



京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

(H Share Stock Code: 0187; A Share Stock Code: 600860)

Interim Report 2014



1. The Board of Directors (the "Board"), the Supervisory Committee and the directors (the "Directors"), supervisors and senior management offices of Beijing Jingcheng Machinery Electric Company (the "Company") confirm that the information contained in this interim report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above..
2. 11 Directors of the Company should present at the meeting, 9 Directors are actually present at the meeting. The Directors, Mr. Zhou Yongjun and Ms. Chang Yun, are unable to attend the meeting and have appointed Mr. Xia Zhonghua and Ms. Jiang Chi by proxies respectively, to attend the meeting and exercise the voting right for them
3. The Interim Financial Report has not been audited.
4. Mr. Hu Chuanzhong, the legal representative of the Company, Mr. Li Junjie, the General Manager, and Ms. Jiang Chi, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
5. Whether the controlling shareholders of the Company or its associates have misappropriated the Company's funds or not.
No.
6. Whether any external guarantees are provided in violation of any specified decision-making procedures or not.
No.



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1. DEFINITION

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definition of frequently used terms

AGM	means	the 2013 Annual General Meeting convened on 26 June 2014
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under CSRC
Beiren Printing	means	Beiren Printing Machinery Holdings Limited (the former name of the Company before change of name)
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Board	means	the board of directors of the Company
CNG	means	Abbreviation of Compressed Natural Gas
Company	means	北京京城機電股份有限公司(Beijing Jingcheng Machinery Electric Company Limited), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Cryogenic equipment base in Huo County	means	The base for production of automotive liquefied gas bottle and cryogenic equipment (LNG industry)
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
DOT	means	Abbreviation of US Department of Transportation
Group	means	the Company and its subsidiaries
HK\$	means	Hong Kong dollars, the legal currency of Hong Kong
Industrial gas cylinder	means	Collective name for the cylinder that filled with industrial gas
Jingcheng Holding (substantial shareholder and beneficial controller)	means	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司), a company established in the PRC and the controlling shareholder of the Company, holding approximately 47.78% equity interest in the Company
Jingcheng Compressor, Jingcheng Environment	means	Beijing Jingcheng Compressor Co., Ltd. (北京京城壓縮機有限公司), a subsidiary of the Company and its former name is Beijing Jingcheng Environmental Protection Development Co., Ltd. (北京京城環保產業發展有限責任公司)
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited, a subsidiary of the Company



SECTION 1 DEFINITION

Listing Rules	means	The Rules Governing the Listing of Securities on the Stock Exchange
LNG	means	Abbreviation of Liquefied Natural Gas
PRC Accounting Standards	means	PRC Accounting Standards for Business Enterprise
RMB	means	Renminbi, the lawful currency of the PRC
Shareholder(s)	means	the holder of shares
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
SSE	means	Shanghai Stock Exchange
Station, L-CNG filling station	means	The station where automobiles are filled with LNG or CNG
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
Supervisory Committee	means	the Supervisory Committee of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Tianhai Industrial	means	Beijing Tianhai Industry Co., Ltd.(北京天海工業有限公司), a subsidiary of the Company
US\$	means	United States dollars, the legal currency of the United States of America

(I) INFORMATION OF THE COMPANY

Chinese name of the Company	北京京城機電股份有限公司
Chinese abbreviation	京城股份
English name of the Company	BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED
English abbreviation	JINGCHENG MAC
Company's legal representative	Hu Chuanzhong
Index for enquiry for the changes during the Reporting Period	www.btic.com.cn; www.sse.com.cn; www.hkexnews.hk (the Announcement on the Change of Company Name and Announcement on the Change of A-Share Abbreviation dated 28 January 2014)

(II) CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative in charge of securities affairs
Name	Jiang Chi	Lu Ruiping
Contact address	No.9 Tianying North Road, Chaoyang District, Beijing	No.9 Tianying North Road, Chaoyang District, Beijing
Telephone	010-67365383	010-67365383
Facsimile	010-87392058	010-87392058
E-mail	jcjg@btic.com.cn	jcjg@btic.com.cn

(III) CHANGES OF BASIC INFORMATION

Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.9 Tianying North Road, Chaoyang District, Beijing
Postal code of the office address of the Company	100121
Company's internet website	www.btic.com.cn
E-mail address	jcjg@btic.com.cn

(IV) CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of newspapers designated for information disclosure	Shanghai Securities News, Securities Daily
Website designated by CSRC for publishing the Interim Report	www.sse.com.cn
Place for inspection of the Company's Interim Report	Office of the Board of the Company

(V) INFORMATION OF THE COMPANY'S SHARES

Basic Information of the Company's Shares

Type of shares	Place of listing of the shares	Stock abbreviation	Stock code	Stock abbreviation before changes
A share	Shanghai Stock Exchange	*ST京城	600860	北人股份、京城股份
H share	The Stock Exchange of Hong Kong Limited	JINGCHENG MAC	0187	Beiren Printing

(VI) CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

Date of the first registration	13 July 1993
Place of the first registration	Chaoyang District, Beijing, the PRC
Date of change of registration for the first time	24 December 2003
Place of change of registration for the first time	Beijing, the PRC
Date of change of registration for the second time	23 December 2013
Place of change of registration for the second time	Chaoyang District, Beijing, the PRC
Registration No. of Business License of Enterprise Legal Person	110000005015956
Tax Registration No.	Jing Zheng Shui Zi 110105101717457
Organization code	10171745-7

SECTION 2 COMPANY PROFILE

(VII) OTHER RELATED INFORMATION

Name of the accounting firm engaged by the Company (Financial report and audit)	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC
	Names of signing accountants	Ma Chuanjun Pang Rongzhi
Name of the accounting firm engaged by the Company (Internal control)	Name	BDO China Shu Lun Pan Certified Public Accounts LLP
	Office address	4/F, 61 Nanjing Road East, Huangpu District, Shanghai
	Names of signing accountants	Yan Yanfei Jiang Gui Cheng
Financial advisor that performed continuous supervision during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Names of signing organiser of financial advisor	Qian Yisi, Li Li
	Period of continuous supervision	26 September 2013 to 31 December 2014
Name of the domestic legal adviser engaged by the Company		China Kang Da Law Firm
Office address of the domestic legal adviser engaged by the Company		No. 19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC
Name of the overseas legal adviser engaged by the Company		Woo, Kwan, Lee & Lo
Office address of the overseas legal adviser of the Company		26/F, Jardine House, Central, Hong Kong
Other basic information of the Company		Reception of shareholders enquiries: 10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturdays and Sundays) 9:00-11:00a.m. 2:00-4:00p.m.

SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS



I. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS

(1) Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figures	For the	For the same period last year		Increase(+)/ decrease(-) %
	Reporting Period (January – June)	After adjustment	Before adjustment	
Operation income	936,857,460.55	1,576,505,289.93	389,136,011.51	-40.57
Net profit attributable to shareholders of listed company	20,818,005.76	-21,286,267.36	-18,729,299.73	N/A
Net profit attributable to shareholders of listed company after extraordinary items	-45,140,213.05	-21,700,491.46	-20,688,253.77	N/A
Net cash flow from operating activities	-9,515,295.21	-148,574,769.45	-60,817,381.32	N/A
	At the end of the Reporting Period	At the end of the previous year		Increase(+)/ decrease(-) %
		After adjustment	Before adjustment	
Net assets attributable to equity holders of the listed company	899,502,007.96	803,573,308.22	803,573,308.22	11.94
Total assets	2,864,350,199.23	2,829,360,876.07	2,829,360,876.07	1.24

Note: Before adjustment in 2013 interim report, the relevant financial data in the financial report is disclosed by the Company in 2013 interim report. Pursuant to Corporate Accounting Standard 20, Business Combination, adjustments shall be made to the relevant items of the statements for enterprise acquisition under same control and the figures at the beginning of the period in the combined balance sheet. As such, the financial data after adjustments as stated in 2013 interim report includes the financial data of outgoing assets and incoming assets.

(2) Key financial indicators

Key financial indicators	For the	For the same period last year		Increase(+)/ decrease(-) %
	Reporting Period (January – June)	After adjustment	Before adjustment	
Basic earnings per share (Yuan/share)	0.05	-0.05	-0.04	N/A
Diluted earnings per share (Yuan/share)	0.05	-0.05	-0.04	N/A
Basic earnings per share after extraordinary items (Yuan/share)	-0.11	-0.05	-0.05	N/A
Returns on net assets on weighted average basis (%)	2.56	-1.49	-3.24	Increased by 4.05 percentage points
Returns on net assets on weighted average basis after extraordinary items (%)	-5.55	-3.58	-3.58	Decreased by 1.97 percentage points

II. EXTRAORDINARY ITEMS AND AMOUNT

Unit: Yuan Currency: RMB

Extraordinary items	Amount
Profit and loss from disposal of non-current assets	78,236,152.57
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the normal operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	610,733.00
Other non-operating income and expenses save for the above	-1,255,157.00
Effect on minority interests	4,899.34
Effect on income tax	-11,638,409.10
Total	65,958,218.81

I. DISCUSSION AND ANALYSIS OF THE DIRECTORS CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY FOR THE REPORTING PERIOD

1. Review for the first half of 2014

During the Reporting Period (being the period from 1 January 2014 to 30 June 2014), the global economy remained in an overall slow recovery; the economy in most countries around the world had improved, yet there were still weaknesses. China's economy turned from high speed growth to a medium and high speed growth and tended to be stabilized; the fundamentals for the economic development did not change yet risks remained. Before the economic restructuring is completed, China's economy will maintain a keynote of "seeking improvement in stability".

The growth of domestic economy slowed down and the lack of demands in downstream gas industry, resulting in overproduction, high stock and fierce competitions in prices in the gas storage and transportation equipment industry. Meanwhile, the adjustments in the industry spatial layout at the country level and the Beijing-Tianjin-Hebei integration strategy urged the Company to accelerate the strategic transformation as soon as possible. Therefore, transformation and upgrading and improvement of benefits will become the focus for the development of the Company in 2014.

During the Reporting Period, the operating income prepared in accordance with PRC Accounting Standards was RMB 936,857,500, and the net profit attributable to the shareholders of a listed company was RMB 20,818,000.

(1) Completing the construction of the internal control system, enhancing the prevention and control of risks and ensuring the compliance operation of the Company

During the Reporting Period, in order to ensure the operation of the Company in compliance with laws and regulations, the Company completed the evaluation and construction of internal control system, revised 38 rules and guided subsidiaries to revise 117 rules involving all the aspects such as the decision-making, daily operation and management of the Company and the management control of subsidiaries, and updated the risk information database and internal control manual. Meanwhile, the Company actively conducted internal control tracking audit and special legal review according to the standards formulated in the internal control manual to enhance the prevention and control of risks.

(2) Accelerating the adjustment of industry layout and the construction of new base and improving profitability

During the Reporting Period, in order to realize the strategic transformation and upgrading of the Company in the "Twelfth Five-Year Plan" period, the Company analyzed the existing industry structure and profitability, continued to improve the "cylinder, tank, vehicle and station" and integrated solution to actively improve the profitability of the Company; in order to realize industry transfer, the Company also formulated plans such as factory review, product certification and customer recognition for all the subsidiaries. At present, the plans are being carried out smoothly. The infrastructural construction of the factories in Huo County cryogenic production base is completed, the East Zone has obtained the manufacturing license and batch production is expected to be commenced in August; in the West Zone, the production line is being installed and commissioning, and it is expected to put into production in the second half of the year; Shandong Tianhai was established on 12 June 2014 and is expected to be put into production in the second half of the year.

(3) Accelerating the research and development of new products, accelerating the adjustment of product structure and meeting the market demands

During the Reporting Period, the Company insisted on technical innovation, accelerated the adjustment of product structure; continued to optimize the product design; developed cylinder products with large capacity, light material and high pressure; remarkably improved the product quality of LNG gas cylinder and after-sales service level; and continued to develop new products in the fields of tanks, vehicles and stations. In the first half of 2014, the Company completed the research and development of ISO11119-2 standard aluminum liner fully wrapped carbon fiber composite cylinders and 30Mpa light high pressure cylinders, optimized and certified 48 items in total, product certificate replacement and 8 major factory reviews; constantly operated through the quality control system; and complied with higher requirements of customers for quality control.

