principles of market orientation, independent innovation and leading development, and continue to upgrade its technology to build its leading position in the field of hydrogen energy equipment.

Intelligent Manufacturing Segment:

Intelligent equipment manufacturing

In recent years, the production of industrial robots in China has continued to grow, and is one of the few industries which continued to maintain rapid growth under the influence of the downward economic cycles and the impact of macroeconomic conditions. In the process of the gradual development of future intelligent cities and intelligent factories, a large number of industrial robots are needed for intelligent operation, and industrial robots will play a very important role, and the accelerated construction of 5G, Internet of Things, industrial internet and other technologies are of great significance to the development of industrial robots. In accordance to the survey and analysis of the Qianzhan Industry Institute, it is expected that the market size of industrial robots in China will continue to expand in the future.

(XII) Development strategies of the Company

1. Gas Storage and Transportation Segment

Positioning: To build a global leading enterprise in the manufacturing and services of gas storage and transportation equipment.

Strategy: Continuously strengthening the leading position and market position of industrial gas cylinder and fire-fighting gas cylinders to enhance its profitability; focus and optimise the product structure of natural gas business, maintain an appropriate scale, innovate the operating model and enhance its competitive edge; accelerating the industrialisation and batching process of Type IV Cylinders to seize the opportunity to develop the hydrogen energy industry and occupy the leading position in the market.

2. Intelligent Manufacturing Segment

Positioning: To build an industry leading comprehensive intelligent manufacturing solutions provider

Strategy: Focusing on the industrial automation equipment manufacturing field and deeply engaging in the home appliances industry, industrial automation, robotics integration applications, intelligent manufacturing equipment and other product production and manufacturing as well as integrated applications, providing comprehensive solutions for enterprises in the intelligent manufacturing industry, maintaining the competitive advantages of existing products and actively expanding new markets.

(XIII) Operating plan

The year of 2023 is a crucial year for the implementation of China's "14th Five-Year Plan". By focusing on promoting the high quality development of the Company, taking the "14th Five-Year Plan" strategic plan as the leading principle, reform and innovation as the main line, improving asset efficiency and enhancing profitability as the core, and taking "three cutting, one reduction and one improvement" and benchmarking against first-rate enterprises as the main starting point, the Company will deepen the reformation of state-owned enterprises, accelerate the adjustment of product structure, expand the scale of intelligent manufacturing equipment business, focus on resources, mainly develop the hydrogen energy business, strengthen the core technology, continuously enhance the independent innovation capability, continue to make great efforts to improve quality and efficiency, integrate sales resources, reduce costs throughout the process, and make all-out efforts to push the Company to a new level of high quality development.

(XIV) Potential risks

1. Risk associated with the implementation of the non-public issuance of shares

On 16 November 2022, the nineteenth extraordinary meeting of the tenth session of the Board of the Company considered and approved the “Resolution in relation to the Proposal for the Company’s Non-public Issuance of A Shares” and other resolutions, pursuant to the relevant requirements of the “Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Administrative Measures for the Issuance of Securities by Listed Companies”, “Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies” and other laws and regulations, the Company proposed a plan for the non-public issuance of A shares. Currently, there is uncertainty regarding the issuance of A Shares of the Company. The Company will strictly perform the information confidentiality work and fulfil its information disclosure obligations under relevant laws and regulations according to the progress of the matter, so as to announce the progress of the matter in a timely manner.

2. Risk of deterioration of the international situation

On the one hand, the Russo-Ukrainian conflict in 2022 caused a tighter European energy supply and soaring prices, resulting in the revenue of our products in the European market not being able to meet the expectation and the revenue of the entire European market has declined significantly, the continuation of the Russo-Ukrainian conflict this year led to greater uncertainty in the European energy supply and prices; on the other hand, the intensification of the competition between China and the U.S. and the intensification of trade conflicts between China and the U.S. have led to greater uncertainty in the U.S. and even in the entire export market revenue.

3. *Industrial policy risks*

Gas storage and transportation segment: First, factors such as oil and gas price differences and new energy industry policies resulted in significant changes in market demand for natural gas storage and transportation, impacting the natural gas storage and transportation sector, which is the Company's principal business. Second, the Company's hydrogen energy storage and transportation segment is categorized as a "new industry", which may easily be affected by national policies, economic environment, upstream and downstream industrial chain development, and other factors. Therefore, in response to the above risks, the Company will grasp the national macro policies in a timely manner, identify industrial development trends, broaden areas of product application, at the same time strengthen core technology development, expand new markets, minimize risk factors associated with industry policies, and reduce the impact on the Company.