(4) Enhancing the protection of intellectual property rights and maintaining brand images

During the Reporting Period, the Company formulated the trademark registration plan in order to protect the brand, expanded the types, number of brands and countries, in which the brand is used, based on existing trademarks; and meanwhile, the Company transferred design and inventions into patents, and was listed as the patent trial unit by the government in Beijing; in March 2014, Tianhai Industrial successfully passed the review of high and new technology enterprise and obtained the review certificate for high and new technology enterprises.

(5) Adjusting the sales strategies timely and improving the market share of the natural gas

During the Reporting Period, the Company adjusted the sales strategies timely in order to expand the market share of the product; with the traditional products and customers as the support for results and the customers in the energy industry as growth point, the Company adjusted the market structure, enhanced the focuses on both traditional and new markets. And meanwhile, according to the customer groups of different products, the Company expanded the proportion of direct sales, enhanced the exploration for key clients especially mobile manufacturers. At present, the products have been used in domestic first-tier factories of heavy trucks, passenger cars and sedans. The proportion of sales of gas storage and transportation equipment in sales income of the Company gradually increased to 40.3% in the first half of 2014.

(6) Continued to conduct cost control, lowered the production cost of products and improved the competitiveness of products

During the Reporting Period, the Company continued to conduct different activities focusing on “lowering receivables, reducing inventories, lowering the cost and expenses and improving the economic benefits” and formulated 102 measures to reduce costs; with a series of improvement measures such as burden reduction, optimization, equipment improvement and independent maintenance, the Company realized the objectives to reduce cost, improve the work efficiency and eliminate the safety potential hazards, and improved the competitiveness of the products.

2. Outlook for the second half of 2014

In the second half of the year, driven by developed economies such as America, Europe and Japan, the global economy will continue to improve moderately. Most emerging economies, with the contradiction of internal structure difficult to be solved, will face a slow economic recovery and a limited space in the recovery of growth after the crisis. China still focuses on “growth stabilization, change in methods, and structure adjustment” and continues to carry out the steady fiscal policies; the growth stabilization policies will gradually form the cohesion to drive rebounding of the economic growth rate; however, there are still a lot of uncertainties internally and externally, and the downward pressure of economy remained. Along with the increasing measures for environmental pollution control and adjustment of energy structure in China, the proportion of natural gas in the structure of primary energy is gradually increasing, further driving the increase in demands for natural gas storage and transportation equipment; the imbalance between the supply and demands in the industry will be more prominent, and the competition will become fiercer.

The second half of the year is an important phase for the realization of profitability and transformation of the Company. Facing with the complicated economic situations outside the industry and the fierce market competitions in the industry, the Company will take further measures to control costs, enhance the administration of overall budgets, accelerate the research and development of new products, make innovations in marketing models to enhance the market competitiveness and profitability of the products of the Company and guarantee that the Company will realize the profit target; the Company will further enhance the internal control, accelerate the adjustment of strategic layout, accelerate the construction of major project to ensure a soft landing of “transformation” of the Company and realize the sustainable development of the Company.

(1) Enhancing internal control and improving the Company's level of risk prevention and control

The Company will continue to enhance the construction and evaluation of the internal control system, further find out and refine the specific measures with the risk points evaluated and revise and improve the system; further improve the contract management, comprehensive assess the contractual texts and reduce the legal risks; further enhance audit work, find out key risk control points in the procedures, increase the number of indicators for monitoring, lower the management risks and ensure the operation of the Company in compliance with laws and regulations.

(2) Accelerating the construction of key projects and accelerating the adjustment of strategic layout

With the “cylinder, tank, vehicle and station” and the integration solution as the core, the strategic adjustment plan of the Company as the guidance and on the condition that the production and operation will not be affected, the Company will consider and plan the current situation of 8 production bases as a whole, refine the steps to carry out the plans, determine the responsibilities, and monitor the progress, make well connections between projects and steadily promote the adjustment of strategic layout. The Company will pay special attention to the construction of cryogenic production base to make sure that it will be put into production successfully in the second half of the year.

(3) Making innovations in marketing models, improving the service capability and meeting the demands of the customers

First, the Company will break the existing marketing models, gradually improve the proportion of direct sales, and enhance the construction of business personnel to improve their initiatives; second, the Company will segment the market, accelerate the market expansion of new products and enhance the exploration and maintenance of key clients; third, the Company will continue to improve the after-sales service and network construction of the products, enhance the comprehensive service levels and meet the demands of clients.

SECTION 4 REPORT OF DIRECTORS

(4) Accelerating the research and development of new products, accelerating the optimization of mature products and improving the core competitiveness of the products

First, with market demand oriented approach, the Company will continue to do well in design and development of products and accelerate the speed of commercialization; second, the Company will do well in the certification of all the production bases according to the adjustment of spatial layout and guarantee not to affect the contracts delivery; third, the Company will continue to optimize the design of mature product to focus on cost reduction and improve the core competitiveness of the products.

(5) Enhancing quality control and improving products quality

Based on reviews from the certification and customers, the Company will take the initiative to do well in internal review, product review, process review and the review of supplies, ensure that consistent and effective operation of the quality control system, actively promote the technology reform and process re-engineering, improve the skills and senses of responsibilities of inspectors and improve the product quality.

(6) Continuing to implement cost control measures and improving the profitability of the Company

The Company will continue to carry out all the cost control measures formulated at the beginning of the year, combine the strategic and operation modes with cost accounting, improve the accuracy of cost accounting, actively take measures to reduce all expenses such as the administrative, financial and sales expenses, perfecting the balance and connections between production and sales, lower the inventory risks and improve the profitability of the Company.

(7) Enhancing the comprehensive budget management and improving the management level

The Company will continue to enhance the feedback of information concerning the comprehensive budget management, and to emphasise on rigid principles timely find out any deviation in the process of implementation and formulate corrective measures; establish and improve the key performance assessment system, form the mechanism in combination of responsibilities, rights and interests and enhance the control and assessment of the comprehensive budget management.

3. Scope of principal operations of the Company

Normal shipping, professional contractor; developing, designing, selling, installation and set up, repair cryogenic storage transport vessel, compressor (piston compressor, diaphragm compressor, nuclear membrane compressor) and related parts; equipments, electrical equipments; technique consultancy and technical service; economic and trade consultancy, import and export of commodities and technology and acting as import and export agency.

4. Analysis of principal businesses

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

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year (After adjustment)	Changes (%)
Operating income	936,857,460.55	1,576,505,289.93	-40.57
Operating cost	824,137,970.55	1,334,576,986.22	-38.25
Sales expense	42,644,893.10	73,529,261.55	-42.00
Management expense	87,071,018.08	141,769,632.29	-38.58
Financial expense	23,026,816.56	29,636,301.59	-22.30
Net cash flow from operating activities	-9,515,295.21	-148,574,769.45	Not applicable
Net cash flow from investment activities	-47,188,050.99	-115,472,645.08	Not applicable
Net cash flow from financing activities	-29,844,445.31	30,036,416.60	-199.36
R&D expenditure	5,012,119.06	12,483,573.90	-59.85

SECTION 4 REPORT OF DIRECTORS

Reasons for the changes in the operating income: decrease of 21.10% as compared with the corresponding period of last year excluding the Outgoing Assets;

Reasons for the changes in the operating cost: decrease of 19.28% as compared with the corresponding period of last year excluding the Outgoing Assets;

Reasons for the changes in the sales expenses: decrease of 9.35% as compared with the corresponding period of last year excluding the Outgoing Assets;

Reasons for the changes in the management expenses: decrease of 3.61% as compared with the corresponding period of last year excluding the Outgoing Assets;

Reasons for the changes in the financial expenses: increase of 13.48% as compared with the corresponding period of last year excluding the Outgoing Assets;

Reasons for the changes in the net cash flow from operating activities: increase of RMB 78,242,100 as compared with the corresponding period of last year excluding the Outgoing Assets, attributable to decrease in cash paid for purchase of commodities;

Reasons for the changes in the net cash flow from investing activities: increase of RMB 66,268,400 as compared with the corresponding period of last year excluding the Outgoing Assets, attributable to introduction of investment by subsidiaries;

Reasons for the changes in the net cash flow from financing activities: decrease of RMB 77,203,700 as compared with the corresponding period of last year excluding the Outgoing Assets, attributable to repayment of some loans;

Reasons for the changes in the R&D expenditure: increase of 6.5% as compared with the corresponding period of last year excluding the Outgoing Assets.

2. Others

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

Total profit for current period (excluding the Outgoing Assets) represented an increase of RMB 25,340,000, which was mainly attributable to: (1) increase of RMB 78,440,000 in profit for the period from disposal of college student apartment; and (2) decrease of RMB 54,750,000 in gross income from principal businesses.

(2) Analysis on the implementation progress of each type of financing and material asset reorganization

The Company was informed by Jingcheng Holding on 6 April 2012 that it was planning to implement a material assets reorganisation related to the Company. The Company immediately published an Announcement of Suspension of Trading for such purpose and trading of shares of the Company was suspended from 9 April 2012. It then published an Announcement of Suspension of Trading in relation to a Material Asset Reorganisation on 13 April 2012 and an Announcement of Extension of Suspension Period in relation to a Material Asset Reorganisation on 15 May 2012 and 14 June 2012 respectively. During such period, the Company published an Announcement on the Progress of Material Asset Reorganisation once every week. On 5 July 2012, the Company convened the first board meeting for the material assets reorganisation. The trading of shares of the Company was resumed on 6 July 2012 and a proposal of material reorganisation of assets and connected transaction was disclosed on the same date. On 2 November 2012, the Company convened the second board meeting for the material assets reorganisation and disclosed material assets reorganisation proposal. On 18 December 2012, proposal for material assets reorganisation was considered and passed at the extraordinary general meeting of the Company.

On 4 January 2013, the Company announced that it received the Acceptance Notice of the Application for Administrative Permission (中國證監會行政許可申請受理通知書) from the CSRC. On 21 January 2013, the Company announced that it received a notice from the CSRC that the vetting of the Company's Material Asset Reorganisation matters has been carried out in the 2013 second working conference and unconditionally approved by the Listed Companies Merger and Reorganisation Vetting Committee of the CSRC. Yet, on 25 January 2013, the Company received a notice from CSRC that since party/parties concerned for the Company's material asset reorganisation is/are suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material assets reorganisation has been temporarily suspended by the CSRC.

On 26 September 2013, the Company received the approval in relation to the Material Assets Reorganisation of Beiren Printing Machinery Holdings Company Limited (Zheng Jian Xu Ke [2013] No. 1240) from the CSRC, whereby the Company's material asset reorganization and connected transaction matters have been approved. The Company exchanged all of its assets and liabilities with 88.50% equity interest in Beijing Tianhai Industry Co., Ltd, 100% equity interest in Jingcheng Holding (Hong Kong) Company Limited and 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. held by Jingcheng Holding, with the difference is to be paid in cash by Jingcheng Holding.

SECTION 4 REPORT OF DIRECTORS

On 31 October 2013, the Company entered into "Material Asset Reorganisation Completion Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" with Jingcheng Holding and Beiren Group Corporation. On 11 April 2014, the Company has disclosed "Announcement on the Completion of Material Asset Reorganization and Connected Transaction" and "Report on the Progress of Material Asset Reorganization and Connected Transaction".

The Company and the parties concerned will continue to press on with the follow-up work in respect of the material asset reorganisation and perform the information disclosure obligation in accordance with the requirements of relevant laws and regulations.

(3) Progress of operation plan

The Company strictly follows the operation plan in 2014, actively promotes the transformation and upgrading of the Company and has completed the following work:

- ① Enhancing the internal control and improving the level of risk prevention and control;
- ② Cored with benefits, continuing to promote the implementation all the measures such as reduction of costs and improvement of profitability;
- ③ Accelerating the development of new products and the speed of commercialization;
- ④ Enhancing quality control and improving product quality;
- ⑤ Enhancing the comprehensive budget management and improving the management level.