Intelligent Manufacturing Segment: The industrial automation industry is a strategic industry that provides technical equipment for all sectors of the national economy, and is highly valued by the government and strongly supported by national regulations and policies, with a huge and diversified market demand. The current national policy actively supports the intelligent manufacturing industry and predicts that the policy of innovative development of industries, such as encouraging the research and development and application of industrial robots and promoting the industrial robots will remain unchanged in the short term. In terms of traditional industrial technology transformation, factory automation and enterprise information development, the demand in industrial automation market will continue to increase. If the macroeconomic trend causes China's economic development to be restricted, the downstream, which accounts for a large proportion of the industry demand, will be affected by the cycle, which will lead to a reduction of its new fixed asset investment and will adversely affect the production and operation of the Company. The Company will keep abreast of the macroeconomic situation, pay attention to the upstream and downstream development and broaden the application fields of its products, while strengthen the development of core technologies and expand new products market, so as to control the risk factors of industry policies to a minimum level and reduce the impact on the Company.

4. *Risk of intensified market competition*

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

5. Development risk on new business and new market

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

The Company's intelligent equipment manufacturing market is mainly focused on the home appliances industry, and the market development products are gradually developing towards the direction of medicines, electronics and automobiles, etc. The market for new products may change in the future, which will bring certain uncertainties and influences to the Company's operation and development. The Company will continue to improve its innovation capability, develop new products and gradually expand its market share to other industries based on the home appliances industry.

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

1. Analysis of operating results

During the Reporting Period, the total profit of the Company increased by approximately RMB58,429,700 as compared with the corresponding period of last year, the operating profit increased by approximately RMB49,117,600 year-on-year, and the net non-operating revenue and expenses increased by approximately RMB9,312,100 year-on-year. The operating income increased by approximately RMB189,596,700 as compared with the corresponding period of last year, the operating cost increased by approximately RMB133,193,700 as compared with the corresponding period of last year.

During the Reporting Period, expenses increased by approximately RMB22,053,500 as compared with the corresponding period of last year, of which, selling expenses decreased by RMB2,096,500, or 6.16%, as compared with last year, mainly due to the decrease in after-sales service fees of the subsidiaries; management expenses increased by RMB6,687,900, or 7.03%, as compared with last year, mainly due to the increase in the scope of the consolidated statements during the year resulting in the corresponding increase of management expenses; research and development expenses increased by RMB21,112,400, or 79.56%, as compared with last year, mainly due to (1) the increase in research and development expenses as a result of the increase in the scope of the consolidated statements during the year, and (2) the Company's increased investment in research and development during the year; financial expenses decreased by approximately RMB3,650,400, mainly due to the decrease in loan-bearing interests during the year and the decrease in interest expenses and the increase in net foreign exchange gains as compared with last year.

During the Reporting Period, taxes and surcharges increased by RMB1,978,200 as compared with the corresponding period of last year, mainly due to the corresponding increase in taxes and surcharges as a result of the increase in the scope of consolidated statement during the year, and the increase in supplementary tax as a result of the increase in value-added tax of the subsidiaries.

During the Reporting Period, the credit impairment losses increased by approximately RMB3,395,200 as compared with the corresponding period of last year, mainly due to the increase in provisions for bad debts as a result of the increase in the scope of consolidated statement during the current period, the inclusion of BYTQ and Jingcheng Haitong and increase in accounts receivable.

During the Reporting Period, the investment income increased by approximately RMB5,928,700, mainly due to the increase in profits of the associated companies and the increase in gains arising from debt restructuring.

During the Reporting Period, the non-operating income increased by approximately RMB11,341,100, mainly due to the compensation income received by a subsidiary.

During the Reporting Period, the non-operating expenses increased by approximately RMB2,029,000, mainly due to the payment of compensation made by a subsidiary.

2. *Analysis of assets, liabilities and shareholders' equity*

Total assets and total liabilities increased at the end of the Reporting Period, as compared with that of the beginning of the year, due to the impact of the scope of the consolidated statements.

Total assets amounted to approximately RMB2,434,589,100, representing an increase of approximately RMB866,140,300 or 55.22% as compared with the beginning of the year.

Total liabilities amounted to approximately RMB1,028,107,600, representing an increase of approximately RMB421,070,900 or 69.36% as compared with the beginning of the year.

Total shareholders' equity amounted to approximately RMB1,406,481,500, representing an increase of approximately RMB445,069,400 or 46.29% as compared with the beginning of the year.

3. Analysis of financial position

By implementing its prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a sound capital structure and solid financing channels. The Company kept its loan scale under strict control such that it can satisfy the capital need of operating activities while minimizing its finance cost and preventing against financial risks 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 2022	At the end of 2021
(1) Gearing ratio	42.23%	38.70%
(2) Quick ratio	121.39%	71.25%
(3) Current ratio	171.54%	131.75%

4. Bank loans

The Company prudently implemented its annual capital budget plan in accordance with the market environment conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to make timely efforts to reduce finance cost and prevent financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities of the Company. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB100,000,000, representing an increase of 1.84% as compared with the beginning of the year. Non-current liabilities due within one year amounting to RMB21,127,900, representing an increase of RMB14,127,900 in the current period.

5. Foreign exchange risk management

Foreign exchange risk refers to the risk of loss arising from changes in exchange rate. The Company is mainly exposed to foreign exchange risk relating to US dollars and euro. The Group's main operation is settled by RMB, except Beijing Tianhai Industry Co., Ltd., BTIC AMERICA CORPORATION and Jingcheng Holding (Hong Kong) Co., Ltd., subsidiaries of the Company, which use US dollars and euro for procurement and sale. Accordingly, it may be exposed to foreign exchange risks arising from the changes in the exchange rate between US dollars, euro and RMB. The Company actively adopted such measures to reduce the foreign exchange risk.

(XVI) Principal Sources of Fund and Its Use

1. Cash flows from operating activities

Cash inflows from operating activities of the Company during the Reporting Period were mainly derived from the income of product sales. Cash outflow was mainly used in expenses related to the production and operating activities. Cash inflows from operating activities during the Reporting Period amounted to RMB1,259,985,700, while cash outflows amounted to RMB1,254,762,000. Net cash flows during the Reporting Period from operating activities amounted to RMB5,223,800.

2. Cash flows from investment activities

Cash inflows from investment activities of the Company during the Reporting Period amounted to RMB62,869,800, mainly due to the net cash paid by subsidiaries and other business entities obtained during the period; while cash outflows from investment activities amounted to RMB126,279,400 which was mainly used for asset expenses such as the purchase and construction of fixed assets. Net cash flows from investment activities during the Reporting Period amounted to RMB-63,409,600.

3. Cash flows from financing activities

Cash inflows from financing activities during the Reporting Period amounted to RMB425,166,000, which was mainly derived from capital increase in raised funds, bank loans, special funds for research and development funds allocated by the controlled shareholder. Cash outflows from financing activities during the Reporting Period amounted to RMB182,279,300, which mainly due to the repayment of loans and interest and the direct costs of the raising of funds by non-public issuance. Net cash flows from financing activities for the Reporting Period amounted to RMB242,886,700.

In 2022, net cash flows from operating activities increased by approximately RMB37,918,500 as compared to the corresponding period of last year, mainly due to the increase in cash inflow from operating activities during the current period, which increased the net cash flows from operating activities during the current period. Net cash flows generated from investing activities decreased by approximately RMB4,037,600 as compared to the corresponding period of last year, mainly due to the increase in cash payment for the purchase and construction of fixed assets, intangible assets and other long term assets during the period; net cash flows generated from financing activities increased by approximately RMB314,076,900 as compared to the corresponding period of last year, mainly due to funds obtained from the issuance of shares during the current period and the special research and development project funds allocated by controlling shareholder.

During the current period, net cash flows from operating activities were RMB5,223,800 and net profit amounted to RMB14,054,200. The Company mainly financed its operations through cash flow generated from operating activities, and loans and issuance of shares.

(XVII) Capital Structure

The Company's capital structure consists of shareholders' equity and liabilities during the Reporting Period. Shareholders' equity amounted to RMB1,406,481,500, of which minority interests amounted to RMB334,216,400, and total liabilities amounted to RMB1,028,107,600. Total assets amounted to RMB2,434,589,100. As at the end of the year, the Company's gearing ratio was 42.23%.