(4) Others

Items	Changes as compared with the beginning of the period (%)	Description
Notes Receivable	-55.93	Mainly attributable to decrease in notes received by subsidiaries
Other Accounts Receivable	305.1	Mainly attributable to increases in deposits, securities and reserves
Other Current Assets	-99.94	Assets to be disposed have been completed in the period
Notes Payable	32.5	Mainly attributable to increases in notes issued by subsidiaries
Advances from Customers	-38.75	Mainly attributable to decreases in advanced received by subsidiaries
Tax Payable	-762.7	Mainly attributable to increases in input tax of subsidiaries not deductible
Other Payables	-47.93	Mainly attributable to increase in repayment of loans to the holding company
Receipts of taxes and levy refunds	414.04	Mainly attributable to increase in export rebates received
Other Cash receipts in operating activities	140.63	Mainly attributable to decreased in security deposit returned
Cash payments for goods and services acquired	-48.96	Mainly attributable to increase in cash paid for goods acquired
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	2,390.72	Mainly attributable to cash received from disposal of the college student apartment
Cash receipts from borrowing	-68.73	Mainly attributable to decrease in borrowings received in the period
Cash repayments of amount borrowed	-35.77	The amount of repayment increased by 50.38% as compared with the same period of last year after removing the Outgoing Assets, mainly attributable to increase in repayment of amount borrowed by subsidiaries for the period.
Other cash payments in financing activities	121.87	Increase in repayment of loans to the holding company
Business tax and surcharge	170.80	Attributable to increase in the tax payment
Assets impairment loss	-120.18	Attributable to effect of changes in accounting estimate for the year

SECTION 4 REPORT OF DIRECTORS

Item	Changes as compared with the same period of last year (%)	Description
Investment Income (loss marked "-")	-78.53	Mainly attributable to decrease in profitability of associates
Non-operating Income	2,006.19	Attributable to increase in income of subsidiaries from disposal of assets
Non-operating Expense	32.32	Attributable to increase in late fees of subsidiaries
Income Tax Expense	182.17	Mainly attributable to increase in total profits of subsidiaries and changes in deferred income tax

5. Analysis of industry, products or regional operation

(i) Principal businesses by industry and by product

Unit: Yuan Currency: RMB

Sector of product	Principal businesses by product					
	Operating income	Operating cost	Profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year (%)
Sales of hectograph machine				-100.00	-100.00	
Sales of intaglio printing machine				-100.00	-100.00	
Sales of form machinery				-100.00	-100.00	
Compressor business	30,480,900.00	26,603,765.55	12.72	-39.14	-40.46	Increased by 1.95 percentage points
Seamless steel gas cylinders	414,963,770.46	353,529,248.07	14.80	0.10	-4.24	Increased by 3.86 percentage points
Wrapped cylinders	184,961,365.18	160,936,178.76	12.99	-33.18	-24.74	Decreased by 9.76 percentage points
Cryogenic gas cylinders	132,839,611.65	128,230,920.57	3.47	-42.08	-36.64	Decreased by 8.30 percentage points
Cryogenic storage tanks	54,324,174.50	41,212,023.35	24.14	-21.32	-16.43	Decreased by 4.43 percentage points
Others	93,443,560.37	91,284,305.99	2.31	-10.23	-7.32	Decreased by 3.07 percentage points
Total	911,013,382.16	801,796,442.29	11.99	-39.66	-37.15	Decreased by 3.52 percentage points

Description of principal businesses by product:

- (1) The sales of hectograph machine, intaglio printing machine and form machinery are all the products of Outgoing Assets, which are not included in the Reporting Period.
- (2) Affected by the depressed macroeconomic situation, the demands for the gas storage and transportation industry decreased. Especially affected by the rising price of LNG gas in the second half of last year, the economic advantages of LNG gas was lowered and the demands in the heavy truck market for cryogenic gas cylinders reduced; although major cities in China vigorously developed LNG passenger cars, but the actual implementation did not achieve the expected targets. The mix of multiple factors resulted in the decline in sales income of cryogenic products of the Company.
- (3) Currently, high stocks and overproduction prevail in the gas storage and transportation industry. Therefore, facing with the limited market demands, the competition of prices becomes increasingly fierce. Tianhai Industrial also made adjustment to the prices of specific prices according to the market conditions such as the cryogenic gas cylinders, resulting in the fall of profit margin of such products.
- (4) The decrease in profit margin of businesses of Jingcheng Compressor was mainly attributable to the weakness of macroeconomic growth resulting in a poor environment of the compressor market, and Jingcheng Compressor strengthened its internal sales contract review, and gradually reduced or terminated OEM contracts, factors which result in decline in sales income and the gross profit margin.

SECTION 4 REPORT OF DIRECTORS

(ii) Principal business by geographical location

Unit: Yuan Currency: RMB

Geographical location	Operating income	Increase/decrease operating income compared over last year (%)
Domestic	559,111,494.00	-52.05
Overseas	351,901,888.16	2.38

Description of principal business by geographical location:

Excluding the Outgoing Assets, the domestic operating income decreased by 29.52% as compared with the same period of last year, mainly attributable to the decrease in sales of LNG gas cylinders. In terms of the overseas market, along with the gradual economic recovery of U.S. and Europe, and facing with the "cases of anti-dumping and anti-subsidy", the Company actively explored the U.S. market, resulting in a steady growth of business in overseas market and increase of operating income by 2.38% as compared with the same period of last year.

6. Analysis of core competitiveness

1. Tianhai Industrial has a relatively high goodwill in the global industry of gas storage and transportation equipment and Tianhai is also a well-known brand.
2. Relatively strong technological innovative ability. Currently, the Company has over 20 patented technologies, including four categories of products containing cylinders, tankers, vehicles and stations, which mostly cover the industry of gas storage and transportation equipment. Meanwhile, the Company possesses the capacity of designing and manufacturing complete sets of product line, which laid a solid foundation for improving the quality of our products.
3. The Company has a high quality talent team: Excellent management team, skilled technical team, top-notch sales team and professional production team and others.
4. The Company has established a complete sales network with over 30 distribution network points scattering across the country, basically realizing a full geographical coverage nationwide; established 8 sales network overseas, mainly scattered in America, Singapore, Korea and Australia etc.

7. Analysis on investment condition

1. General analysis on external investment in equity

- (1) During the Reporting Period, Tianhai Industry Co., Ltd., a subsidiary of the Company, introduced Beijing Bashi Media Co., Ltd. to invest in Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. ("Minghui Tianhai"), the subsidiary of Tianhai Industrial for developing its gas storage and transportation project. Upon completion of the capital injection, the registered capital of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. has been changed from RMB380,417,030 to RMB545,225,228. And the proportion of equity held by Beijing Tianhai Industry Co. Ltd. was changed from 55.20% to 38.51%.
- (2) During the Reporting Period, Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, transferred the relevant products to low cost areas according to the adjustment plan for the "Twelfth Five-Year Plan" period. Beijing Tianhai Industry Co. Ltd. and Shandong Yongan Heli Steel Cylinder Co., Ltd (山東永安合力鋼瓶股份有限公司) established Shandong Tianhai High Pressure Containers Co., Ltd. in Hedong District Industrial Zone in Linxi City, with a registered capital of RMB 30,000,000. Tianhai Industrial held 51% of equity and Shandong Heli held 49% of equity.

According to the Articles of Association of Shandong Tianhai and its practical situation, the financial and operating affairs of Shandong Tianhai shall be jointly decided by the shareholders of Tianhai Industrial and Shandong Yongan; Shandong Tianhai is commonly controlled by Tianhai Industrial and Shandong Yongan. Therefore, Tianhai Industrial did not include Shandong Tianhai in the consolidated financial statements.

- (3) During the Reporting Period, in order for manufacture and development of focused gas storage and transportation equipment and improvement of efficiency in allocation of resources, Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, and Canada Xigang Energy Co. Ltd. decided to liquidate (Beijing Tianhai Xigang Environmental Technique Co., Ltd. Beijing Tianhai Xigang Environmental Technique Co., Ltd had a registered capital of USD 800,000, Tianhai Industrial and Xigang Energy held 50% of equity, respectively. At present, relevant legal documents have been signed and the liquidation material has been filed to relevant governmental authorities.

2. Entrusted investment in non-financial entity and investment in derivatives

(1) Entrusted Investment

The Company did not entrust any entities to conduct wealth management during the Reporting Period.

(2) Entrusted loans

The Company did not entrust any entities to deal with loan(s) during the Reporting Period.

(3) Use of capital raised

During the Reporting Period, the Company did not use, for the current period, any capital raised or any capital raised in the previous period.

3. Analysis on principal subsidiaries and joint stock companies

Name of company	Business nature	Principal products or service	Registered capital	Total asset (RMB'000)	Net asset (RMB'000)	Net profit (RMB'000)
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, etc.	USD\$61.4018 Million	256,086.98	122,535.46	2,345.43
Beijing Jingcheng Compressor Co., Ltd.	Production	Design, manufacture and sale of compressors	RMB139,271,500	30,151.51	15,549.45	-497.82
Jingcheng Holdings (Hong Kong) Ltd.	Trade and Investment	Import and export trade, advertising agency and information consultancy, etc.	HKD1,000	14,339.85	14,218.17	-9.94

4. Projects financed by non-raised funds

Unit: 0'000 Yuan Currency: RMB

Name of project	Project amounts	Project progress	Investment in the Reporting Period	Cumulative amount of actual investment	Project earnings
Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry)	92,620	The construction of factory buildings has been completed. The East Zone has obtained the manufacture license, and production equipment are being installed and commissioning in the West Zone. It is expected to be put into production in the second half of 2014.	9,104	35,422	The project is currently under construction

II. PROPOSAL ON THE PROFIT APPROPRIATION OR TRANSFER OF CAPITAL RESERVE FUND

(1) Implementation of or adjustment to the proposal on the profit appropriation for the Reporting Period

During the Reporting Period, the Company did not implement any proposal on the profit appropriation.

III. OTHER DISCLOSURES

(1) The Board and supervisory committee's explanation to "Non-Standard Auditors' Report".

The 2014 Interim Report of the Company has not been audited.

SECTION 4 REPORT OF DIRECTORS

(2) Segment information

Unit: Yuan Currency: RMB

Reportable segments for January to June in 2014

Items	Cryogenic storage and transportation equipment	Compressor	Others	Write-off	Total
Operating income	905,857,720.00	30,999,740.55			936,857,460.55
Including: External transaction revenue	905,857,720.00	30,999,740.55			936,857,460.55
Revenue between segments					
Operating cost	797,344,434.69	26,793,535.86			824,137,970.55
Period charge	138,531,744.93	13,010,433.76	1,200,549.05		152,742,727.74
Total profit for segment (total loss)	32,872,830.28	-4,151,427.96	-1,200,549.05		27,520,853.27
Total assets	2,560,869,768.15	301,515,050.32	1,056,124,098.50	-1,054,158,717.74	2,864,350,199.23
Including: Significant impairment loss on individual assets					
Total liabilities	1,335,515,195.39	146,020,567.70	3,991,996.98	-52,379,682.50	1,433,148,077.57
Supplementary information					
Capitalized expense					
Loss of impairment recognized in the current period	2,816,856.30	-5,512,008.97			-2,695,152.67
Including: Amortization of goodwill					
Depreciation and amortization expense	41,080,182.34	1,358,528.08			42,438,710.42
Non-cash expenses other than loss of impairment, depreciation and amortization					

(3) Revenue

Revenue includes the net value of the received and receivable for the sales of different types of the printing machine units, the sales of cryogenic storage container, the sales of compressor, the sales of spare parts and service rendered as follows:

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Sales of hectograph machine		198,043,529.85
Sales of intaglio printing machine		162,894,646.63
Sales of Form Machine		5,051,365.76
Compressor Business	30,480,900.00	50,080,754.04
Seamless steel gas cylinders	414,963,770.46	453,975,930.05
Wrapped bottle	184,961,365.18	276,794,056.92
Cold bottle	132,839,611.65	209,703,817.52
Cryogenic storage tanks	54,324,174.50	69,040,983.59
Others	93,443,560.37	84,334,297.50
Total sales	911,013,382.16	1,509,919,381.86
Less: Sales tax and other surcharges	165,909,415.24	249,797,424.56
Total	745,103,966.92	1,260,121,957.30

(4) Taxation

1. Main categories of tax and tax rate

Category	Tax basis	Tax rate
VAT	Revenue from sales of goods	17%
Business Tax	Taxable revenue	5%
Urban Construction & Maintenance Tax	VAT or Business tax payable	1%, 5%, 7%
Education Surcharges	VAT or Business tax payable	3%
Local Education surcharges	VAT or Business tax payable	2%
Estate Tax	Lease income and 70-80% of the estate's original value	1.2% & 12%

SECTION 4 REPORT OF DIRECTORS

2. Corporate income tax rates for each subsidiary of the Group are as following:

Company name	Tax Rate
Beijing Jingcheng Holding Machinery Electric Holding Co., Ltd.	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Containers Co., Ltd.	25%
Langfang Tianhai High Pressure Cylinder Co., Ltd.	25%
Shanghai Tianhai Gas Cylinder Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Panni Gaokong Equipment Co., Ltd.	25%
America Fortune Company	Progressive tax rate
Beijing Jingcheng Compressor Co., Ltd.	15%
Jingcheng Holding (Hong Kong) Company Limited	16.50%

America Fortune Company is a company registered in the U.S., and it applies progressive tax rate to calculate corporate income tax, which is 15% to 39% based on different taxable income.

3. Taxation Benefits and Approval

On 11 November 2013, Beijing Tianhai Industry Co., Ltd., have applied for review on New and High Technology Enterprise for the year 2013, was certified as High and New Technology Enterprise and obtained the corresponding certificate with No. GF201311000576 jointly issued by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation, and Beijing administration of Local Taxation. The certificate is valid for three years. By the approval of the certificate, Beijing Tianhai applies 15% as the rate for corporate income tax.

On 5 December 2013, Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Group, was certified as High and New Technology Enterprise and obtained the corresponding certificate with No. GR201311001531 jointly issued by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation, and Beijing administration of Local Taxation. The certificate is with three-year validation. By the approval of the certificate, Beijing Tianhai Cryogenic Equipment Co., Ltd. applied 15% as the rate for corporate income tax.

On 28 October 2011, Beijing Jingcheng Compressor Co., Ltd., a subsidiary of the Group, was certified as High and New Technology Enterprise and obtained the corresponding certificate with No. GF201111001877 jointly issued by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation, and Beijing administration of Local Taxation. The certificate is with valid for three years. By the approval of the certificate, Beijing Jingcheng Compressor Co., Ltd. applied 15% as the rate for corporate income tax.

4. Changes in taxation and taxation preferential policy

There is no change in taxation and taxation preferential policy in contrast to previous period.

5. Taxation

	Amount for the current period	Amount for the previous period
current corporate income tax	9,025,245.90	4,871,027.62
Deferred income tax	1,220,059.33	-1,240,067.21
Total	10,245,305.23	3,630,960.41

Unit: Yuan Currency: RMB

SECTION 4 REPORT OF DIRECTORS

(5) Earnings per share

(1) Basic earnings per share

Basic EPS is calculated through consolidated net profit attributable to the common shareholders of the parent divided by the weighted average outstanding common shares.

Item	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the common shareholders of the parent (Yuan)	20,818,005.76	-21,286,267.37
Consolidated net profit attributable to the common shareholders of the parent (Yuan) (net of non-operating gains and loss)	-45,140,213.05	-21,700,491.47
The weighted average numbers of outstanding common shares of the parent	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	0.05	-0.05
Basic earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.11	-0.05

The calculation of the weighted average number of basic EPS:

Item	Amount for the current period	Amount for the previous period
The beginning balance of outstanding common shares	422,000,000.00	422,000,000.00
Adjustment of capital reserves transfer to the capital		
The balance of outstanding common shares at the end of the period	422,000,000.00	422,000,000.00

(2) Diluted earnings per share

The diluted EPS is calculated as followed: diluted potential basic shares adjusted consolidated net profit attributable to the basic shareholders of the parent company divided by the adjusted weighted average outstanding basic shares.

The adjustment factor of consolidated net profit attributable to the basic shareholders of the parent company is the diluted potential basic share interest, recognized as expense; and gains and losses of diluted potential basic share, generated during transition process; as well as other income tax influence.

The adjustment factor of weighted average outstanding basic shares is the increased weighted average number of assumed diluted potential basic share, generated during transition process of basic shares.

Item	Amount for the current period	Amount for the previous period
Adjusted consolidated net profit attributable to the basic shareholders of the parent (Yuan)	20,818,005.76	-21,286,267.36
Adjusted consolidated net profit attributable to the basic shareholders of the parent (Yuan) (net of non-operating gains and loss)	-45,140,213.05	-21,700,491.46
The adjusted weighted average numbers of outstanding common shares	422,000,000.00	422,000,000.00
Diluted earnings per share (Yuan/share)	0.05	-0.05
Diluted earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.11	-0.05

SECTION 4 REPORT OF DIRECTORS

(6) Share capital

Set out below is the statement of change in authorized, issued and paid-up share capital of the Company. All shares of the Company are ordinary shares of par value RMB1 each.

(Unit: RMB'000)

Name/class of shareholders	Amount at the beginning of the year		Change in the current period				Amount at the end of the period		
	Amount	Proportion (%)	Issuance of new shares	Bonus issue	Conversion from reserves	Other	Subtotal	Amount	Proportion (%)
Shares subject to trading moratorium									
State-owned legal person shares									
Total shares subject to trading moratorium									
Shares not subject to trading moratorium									
RMB ordinary shares	322,000.00	76.30						322,000.00	76.30
Foreign shares listed overseas	100,000.00	23.70						100,000.00	23.70
Total shares not subject to trading moratorium	422,000.00	100.00						422,000.00	100.00
Total shares	422,000.00	100.00						422,000.00	100.00

(7) Dividends

No dividend was paid or proposed for the six months ended 30 June 2014, nor has any dividend been proposed since the end of the Reporting Period.

(8) Contingent liabilities

As at 30 June 2014, the Company did not have any material contingent liabilities.

(9) Financial position analysis

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 has kept its loan scale under strict control such that it can satisfy the capital need of operating activities while minimizing its financial costs and preventing against financial risks in a timely manner by fully utilizing financial instruments, for purposes of achieving sustainable development of the Company and maximizing its shareholders' value.

Liquidity and capital structure

	At the end of the period	At the beginning of the period
(1) Gearing ratio	50.03%	58.87%
(2) Quick ratio	64.71%	54.52%
(3) Liquidity ratio	120.69%	102.38%

Debt to assets Ratio at the end of the Period = total liabilities at the end of the period/total assets at the end of the Period*100%=1,433,148,077.57/2,864,350,199.23*100%=50.03%

(10) Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB470,612,400, representing a decrease of 2.49% as compared with the beginning of the year. Long-term loan was nil.

SECTION 4 REPORT OF DIRECTORS

(11) Principal Sources of Fund and Its Use

1. Cash flows from operating activities

The Company's cash inflows are mainly derived from the income of product sales during the Reporting Period. Cash outflow was mainly related to the production and operating activities. The Company's cash inflow from operating activities for the Reporting Period amounted to RMB654,605,000, while cash outflow amounted to RMB664,120,300. Net cash flow during the Reporting Period from operating activities amounted to RMB-9,515,300.

2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB87,722,800 while cash outflow to investment activities amounted to RMB134,910,900, which was mainly used for capital expense on the purchase of fixed assets. The above expenditures were financed by the Company's internal resources. Net cash flow from investment activities for the Reporting Period amounted to RMB-47,188,100.

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB317,860,500, which was mainly derived from bank loans and investments received by Minghui Tianhai. Cash outflow to fund-raising activities during the Reporting Period being amounted to RMB347,704,900 was mainly for the repayment of bank loans and borrowings from Jingcheng Holding and interests. Net cash flow from fund-raising activities for the Reporting Period amounted to RMB-29,844,400.

Net cash flow from operating activities during the Reporting Period increased by RMB78,242,100 (excluding the Outgoing Assets) over the corresponding period for the last year, which was mainly due to decrease in payment for purchase of goods. Net cash flow generated from the investment being increased by RMB66,268,400 (excluding the Outgoing Assets) over last year was mainly attributable to investments introduced by subsidiaries. Net cash flow generated from fundraising activities decreased by RMB77,203,700 over last year, which was mainly due to the increase of net cash receipt from disposal of fixed assets, intangible assets and other long term assets.

Net cash flow generated from operating activities for the period was RMB-9,515,300. Net profit for the year was RMB-17,275,500, which was mainly attributable to investment activities.

(12) Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,431,202,100, of which, minority interests amounted to RMB531,700,100, and total liabilities amounted to RMB1,433,148,100. Total assets amounted to RMB2,864,350,200. As at the end of the Reporting Period, the Company's gearing ratio was 50.03%.

Capital structure by liquidity

Total equity interest attributable to shareholders	RMB1,299,680,100	Accounting for 45.37% of assets
Total equity interest attributable to shareholders	RMB1,431,202,100	Accounting for 49.97% of assets
of which: minority shareholders interests	RMB531,700,100	Accounting for 18.56% of assets

(13) Number of Employees, Employees' rewards, Remuneration Policy and Training Program during the Reporting Period

(1) Number of employees:

Number of employees during the Reporting Period was 3,178.

(2) Remunerations

Remunerations during the period: RMB64,435,300.

(3) Remuneration Policies

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

(4) Training Plan

The 2014 human resources training program is formulated in accordance with the Company's actual requirements of the production operations and management in 2014, which aimed at strengthening the management of training as well as enhancing the planning, validity and relevance of the training works. According to the training plan, the Company organized directors, supervisors and senior management to participate into training program organized by external parties such as Beijing Securities Regulatory Bureau, Shanghai Stock Exchange and the Hong Kong Institute of Chartered Secretaries, organized internal staff to participate in 150 trainings such as marketing techniques and communications training, new middle management role changing training, key position training etc, training of 3,900 staff, number of training hours per staff reached 9.58 hours.

(14) Pledged of Company's Assets or Mortgaged

During the Reporting Period, part of the real estate building was pledged to bank as the pledge for secured borrowings. Original value was RMB136,615,941.26, net valuation was RMB104,899,014.47.

(15) Company's Material Investment or Purchase of Capital Assets Planning in the Future

As at the reporting date, the Company did not have any planning on material investment or purchase of capital asset.

(16) Board Diversity Policy

The Board has adopted Board Diversity Policy, when deciding the members of the Board, it decides in a perspective ways, including, but not limited to, gender, age, race, culture and education background, professional experience, skills, knowledge and term of service. The Company believes that Board Diversity Policy could help to raise the management level, which is beneficiary to achieve the sustainable development of the Company.

(17) Foreign Exchange Risk Management

The Group is exposed to foreign exchange risk which is related to US dollars. Save for the subsidiary of the Company, American Fortune Company, using USD for purchasing and for sale, other major businesses of the Group mainly denominated in RMB. Due to relative stable exchange rate of RMB to USD recently, the slight fluctuations in exchange rate has no material effect to the Company's profit and loss, therefore, there was no related hedging arrangement.

SECTION 5 IMPORTANT MATTERS

(I) MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

The Company does not have material litigation, arbitration and matters questioned by media for the Reporting Period.

(II) BANKRUPTCY AND RESTRUCTURING RELATED MATTER

The Company does not have bankruptcy and restructuring related matter for the Reporting Period.

(III) EXCHANGE OF ASSETS AND MERGER OF COMPANIES MATTER

The acquisition of companies, disposal of assets and merger of companies which have been disclosed in the extraordinary announcements without changes in the follow-up implementation

Summary and type of matter

1. The Company proposed to dispose its 100% interests in Jingcheng Compressor by public tender with selling price no less than its valuation amount of RMB250,202,800;
2. Jingcheng Holding, a controlling shareholder of the Company, intended to participate in the public tender. Therefore, the Company and Jingcheng Holding intended to enter into a conditional Asset Transaction Agreement. During the implementation of the public tender, should Jingcheng Holding successfully be qualified as the transferee, the transaction will constitute a connected transaction of the Company. In the event Jingcheng Holding was not qualified as the transferee, such Asset Transaction Agreement will be null and void;
3. There were no significant legal obstacles for the transaction;
4. The transaction did not constitute a major assets restructuring as specified in the Administrative Measures for the Material Asset Reorganization of Listed Companies;
5. The transaction has been considered and approved at the annual general meeting held on 26 June 2014. As at the date of disclosure of this report, the disposal by public tender through the equity exchange agency is underway. The Company will make further disclosure upon the completion of disposal.

Index for enquiry

1. For details, please refer to the Announcement on Disposal of 100% Interests in Jingcheng Compressor Co., Ltd. and Possible Connected Transaction published on the website of the SSE (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>) on 16 May 2014 as well as on Shanghai Securities News and Securities Daily on 17 May 2014.
2. For details, please refer to the Announcement of Resolutions Passed at the 2013 Annual General Meeting published on the website of the SSE (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>) on 26 June 2014 as well as on Shanghai Securities News and Securities Daily on 27 June 2014.