Capital structure by liquidity

Total current liabilities	RMB619,685,000	Percentage of assets 25.45%
Total shareholders' equity	RMB1,406,481,500	Percentage of assets 57.77%
Of which: minority interest	RMB334,216,400	Percentage of assets 13.73%

(XVIII) Contingent Liabilities

As at the end of the Reporting Period, the Company did not have any discloseable significant contingent liabilities

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

Unit: Yuan Currency: RMB

Item	Book value at the end of year	Reasons for restriction
Monetary funds	22,374,406.22	L/C guarantee deposit
	46,822,813.02	Margin for bank acceptance bill
	3,625,647.23	Litigation freeze
	2,926.79	Bond for letter of guarantee
Total	72,825,793.26	–

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

Not applicable

(XXI) Explanation of the Company on "Non-Standard Auditors' Report" issued by the auditors

Not applicable

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

1. Formulation, implementation or adjustment of cash dividend policy

Not applicable

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

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to ordinary shareholders of the listed companies in the consolidated financial statement (%)
2022	0	0	0	0	18,302,413.93	0
2021	0	0	0	0	-23,282,271.43	0
2020	0	0	0	0	156,431,757.57	0

3. Repurchase of shares under cash included in cash dividend

Not applicable

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

Not applicable

III. EXPLANATION ON OTHER IMPORTANT MATTERS

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

During the Reporting Period, the Company completed the below acquisition and reorganisation projects, resulting in BYTQ and Jingcheng Haitong being included in the consolidation scope.

Completion of the acquisition and reorganisation project of BYTQ

The Company commenced the acquisition of 80% equity interest in BYTQ in August 2020. The Company and BYTQ jointly promoted the asset delivery arrangement and completed the transfer of shares and the industrial and commercial registration of the equity interest in BYTQ on 17 June 2022, and the issuance and listing of shares in relation to the asset purchase was completed on 27 June 2022. The core work of this major asset reorganization transaction was successfully completed within 2022. All of the subject assets of the asset acquisition by way of share issuance and cash payment and raising of supporting funds have been changed to be registered in the name of the Company, and the Company directly holds 80% equity interest in BYTQ. BYTQ officially became a controlled subsidiary of the Company and was included in the consolidation scope of the Company.

Acquisition of 2% equity interest in Jingcheng Haitong

The Company held the eighth meeting of the tenth session of the Board on 28 April 2022 and the general meeting for the year of 2021 on 9 June 2022 respectively, which considered and approved the “Resolution in relation to the Project on Acquisition of 2% Equity interest in Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. Held by Beijing Nengtong Lease Company by Beijing Tianhai Industry Co., Ltd.”, and agreed that Beijing Tianhai Industry Co., Ltd. (“**Tianhai Industry**”), a subsidiary of the Company, acquires 2% equity interest in Jingcheng Haitong held by Beijing Nengtong Lease Company (“**Beijing Nengtong**”), with a transfer price of RMB461,732. After the completion of the transaction, the registered capital of Jingcheng Haitong remains RMB80 million, and the amount of capital contribution and equity ratio of shareholders of both parties are changed to: Tianhai Industry contributes RMB40.80 million, with a shareholding of 51%, and Beijing Nengtong contributes RMB39.2 million, with a shareholding of 49%.

Jingcheng Haitong has completed the industrial and commercial change registration procedures on 4 July 2022 such as change of capital contribution and the equity ratio of shareholders and filing the “Articles of Association”, and obtained a new business license. On the same day, both parties completed the delivery of assets, and Tianhai Industry obtained the controlling interest of Jingcheng Haitong and included it into the consolidation scope of the Company.

- 2. During the Reporting Period, the Company initiated the project of non-public issuance of shares, which needs to be further passed at the general meeting for consideration and approval.**
- 3. During the Reporting Period, the Company was subject to applicable enterprise income tax rates of 25% and 15%.**
- 4. Review of financial statements for the Reporting Period by the Audit Committee**

The Audit Committee of the Board of the Company has reviewed and confirmed the financial report for 2022.

5. Corporate Governance Code

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

The Company has adopted the code provisions set out in Part II of the “Corporate Governance Code” contained in Appendix 14 of the Listing Rules as its corporate governance code. The Board considers that the Company has complied with all applicable code provisions set out in the corporate governance code throughout the year.

6. Model Code for Securities Transactions by Directors and Supervisors

During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of the directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the model code for the 12 months ended 31 December 2022.

7. Share capital

(1)

Unit: share

	Opening balance	Increase and decrease (+,-) in change				Subtotal	Closing balance
		Issuance of new shares	Bonus issue	Conversion from reserve	Other		
Total shares	485,000,000.00	57,265,988.00	0	0	0	57,265,988.00	542,265,988.00

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

IV. ANNUAL REPORT AND OTHER INFORMATION

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

By Order of the Board

Beijing Jingcheng Machinery Electric Company Limited

Wang Jun

Chairman

Beijing, the PRC
30 March 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, Mr. Wu Yanzhang, Mr. Xia Zhonghua, Mr. Man Huiyong and Ms. Li Chunzhi as non-executive directors, and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.