(IV) COMPANY SHARE INCENTIVE AND ITS EFFECT

The Company does not have share incentive scheme for the Reporting Period.



(V) MATERIAL CONNECTED TRANSACTIONS

(1) Connected transactions related to daily operation

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

Summary of matter	Index for enquiry
1. Tianjin Tianhai entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Pipe, pursuant to which Tianjin Tianhai will purchase gas cylinder pipes from Tianjin Pipe for a valid term commencing 1 January 2014 to 31 December 2014 with a transaction cap of RMB300,000,000.	For details, please refer to the announcements published on the website of the SSE (http://www.sse.com.cn) and the website of the Stock Exchange (http://www.hkexnews.hk) on 3 March 2014 as well as on Shanghai Securities News and Securities Daily on 4 March 2013 in relation to connected transactions related to daily operation
2. Tianhai Industrial entered into Purchase Framework Agreement with Jingcheng Logistics, pursuant to which Tianhai Industrial will purchase cylinder steel billets from Jingcheng Logistics for a valid term commencing 1 January 2014 to 31 December 2014 with the annual purchase amount not exceeding RMB 26,000,000.	
3. Tianhai Industrial entered into Finance Lease Cooperation Framework Agreement with a financial lease company, pursuant to which Tianhai Industrial will carry out finance lease businesses with the financial lease company for a valid term commencing 1 January 2014 to 31 December 2014 with the cap of finance lease services of RMB29,000,000.	
4. Tianhai Industrial entered into Plant and Equipment Lease Agreement with Asset Management Company, pursuant to which Tianhai Industrial will rent a plant located at Mulin Town, Shunyi District for a valid term commencing 1 January 2014 to 31 December 2016 with annual rental of RMB680,000.	
5. Jingcheng Compressor entered into Plant Lease Agreement with Jingcheng Tianyi, pursuant to which Jingcheng Compressor will rent out offices and plant to Jingcheng Tianyi for a term of tenancy commencing 1 January 2014 to 31 December 2016 with annual rental of RMB924,362.50.	
6. Jingcheng Compressor entered into Property Lease Agreement with Beijing Xihai Trade Co., Ltd., pursuant to which Jingcheng Compressor will rent the office located at the Guangming Lou for a term of tenancy commencing 1 January 2014 to 31 December 2015 with annual rental of RMB1,202,857.50.	
7. The valid term of the Gas Cylinder Pipe Sale and Purchase Framework Agreement Supplemental Agreement and Gas Cylinder Pipe Sale and Purchase Framework Agreement was changed from the original 1 year to 3 years (the valid term of the agreement after change was commencing 1 January 2014 to 31 December 2016) by Tianjin Tianhai and Tianjin Pipe, and all other terms of the agreement remain unchanged.	

SECTION 5 IMPORTANT MATTERS

(2) Related creditor's right and debt transactions

Matters which were not disclosed in extraordinary announcements

Unit: Yuan Currency: RMB

Related party	Relationship with related party	Provide funding to related party			Related party providing funding to listed company		
		Balance as of beginning of the period	Occurred amount	Balance as of end of the period	Balance as of beginning of the period	Occurred amount	Balance as of end of the period
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Wholly-owned subsidiary of parent company	12,889,750.00		12,889,750.00			
Beijing Jingcheng Industrial Logistics Co. Ltd.	Wholly-owned subsidiary of parent company				12,562,196.93	-5,754,448.42	6,807,748.51
Tianjin Pipe Steel Trade Co., Ltd.						23,231,277.68	23,231,277.68
Jingcheng Holdings	Parent company				386,807,077.46	-192,307,077.46	194,500,000.00
Beiren Corporation Group	Wholly-owned subsidiary of parent company				9,537,212.51	-8,423,955.95	1,113,256.56
Beijing First Machine Tool Factory	Controlling subsidiary of parent company				393,359.09	36,000.00	429,359.09
Jingcheng Holdings	Parent company				126,900,000.00	6,568,000.00	133,468,000.00
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Wholly-owned subsidiary of parent company				52,889,750.00	-52,889,750.00	0
Beijing Jingcheng Tianyi Environment Technology Co., Ltd.	Controlling subsidiary of parent company				4,500,000.00	-459,998.67	4,040,001.33
Total:		12,889,750.00		12,889,750.00	593,589,595.99	-229,999,952.82	363,589,643.17
Occurred amount of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)							12,889,750.00
Balance of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)							12,889,750.00
Reasons for occurrence of related creditor's right and debt transactions	Disposal of college student apartment						
Settlement of connected debts and liabilities	The Company has received the remittances of RMB8,000,000 and RMB4,889,750 from Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. on 8 July and 24 July 2014 respectively, amounting to RMB12,889,750 in total.						

(VI) CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

(I) Trust, contracting and lease matters

(1) Trust

There was no trust matter for the Company during Reporting period.

(2) Contract

There was no contract matter for the Company during the Reporting period.

SECTION 5 IMPORTANT MATTERS

(3) Lease

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount involved in lease of assets	Starting date of lease	Ending date of lease	Lease revenue	Defining base for lease revenue	Effect of lease revenue	Is it a connected transaction?	Relationship
Beijing First Machine Tool Factory	Beijing Panri Gaokong Equipment Co., Ltd.	Housing	120,000	1 January 2014	31 December 2014	-120,000	Negotiated price	-120,000	Yes	Subsidiary of shareholder
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Housing	680,000	1 January 2014	31 December 2016	-680,000	Negotiated price	-680,000	Yes	Subsidiary of shareholder
Beijing Xihai Trade Co., Ltd.)	Jingcheng Compressor	Housing	1,202,857.5	1 January 2014	31 December 2015	-1,202,857.5	Negotiated price	-1,202,857.5	Yes	Subsidiary of shareholder
Jingcheng Compressor	Beijing Jingcheng Tianyi Environment Technology Co., Ltd.	Housing	924,362.5	1 January 2014	31 December 2016	924,362.5	Negotiated price	924,362.5	Yes	Subsidiary of shareholder

(II) Guarantee

Unit: 10'000 Yuan Currency: RMB

External guarantees by the Company (excluding guarantees for the subsidiaries)

Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries) 0

Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantees for the subsidiaries) 0

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period 1,120

Total amount of guarantees for its subsidiaries outstanding at the end of the Reporting Period (B) 420

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)

Total amount of guarantees (A+B) 420

Total amount of guarantees as a percentage of the Company's net assets (%) 0.52

In which:

Amount of guarantees provided for shareholders, effective controlling parties and connected parties (C) 0

Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70%(D) 0

Total amount of guarantees in excess of 50% of net assets (E) 0

Sum of the above three guaranteed items (C+D+E) 0

It represents the guarantee provided by Beijing Tianhai Industry Co., Ltd. (a subsidiary of the Company) to its subsidiary Tianjin Tianhai High Pressure Container Co., Ltd.

(III) Other material contracts or transactions

During the Reporting Period, saved as disclosed, there was no other material contract or transaction for the Company.

SECTION 5 IMPORTANT MATTERS

(VII) FULFILLMENT OF COMMITMENTS

(1) The commitments of listed company or its shareholders holding more than 5% of shares, the controlling shareholder and the beneficial controller during or up to the Reporting Period

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Settlement of connected transactions	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "In respect of the unavoidable connected transaction matters or those which take place with reasonable grounds in the future between the Company and the other companies under the control of the Company and the Listed Company and the companies under its control, the Company and the other companies under the control of the Company will follow the principles of openness, fairness and justice for market transactions to conduct transactions at fair and reasonable market prices, and will perform the decision process of connected transactions according to the relevant law, regulations and standardization documents, perform the duty of information disclosure. The Company warrants that the Company and the other companies under the control of the Company will not obtain any improper benefits through the connected transactions with the Listed Company and the companies under its control or cause the Listed Company and the companies under its control bear any improper duties. The Company will bear the responsibilities of compensating the Listed Company and the companies under its control for their losses if the company is in violation of the above undertaking and carries out transactions with the Listed Company and the companies under its control."	Long term	Yes	Yes		
	Settlement of competition with its competitors	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "In respect of the businesses or business opportunities similar to those of the Listed Company that the company and the other companies under the control of the Company that the latter contemplates to conduct or actually obtain in the future, and the assets and businesses generated by such businesses or business opportunities may constitute potential competition with its competitors."	Long term	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes that after the completion of this Material Asset Reorganisation, it will warrant the independence of the personnel, assets, finances, organizations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company.	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has closed the financial management platform and centralized fund management platform to the Company's subsidiaries. Jingcheng Holding has not performed any act in violation of the undertaking.	

SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "1. Within 30 days from the receipt of a notice on this matter of Material Asset Reorganisation of Beiren Holdings by the creditors of Beiren Holdings, within 45 days from the date of the first announcement on this matter of Material Asset Reorganisation of Beiren Holdings in case of nonreceipt of the notice, if they demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings has not repaid the liabilities or provided the security, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 2. If Beiren Holdings cannot reach the creditors, and for those creditors who have not expressed clear opinion after the receipt of the notice or the expiry of the notice period, if they have expressed clearly disagreement opinion before the completion of this Material Asset Reorganisation, and Beiren Holdings has not repaid the liabilities nor provided security upon their demand, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after the receipt of the notice or the expiry of the notice period, if after the completion of this Material Asset Reorganisation, the recipient of the Outgoing Assets cannot repay its liabilities, the company is in charge of the repayment. After the Company has been liable for guarantee responsibility and repayment responsibility, it has the right to seek repayment from the recipient of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company is not to suffer from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets, and will not refuse to sign or request to terminate, change the "Framework Agreement for Material Asset Reorganisation between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.", the "Material Asset Reorganisation Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" and the related agreement due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company is not to suffer from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "If, in the future, the production workshops of Tianhai Industrial in Mu Lin County is needed to be relocated due to real estate problems in defects of the lease, the Company will fully compensate in cash the Listed Company after the completion of this transaction for all the losses of Tianhai Industrial caused by the relocating process."	Long term	Yes	Yes		

SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd, the substantial shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
Profit forecast and compensation		Beijing Jingcheng Machinery Electric Holding Co., Ltd, the substantial shareholder	Jingcheng Holding undertakes: "Jingcheng Holding will compensate the Company by cash 100% of the amount of the loss of 2013 of the Incoming Assets and 100% of the amount of projected profit of 2013 of the Incoming Assets. According to the Audit Report for the Implementation of Profit Forecasts Regarding Incoming Assets issued by ShineWing Certified Public Accountants LLP (XYZH2013TJA2024-4), the compensation amount was RMB100,159,700 in total.	Six months starting from the disclosure of the 2013 annual report of the Listed Company	Yes	Yes	On 10 April 2014, the Company received the compensation amount of RMB50,079,900, representing 50% of the total compensation amount, from Jingcheng Holding. To date, Jingcheng Holding has not committed any act in violation of the undertaking.	
Others		Beijing Jingcheng Machinery Electric Holding Co., Ltd, the substantial shareholder	According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beiyang Casting Co., Ltd." jointly signed by listed company, Jingcheng Holding and Beiren Group, they jointly confirmed "Each party confirms that the equity transfer is deemed to be completed. Company would no longer record such equity interest as a longterm investment which means that all shareholder's rights (including but not limited to equity return, voting right and election right), obligations, risks and liabilities of shareholders under such equity interest have been enjoyed or assumed by Beiren Group and Company has to act correspondingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities assumed or loss suffered by Jingcheng Company as a result of lacking defensive power shall be actually taken by Jingcheng Holding."	Long term	Yes	Yes	Jingcheng Holding is performing its undertaking regarding the delivery of 17.01% equity interests in Beijing Beiyang, and it has not committed any act in violation of the undertaking.	
Others		Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company is not suffer from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	

SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes when this reorganisation is implemented, if the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "The Company will urge Tianhai Industrial and Jingcheng Compressor to strictly perform their undertaking, and finish the handling of the real estate ownership certificates before 31 December 2013. At the same time, in order to guarantee the fairness of the value of these Incoming Assets, the Company undertakes it will bear all the expenses incurred in the process of handling the above real estate properties with defects. If the ownership issue of the above real estate properties with defects cannot be resolved as scheduled, resulting in a loss to the Beiren Holdings after this Material Asset Reorganisation in the future, the Company will make full compensation in time to the Beiren Holdings after this Material Asset Reorganisation by cash."	31 December 2013	Yes	No.	At present, the ownership issue of the real estate properties with defects owned by Tianhai Industrial has been settled, and active handling of land and real estate ownership certificates are in process by Jingcheng Compressor; the Company has regulated the undertaking which has passed the performance deadline but not yet performed in accordance with Guideline No.4 and Notice No.35. The relevant measures are now being implemented.	The Resolution on Proposed Disposal of 100% Equity Interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of Public Tender was passed on the 2013 annual general meeting of the Company held on 26 June 2014. Jingcheng Holding intends to participate in the bidding process of public tender. The Company and Jingcheng Holding have entered into the Asset Transaction Agreement with conditions. After the completion of such disposal, the Company will no longer hold the equity interests in Jingcheng Compressor.
	Others	Incoming Assets (Jingcheng Compressor)	In respect of the total of 5 counts of real estate defects of Jingcheng Compressor, it undertakes: "The Company undertakes to finish the handling of everything before 31 December 2013"	31 December 2013	Yes	No.	At present, active handling of land and real estate ownership certificates are in progress by Jingcheng Compressor. The Company has regulated the undertaking which has passed the performance deadline but not yet performed in accordance with Guideline No.4 and Notice No.35. The relevant measures are now being implemented.	The Resolution on Proposed Disposal of 100% Equity Interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of Public Tender was considered and approved at the 2013 Annual General Meeting held on 26 June 2014. Jingcheng Holding intends to participate in the bidding process of public tender. The Company and Jingcheng Holding have entered into the Asset Transaction Agreement with conditions. After the completion of such disposal, the Company will no longer hold the equity interests in Jingcheng Compressor.

SECTION 5 IMPORTANT MATTERS

(VIII) APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Whether to appoint another accounting firm	No
	Currently appointed
Name of accounting firm	Shinewing Certified Public Accountants LLP

(IX) PUNISHMENT AND RECTIFICATION OF LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES, BENEFICIAL CONTROLLER AND BUYER

During the Reporting Period, the Company and its directors, supervisors, senior management officers, shareholders holding more than 5% of shares, beneficial controller and buyer have not been checked by the CSRC, have not received any administrative punishment, have not been the subject of notice of criticism and have not been openly criticized by the stock exchange.

(X) CORPORATE GOVERNANCE

During the Reporting Period, in order to do well in the corporate governance and ensure that operation of the Company was in compliance with the law and regulations, establish, improve and effectively implement the internal control, the Company rationalized its relevant rules and regulations, made amendment to its 38 rules and regulations such as External Guarantees Management System and Fund Raising Management Measures, which have been approved at the 2013 annual general meeting and the sixteenth extraordinary meeting of the seventh session of the Board.

During the Reporting Period, a clear hierarchy of authority and responsibility for the Company's general meeting, board of directors and the senior management that allowed each performs its own functions in a proper manner was established; the disclosure of company information was true, accurate, complete and in time; the specialized committees of the board of directors performed according to their own functions; the independent non-executive directors played important role in issues such as connected transactions and financial audit.

(XI) EXPLANATION ON OTHER IMPORTANT MATTERS

(1) Description, reasons and effects of changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year

Given the material asset reorganization of the Company, the relevant business was changed from manufacturing and distributing printing machinery to gas storage and transportation equipment business, which was a relatively material change in business nature, resulting in the changes in estimated useful lives of fixed assets and the percentage of bad debt provision to account receivables. Hence, certain accounting estimations were changed. For details in respect of changed in accounting estimations, please refer to the Announcement Of Changes in Accounting Estimation on the website of the SSE (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>) on 16 December 2013 as well as on Shanghai Securities News and Securities Daily on 17 December 2013.

The estimated useful lives of fixed assets are revalued based on the types of assets, production characteristics and operation model of gas storage and transportation business, resulting in the changes in depreciation rate and the rate of salvage value of certain fixed assets, the proportion of the original receivables that are provided for bad debts was revised. The changes in accounting estimation are applied prospectively with effect from 1 January 2014. The net profit for the current period in the consolidated financial statement was increased by RMB19,132,509.45.

(2) Others

1. The applicable enterprise income tax rate for the Company for the Reporting Period is 25%.
2. The unaudited 2014 Interim Report of the Company has been reviewed by the audit committee under the Board of the Company.
3. The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange during the Reporting Period.
4. During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the six months ended 30 June 2014.
5. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
6. Description of changes in coverage of the consolidated statements as compared to the financial report for the previous year

The companies that ceased to be included in the consolidation scope during the Reporting Period due to asset exchange of the Company: Shaanxi Beiren Printing Machinery Co., Ltd., Beijing Beiren Fuji Printing Machinery Co., Ltd., Beijing Beiren Jingyan Printing Machinery Factory, Beiren Dipu Rui Printing Machinery Co., Ltd. and Beijing Beiren Printing Equipment Co., Ltd. The companies that were included in the consolidation scope during the Reporting Period due to asset exchange: Beijing Tianhai Industry Co., Ltd., Jingcheng Holding (Hong Kong) Company Limited and Beijing Jingcheng Compressor Co., Ltd.

7. Update on the status of transfer of 100% equity rights in Jingcheng Compressor by the Company

In order to reduce the Company's operating costs and cut down its loss-making segments, improve the operating condition and asset quality, the Company proposed to transfer its 100% interests in Jingcheng Compressor.

According to the Asset Valuation Report In Respect of Proposed Transfer of Equities in Beijing Jingcheng Compressor Co., Ltd Held by Beijing Jingcheng Machinery Electric Company Limited issued by Golden Standard & Headmen Appraisal and Advisory Co., Ltd. on 11 April 2014, the valuation of net assets of Jingcheng Compressor is RMB 250,202,800.00. The Company intended to dispose its 100% interests in Jingcheng Compressor by using the valuation of net assets of Jingcheng Compressor which has been approved by Beijing SASAC as the tender price. The Resolution on Proposed Disposal of 100% Equity Interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of Public Tender has been considered and approved at the 2013 annual general meeting of the Company held on 26 June 2014.

As at the date of disclosure, Jingcheng Compressor has been successfully put up for disposal on China Beijing Equity Exchange on 23 July 2014 and the expired date of public tender is 19 August 2014. The Company will make further disclosures on a timely basis in relation to any progress about disposal of 100% equity interest in Jingcheng Compressor.

SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(I) CHANGES IN SHARE CAPITAL

(1) Statement of changes in shares

1. Statement of changes in shares

Unit: share

	Before change		Increase and decrease (+,-) in change				After change		
	Amount	Proportion (%)	Issuance of new shares	Bonus issue	Conversion from reserves	Other	Subtotal	Amount	Proportion (%)
(I) Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including:									
Domestic non-state-owned legal person shares									
Domestic natural person shares									
4. Foreign shares									
Including:									
Overseas legal person shares									
Overseas natural person shares									
(II) Circulating shares not subject to trading moratorium									
1. Renminbi ordinary shares	322,000,000	76.3						322,000,000	76.3
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	100,000,000	23.7						100,000,000	23.7
4. Others									
(III) Total shares	422,000,000	100						422,000,000	100

(2) Changes in shares subject to trading moratorium

During the Reporting Period, there is no change in shares subject to trading moratorium of the Company.

(II) INFORMATION ABOUT SHAREHOLDERS

(1) Total number of shareholders and top ten shareholders who hold more than 5% shares of the Company at the end of Reporting Period

Unit: share

Total number of shareholders as at the end of the Reporting Period 16,663 (in which: 16,588 holders of A shares, 75 holders of H shares)

Shareholding of top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shareholdings subject to trading moratorium	Number of shares pledged or frozen
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	State-owned legal-person	47.78	201,620,000	0	0	Nil
HKSCC NOMINEES LIMITED	Unknown	23.45	98,965,199	12,000	0	Unknown
Pictet & CIE	Beneficial owner	1.42	5,978,000	0	0	Unknown
788 China Fund Ltd.	Beneficial owner	1.21	5,124,000	0	0	Unknown
Ningbo Liyuan Import and Export Co., Ltd.	Unknown	0.94	3,951,970	2,086,701	0	Unknown
Zeng Youquan (曾佑泉)	Unknown	0.35	1,457,289	1,457,289	0	Unknown
Lin Xin(林新)	Unknown	0.22	916,726	916,726	0	Unknown
Beijing Haohong Real Estate Co., Ltd.	Unknown	0.20	850,000	-202,925	0	Unknown
Xiong Sanzhong (熊三志)	Unknown	0.20	849,340	279,399	0	Unknown
Wu Zhiqiang (伍志强)	Unknown	0.20	828,049	400	0	Unknown

SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Shareholding of Top Ten Shareholders of Circulating Shares not subject to Trading Moratorium

Name of shareholder	Number of Shares not subject to Trading Moratorium		Class and number of shares	
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	201,620,000		RMB ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	98,965,199		Foreign shares listed overseas	98,965,199
Pictet & CIE	5,978,000		Foreign shares listed overseas	5,978,000
788 China Fund Ltd.	5,124,000		Foreign shares listed overseas	5,124,000
Ningbo Liyuan Import and Export Co., Ltd.	3,951,970		RMB ordinary shares	3,951,970
Zeng Youquan (曾佑泉)	1,457,289		RMB ordinary shares	1,457,289
Lin Xin(林新)	916,726		RMB ordinary shares	916,726
Beijing Haohong Real Estate Co., Ltd.	850,000		RMB ordinary shares	850,000
Xiong Sanzhong (熊三忠)	849,340		RMB ordinary shares	849,340
Wu Zhiqiang (伍志强)	828,049		RMB ordinary shares	828,049

Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders

As of the Reporting Period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

Notes:

- (1) Beijing Jingcheng Machinery Electric Holding Co., Ltd. is the controlling shareholder of the Company, no share of which are being pledged or frozen.
- (2) HKSCC Nominees Limited held shares on behalf of many of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who individually held 5% or more of the total share capital of the Company.
- (3) Save as disclosed above, as at 30 June 2014, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- (4) There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- (5) As of 30 June 2014, the Company did not issue any convertible securities, options, warrants or any other similar right.

(III) CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

During the Reporting Period, there was no change in controlling shareholders or beneficial controller of the Company.



SECTION 7 INFORMATION ABOUT PREFERENCE SHARE

During the Reporting Period, the Company has no information related to preference share.

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



1. CHANGES IN SHAREHOLDING

Changes in shareholding of current and the resigned Directors, Supervisors and senior management during the Reporting Period

Unit: share

Name	Position	Shareholdings at the beginning of the period	Shareholdings at the end of the period	Change in the amount of shareholdings during the Reporting Period	Reason for the change
Hu Chuanzhong	Chairman	0	0	0	
Li Junjie	Executive director, General Manager	0	0	0	
Zhou Yongjun	Non-executive director	0	0	0	
Chang Yun	Non-executive director	0	0	0	
Xia Zhonghua	Non-executive director	0	0	0	
Wu Yanzhang	Executive director	0	0	0	
Jiang Chi	Executive director, Chief Accountant and Secretary to the Board	0	0	0	
Wu Yan	Independent non-executive director	57,301	57,301	0	
Liu Ning	Independent non-executive director	0	0	0	
Yang Xiaohui	Independent non-executive director	0	0	0	
Fan Yong	Independent non-executive director	0	0	0	
Liu Zhe	Chairman of the Supervisory Committee	0	0	0	
Han Bingkui	Supervisor	0	0	0	
Ruan Aihua	Supervisor	0	0	0	
Xie Yuemei	Chief Engineer	0	0	0	
Jiang Zili	Former Chairman	0	0	0	
Wang Pingsheng	Former vice chairman	0	0	0	
Wu Dongbo	Former non-executive director	0	0	0	
Zhang Shuangru	Former independent non-executive director	0	0	0	
Wang Hui	Former independent non-executive director	0	0	0	
Xie Bingguang	Former independent non-executive director	0	0	0	
Wang Deyu	Former independent non-executive director	0	0	0	
Jiao Ruifang	Former secretary to the Board	0	0	0	

Notes:

- (1) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 30 June 2014, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO), which was required to be recorded in the register under section 352 of the SFO, nor which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.
- (2) None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2014.
- (3) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the Reporting Period, the Company had not engaged in any arrangement which would enable the directors or supervisors of the Company or their respective associates to acquire any interest in any shares or debt securities of the Company.

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Changes	Reason for change
Jiang Zili	Former chairman	Retired	Retired as director of the Company upon change of the term of office of the Board
Wang Pingsheng	Former vice chairman	Retired	Retired as director of the Company upon change of the term of office of the Board
Wu Dongbo	Former non-executive director	Retired	Retired as director of the Company upon change of the term of office of the Board
Zhang Shuangru	Former independent non-executive director	Retired	Retired as independent non-executive director of the Company upon change of the term of office of the Board
Wang Hui	Former independent non-executive director	Retired	Expiry of the term of office, acted as independent non-executive director of the Company for consecutive six years
Xie Bingguang	Former independent non-executive director	Retired	Expiry of the term of office, acted as independent non-executive director of the Company for consecutive six years
Wang Deyu	Former independent non-executive director	Retired	Expiry of the term of office, acted as independent non-executive director of the Company for consecutive six years
Jiao Ruifang	Former secretary to the Board	Retired	Retired as secretary to the Board upon change of the term of office of the Board
Zhou Yongjun	Non-executive director	Election	Elected as director of the eighth session of the Board
Chang Yun	Non-executive director	Election	Elected as director of the eighth session of the Board
Xia Zhonghua	Non-executive director	Election	Elected as director of the eighth session of the Board
Wu Yan	Independent non-executive director	Election	Elected as director of the eighth session of the Board
Liu Ning	Independent non-executive director	Election	Elected as director of the eighth session of the Board
Yang Xiaohui	Independent non-executive director	Election	Elected as director of the eighth session of the Board
Fan Yong	Independent non-executive director	Election	Elected as director of the eighth session of the Board

Notes:

- (1) The election of Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang and Ms. Jiang Chi as the executive directors of the eighth session of the Board; Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as the non-executive directors of the eighth session of the Board; and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as the independent non-executive directors of the eighth session of the Board of the Company was duly approved by the Shareholders at the 2013 annual general meeting of the Company held on 26 June 2014. The term of office of the directors of the Company will be from the approval date of 2013 annual general meeting until the date of annual general meeting for the year 2016. Mr. Jiang Zili, Mr. Wang Pingsheng, Ms. Wu Dongbo, Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu ceased to act as directors of the Company.
- (2) At the first meeting of the eighth session of the Board of the Company held on 26 June 2014, the election of Mr. Hu Chuanzhong as chairman of the Board of the Company was considered and approved; Mr. Hu Chuanzhong, Ms. Wu Yan, Mr. Li Junjie, Mr. Zhou Yongjun and Mr. Xia Zhonghua were elected as the members of the Strategic Committee of the Board, with Mr. Hu Chuanzhong as the convener; Mr. Liu Ning, Mr. Fan Yong and Mr. Li Junjie were elected as the members of the Nomination Committee, with Mr. Liu Ning as the convener; Mr. Yang Xiaohui, Mr. Fan Yong and Ms. Chang Yun were elected as the members of the Audit Committee, with Mr. Yang Xiaohui as the convener; Ms. Wu Yan, Mr. Liu Ning and Mr. Hu Chuanzhong were elected as the members of Remuneration and Monitoring Committee, with Ms. Wu Yan as the convener. Mr. Li Junjie was appointed as General Manager of the Company, and Ms. Jiang Chi was appointed as the secretary to the Board. Mr. Wu Yanzhang was appointed as deputy general manager of the Company, and Ms. Jiang Chi as chief accountant of the Company and Ms. Xie Yuemei as the chief engineer of the Company. The term of office for above persons is three years from 26 June 2014 to the date of 2016 annual general meeting. Ms. Jiao Ruifang ceased to act as the secretary to the Board of the Company.

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 30 June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current assets			
Cash	V.1	278,586,933.68	337,743,216.12
Transaction settlement funds			
Loans to other banks			
Financial assets held for trading			
Notes receivable	V.2	12,509,035.90	28,387,575.12
Accounts receivable	V.3	478,665,891.77	407,991,348.42
Advances to suppliers	V.4	48,263,306.30	41,013,304.21
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Interests receivable			
Dividends receivable			
Other receivables	V.5	23,035,835.09	5,686,434.58
Financial assets purchased with agreement to re-sale			
Inventories	V.6	727,554,713.92	734,199,271.84
Non-current assets due within one year			
Other current assets	V.7	9,540.41	15,718,684.47
Total current assets		1,568,625,257.07	1,570,739,834.76
Non-current assets			
Loans and advances to customers			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V.8	55,791,078.48	63,231,444.54
Investment properties	V.9	9,406,649.98	9,519,696.39
Fixed assets	V.10	688,563,896.75	714,960,989.70
Construction in progress	V.11	353,997,741.76	278,770,258.89
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	V.12	171,351,438.42	173,810,162.12
Research and development expenses			
Goodwill	V.13	6,562,344.06	6,562,344.06
Long-term prepayments	V.14	2,140,403.64	2,634,697.21
Deferred tax assets	V.15	7,911,389.07	9,131,448.40
Other non-current assets			
Including: Specifically authorized material reserves			
Total non-current assets		1,295,724,942.16	1,258,621,041.31
Total assets		2,864,350,199.23	2,829,360,876.07

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term loans	V.17	470,612,356.00	482,613,152.34
Financial liabilities at fair value through profit and loss			
Notes payable	V.18	106,000,000.00	80,000,000.00
Accounts payable	V.19	418,237,855.42	395,472,131.25
Advance from customers	V.20	82,689,110.41	135,006,560.18
Employee benefits payable	V.21	18,335,919.74	20,445,882.88
Taxes payable	V.22	-14,983,427.07	2,260,951.16
Interests payable	V.23	308,200.01	305,666.69
Dividends payable	V.24	1,551,900.00	1,551,900.00
Other payables	V.25	216,928,163.06	416,598,343.16
Reinsured accounts payable			
Reserves for insurance contract			
Funds from securities trading agency			
Funds from underwriting securities agency			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,299,680,077.57	1,534,254,587.66
Non-current liabilities			
Long-term loans			
Bonds payable			
Long-term payables			
Special payables	V.26	133,468,000.00	131,468,000.00
Estimated liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		133,468,000.00	131,468,000.00
Total liabilities		1,433,148,077.57	1,665,722,587.66
Shareholders' Equity			
Share capital	V.27	422,000,000.00	422,000,000.00
Capital reserves	V.28	633,723,286.55	558,698,626.70
Less: Treasury shares			
Specific reserves			
Surplus reserves	V.29	45,665,647.68	45,665,647.68
Reserve for ordinary risk			
Retained earnings	V.30	-201,883,510.64	-222,701,516.40
Difference on translation of financial statements in foreign currency		-3,415.63	-89,449.76
Total equity attributable to shareholders of the Company		899,502,007.96	803,573,308.22
Non-controlling interest	V.31	531,700,113.70	360,064,980.19
Total shareholder's equity		1,431,202,121.66	1,163,638,288.41
Total liabilities and shareholder's equity		2,864,350,199.23	2,829,360,876.07

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

BALANCE SHEET OF PARENT COMPANY

As at 30 June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current assets			
Cash	XIV.1	3,039,938.42	9,537,212.51
Financial assets held for trading			
Notes receivable			
Accounts receivable			
Advances to suppliers			
Interest receivables			
Dividend receivables			
Other receivables	XIV.2	50,000,000.00	5,522,900.00
Inventories			
Non-current assets due within one year			
Other current assets			
Total current assets		53,039,938.42	15,060,112.51
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIV.3	859,685,667.59	859,685,667.59
Investment properties			
Fixed assets			
Construction in progress			
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Research and development expenses			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			
Total non-current assets		859,685,667.59	859,685,667.59
Total assets		912,725,606.01	874,745,780.10

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

BALANCE SHEET OF PARENT COMPANY (CONTINUED)

As at 30 June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Notes payable			
Accounts payable			
Advance from customers			
Employee benefits payable			
Taxes payable	XIV.4	-114,514.92	
Interests payable			
Dividends payables			
Other payables	XIV.5	2,889,687.05	13,774,136.35
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		2,775,172.13	13,774,136.35
Non-current liabilities:			
Long-term loans			
Bonds payable			
Long-term payables			
Special Payables			
Estimated Liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		2,775,172.13	13,774,136.35
Shareholder's equity			
Share capital	XIV.6	422,000,000.00	422,000,000.00
Capital reserves	XIV.7	616,560,092.71	566,480,197.56
Less: Treasury shares			
Specific reserves			
Surplus reserves	XIV.8	38,071,282.24	38,071,282.24
Reserve for ordinary risk			
Retained earnings	XIV.9	-166,680,941.07	-165,579,836.05
Total shareholder's equity		909,950,433.88	860,971,643.75
Total liabilities and shareholder's equity		912,725,606.01	874,745,780.10

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Current Period	Last Period
1. Total operating income		936,857,460.55	1,576,505,289.93
Including: Main operating income	V.32	936,857,460.55	1,576,505,289.93
Interest income			
Earned insurance premiums			
Fees and commission income			
2. Total operating cost		987,352,233.12	1,597,728,256.22
Including: Main operating cost	V.32	824,137,970.55	1,334,576,986.22
Business taxes and surcharges	V.33	13,166,687.50	4,862,229.13
Selling and distribution expenses	V.34	42,644,893.10	73,529,261.55
Administrative expenses	V.35	87,071,018.08	141,769,632.29
Financial expenses	V.36	23,026,816.56	29,636,301.59
Loss on impairment of assets	V.37	-2,695,152.67	13,353,845.44
Add: Gain arising from the changes in fair value (loss listed with "-")			
Investment income (Loss listed with "-")	V.38	423,897.27	1,974,702.32
Including: Income from investments in associates and joint ventures (Loss listed with "-")	V.38	423,897.27	2,616,340.31
Exchange gain (Loss listed with "-")			
3. Operating profit (Loss listed with "-")		-50,070,875.30	-19,248,263.97
Add: Non-operating income	V.39	79,086,512.32	3,754,961.74
Less: Non-operating expenses	V.40	1,494,783.75	1,129,673.62
Including: Loss on disposal of non-current assets		207,810.95	1,129,588.57
4. Total profit (Loss listed with "-")		27,520,853.27	-16,622,975.85
Less: Income tax expenses	V.41	10,245,305.23	3,630,960.41
5. Net profit (Net loss listed with "-")		17,275,548.04	-20,253,936.26
Net profit attributable to shareholders of the Company		20,818,005.76	-21,286,267.37
Net profit of the acquiree company before business combination under common control		-	-1,450,767.06
Non-controlling interest		-3,542,457.72	1,032,331.10
6. Earnings per share			
Basic earnings per share		0.05	-0.05
Diluted earnings per share		0.05	-0.05
7. Other comprehensive income	V.42	208,390.06	-436,636.27
8. Total comprehensive income		17,483,938.10	-20,690,572.53
Total comprehensive income attributable to shareholders of the Company		20,904,039.89	-21,500,947.40
Total comprehensive income attributable to non-controlling interest		-3,420,101.79	810,374.87

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

INCOME STATEMENT OF PARENT COMPANY

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Current Period	Last Period
1. Total operating income	XIV.10	-	210,090,461.37
Less: Operating cost	XIV.10	-	172,605,297.23
Business taxes and surcharges	XIV.11	-	1,884,989.95
Selling and distribution expenses		-	12,701,036.71
Administrative expenses		1,169,270.70	29,496,453.23
Financial expenses		-68,165.68	6,057,596.54
Loss on impairment of assets		-	5,866,010.87
Add: Gain from the changes in fair value (Loss listed with "-")		-	-
Investment income (Loss listed with "-")	XIV.12	-	-945,610.91
Including: income from investments in associates and joint ventures (Loss listed with "-")	XIV.12	-	-303,972.92
2. Operating profit (Loss listed with "-")		-1,101,105.02	-19,466,534.07
Add: Non-operating income		-	719,716.99
Less: Non-operating expenses		-	1,368.15
Including: Gain from disposal of non-current assets		-	1,368.15
3. Total profit (Total loss listed with "-")		-1,101,105.02	-18,748,185.23
Less: Income tax expenses		-	-
4. Net profit (Net loss listed with "-")		-1,101,105.02	-18,748,185.23

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Current Period	Last Period
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		603,674,375.66	833,912,576.63
Cash received from taxes refund		6,546,878.55	1,273,606.71
Cash received relating to other operating activities	V.44	44,383,701.62	18,445,076.60
Sub-total of cash inflows from operating activities		654,604,955.83	853,631,259.94
Cash paid for goods and services		296,581,668.94	581,119,790.43
Cash paid to and on behalf of employees		149,541,500.42	265,379,257.37
Payments of taxes and surcharges		64,713,062.55	59,421,573.31
Cash paid relating to other operating activities	V.44	153,284,019.13	96,285,408.28
Sub-total of cash outflows from operating activities		664,120,251.04	1,002,206,029.39
Net cash flows from operating activities		-9,515,295.21	-148,574,769.45
2. Cash flows from investment activities:			
Cash received from investment			
Cash received from investments income		7,864,263.33	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		28,534,406.87	1,145,630.00
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities		51,324,145.06	-
Sub-total of cash inflows from investing activities		87,722,815.26	1,145,630.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		125,285,123.67	116,618,275.08
Cash paid for investments			
Cash paid relating to other investing activities	V.44	9,625,742.58	-
Sub-total of cash outflow from investing activities		134,910,866.25	116,618,275.08
Net cash flows from investing activities		-47,188,050.99	-115,472,645.08
3. Cash flows from financing activities			
Cash received from investment absorption		200,000,000.00	-
Including: Cash received by subsidiaries from investment absorption of non-controlling interest		200,000,000.00	-
Cash received from loans granted		117,860,465.97	376,938,782.71
Cash received relating to other financing activities	V.44	-	30,000,000.00
Sub-total of cash inflows from financing activities		317,860,465.97	406,938,782.71
Cash paid for settlement of borrowings		185,000,000.00	288,020,173.33
Cash paid for dividends, profits appropriation or payments of interest		23,904,911.28	26,322,897.75
Including: Dividends and profits paid to non-controlling interest			
Cash paid relating to other financing activities	V.44	138,800,000.00	62,559,295.03
Sub-total of cash outflows from financing activities		347,704,911.28	376,902,366.11
Net cash flows from financing activities		-29,844,445.31	30,036,416.60
4. Effect of changes in foreign exchange rate on cash and cash equivalents		1,056,509.07	-2,202,589.39
5. Net increase in cash and cash equivalents		-85,491,282.44	-236,213,587.32
Add: Cash and cash equivalents at the beginning of the year		305,897,025.49	490,533,435.19
6. Cash and cash equivalents at the end of the year		220,405,743.05	254,319,847.87

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CASH FLOW STATEMENT OF PARENT COMPANY

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Note	Current Period	Last Period
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		-	112,321,462.15
Cash received from taxes refund		-	867,450.62
Cash received relating to other operating activities	XIV.13	274,491.12	2,634,479.52
Sub-total of cash inflows from operating activities		274,491.12	115,823,392.29
Cash paid for goods and services		-	79,475,382.30
Cash paid to and on behalf of employee		-	70,973,628.59
Payments of taxes and surcharges		-	9,006,430.62
Cash paid relating to other operating activities	XIV.13	3,993,067.69	24,677,830.73
Sub-total of cash outflows from operating activities		3,993,067.69	184,133,272.24
Net cash flows from operating activities		-3,718,576.57	-68,309,879.95
2. Cash flows from investing activities			
Cash received from investment			90,000,000.00
Cash received from investments income			
Cash received from disposal of fixed assets, intangible assets and other long-terms assets			1,134,530.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	XIV.13	56,847,045.06	2,857,207.77
Sub-total of cash inflows from investing activities		56,847,045.06	93,991,737.77
Cash paid to acquire fixed assets, intangible assets and other long-term assets			1,158,520.10
Cash paid for investments			91,000,000.00
Net cash paid to acquire subsidiaries or other business units			
Cash paid relating to other investing activities	XIV.13	59,625,742.58	-
Sub-total of cash outflows from investing activities		59,625,742.58	92,158,520.10
Net cash flows from investing activities		-2,778,697.52	1,833,217.67
3. Cash flows from financing activities			
Cash received from investment absorption			
Cash received from loans granted			165,000,000.00
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities			165,000,000.00
Cash paid for settlement of borrowings			165,000,000.00
Cash paid for dividends, profits appropriation or payments of interests			7,957,312.67
Cash paid relating to other financing activities			
Sub-total of cash outflows from financing activities		-	172,957,312.67
Net cash flows from financing activities		-	-7,957,312.67
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-	-57,230.18
5. Net increase in cash and cash equivalents		-6,497,274.09	-74,491,205.13
Add: Cash and cash equivalents at the beginning of the year		9,537,212.51	150,192,182.81
6. Cash and cash equivalents at the end of the year		3,039,938.42	75,700,977.68

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Current Period									
	Equity attributable to the shareholders of the Company									
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	Others	Non-controlling interest	Total shareholders' equity
1. Balance at end of last year	422,000,000.00	538,698,626.71	-	-	45,665,647.68	-	-222,701,516.40	-89,449.76	360,064,980.18	1,163,638,288.41
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
2. Balance at beginning of year	422,000,000.00	538,698,626.70	-	-	45,665,647.68	-	-222,701,516.40	-89,449.76	360,064,980.19	1,163,638,288.41
3. Increase/Decrease for the year (Decrease listed with "-")	-	75,024,659.85	-	-	-	-	20,818,005.76	86,034.14	171,635,133.51	267,563,833.25
(1) Net profit	-	-	-	-	-	-	20,818,005.76	-	-3,542,457.72	17,275,548.04
(2) Other comprehensive income	-	-	-	-	-	-	-	86,034.14	122,355.94	208,390.06
Sub-total of (1) and (2)	-	-	-	-	-	-	20,818,005.76	86,034.14	-3,420,101.79	17,483,938.10
(3) Capital contribution and reduction	-	75,024,659.85	-	-	-	-	-	-	175,055,236.30	290,079,895.15
1. Capital contribution from equity holders	-	24,944,764.70	-	-	-	-	-	-	175,055,236.30	200,000,000.00
2. Share-based payments charged to equity	-	50,079,895.15	-	-	-	-	-	-	-	50,079,895.15
3. Others	-	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Provision for surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Provision for reserves for ordinary risk	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition	-	-	-	-	-	-	-	-	-	-
2. Transfer surplus reserves to capital addition	-	-	-	-	-	-	-	-	-	-
3. Transfer surplus reserves to offset loss	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(6) Specific reserves	-	-	-	-	-	-	-	-	-	-
1. Provision for current year	-	-	-	-	-	-	-	-	-	-
2. Utilization for current year	-	-	-	-	-	-	-	-	-	-
4. Balance at end of year	422,000,000.00	633,723,286.55	-	-	45,665,647.68	-	-201,883,510.64	-3,415.63	531,700,113.70	1,431,202,121.66

Legal representative: Hu Chuangzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

January to June 2013

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Last Period								Non-controlling interest	Total shareholders' equity
	Equity attributable to the shareholders of the Company									
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	Others		
1. Balance at end of last year	422,000,000.00	522,841,800.72	-	-	43,172,707.88	-	400,026,203.80	-	14,558,337.79	602,546,642.59
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-
Others	-	659,901,078.31	-	-	-	-	188,860,698.51	-	160,539,774.52	1,009,301,551.34
2. Balance at beginning of year	422,000,000.00	1,182,742,879.03	-	-	43,172,707.88	-	-211,165,505.29	-	175,098,112.31	1,611,848,193.93
3. Increase/Decrease for the year (Decrease listed with "-")	-	-	-	-	-	-	-21,286,267.37	-214,680.05	810,374.87	-20,690,572.54
(1) Net profit	-	-	-	-	-	-	-21,286,267.37	-	1,032,331.10	-20,253,936.26
(2) Other comprehensive income	-	-	-	-	-	-	-	-214,680.05	-221,956.23	-436,636.28
Sub-total of (1) and (2)	-	-	-	-	-	-	-21,286,267.37	-214,680.05	810,374.87	-20,690,572.54
(3) Capital contribution and reduction	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from equity holders	-	-	-	-	-	-	-	-	-	-
2. Share-based payments charged to equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Provision for surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Provision for reserves for ordinary risk	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition	-	-	-	-	-	-	-	-	-	-
2. Transfer surplus reserves to capital addition	-	-	-	-	-	-	-	-	-	-
3. Transfer surplus reserves to offset loss	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(6) Specific reserves	-	-	-	-	-	-	-	-	-	-
1. Provision for current year	-	-	-	-	-	-	-	-	-	-
2. Utilization for current year	-	-	-	-	-	-	-	-	-	-
4. Balance at end of year	422,000,000.00	1,182,742,879.03	-	-	43,172,707.88	-	-232,451,772.66	-214,680.04	175,908,487.05	1,591,157,621.39

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY

January to June 2014

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Current Period							Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	
1. Balance at end of last year	422,000,000.00	566,480,197.56	-	-	38,071,282.24	-	-165,579,836.05	860,971,643.75
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
2. Balance at beginning of year	422,000,000.00	566,480,197.56	-	-	38,071,282.24	-	-165,579,836.05	860,971,643.75
3. Increase/Decrease for the year (Decrease listed with "+")	-	50,079,895.15	-	-	-	-	-1,101,105.02	48,978,790.13
(1) Net profit	-	-	-	-	-	-	-1,101,105.02	-1,101,105.02
(2) Other comprehensive income	-	-	-	-	-	-	-	-
Sub-total of (1) and (2)	-	-	-	-	-	-	-1,101,105.02	-1,101,105.02
(3) Capital contribution and reduction	-	50,079,895.15	-	-	-	-	-	50,079,895.15
1. Capital contribution from equity holders	-	-	-	-	-	-	-	-
2. Share-based payments charged to equity	-	50,079,895.15	-	-	-	-	-	50,079,895.15
3. Others	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	-
1. Provision for surplus reserves	-	-	-	-	-	-	-	-
2. Provision for reserves for ordinary risk	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition	-	-	-	-	-	-	-	-
2. Transfer surplus reserves to capital addition	-	-	-	-	-	-	-	-
3. Transfer surplus reserves to offset loss	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(6) Specific reserves	-	-	-	-	-	-	-	-
1. Provision for current year	-	-	-	-	-	-	-	-
2. Utilization for current year	-	-	-	-	-	-	-	-
4. Balance at end of year	422,000,000.00	616,560,092.71	-	-	38,071,282.24	-	-166,680,941.07	909,950,433.88

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY (CONTINUED)

January to June 2013

Prepared by: Beijing Jingcheng Machinery Electric Co., Ltd.

Unit: RMB Yuan

Item	Last Period							Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	
1. Balance at end of last year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-309,375,834.99	668,861,210.14
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
2. Balance at beginning of year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-309,375,834.99	668,861,210.14
3. Increase/Decrease for the year (Decrease listed with "-")	-	-	-	-	-	-	-18,748,185.23	-18,748,185.23
(1) Net profit	-	-	-	-	-	-	-18,748,185.23	-18,748,185.23
(2) Other comprehensive income	-	-	-	-	-	-	-	-
Sub-total of (1) and (2)	-	-	-	-	-	-	-18,748,185.23	-18,748,185.23
(3) Capital contribution and reduction	-	-	-	-	-	-	-	-
1. Capital contribution from equity holders	-	-	-	-	-	-	-	-
2. Share-based payments charged to equity	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	-
1. Provision for surplus reserves	-	-	-	-	-	-	-	-
2. Provision for reserves for ordinary risk	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition	-	-	-	-	-	-	-	-
2. Transfer surplus reserves to capital addition	-	-	-	-	-	-	-	-
3. Transfer surplus reserves to offset loss	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(6) Specific reserves	-	-	-	-	-	-	-	-
1. Provision for current year	-	-	-	-	-	-	-	-
2. Utilization for current year	-	-	-	-	-	-	-	-
4. Balance at end of year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-328,124,020.22	650,113,024.91

Legal representative: Hu Chuanzhong

In-charge of finance: Li Junjie

Finance manager: Jiang Chi

SECTION 9 FINANCIAL STATEMENTS

I. GENERAL INFORMATION

Beijing Jingcheng Machinery Electric Co., Ltd. (hereinafter referred to as the “Company” or the “Group” if including subsidiaries), originally known as Beiren Printing Machinery Holding Company Limited, was established by Beiren Group Corporation in Beijing, the People’s Republic of China (the “PRC”) as a company limited by share on 13 July 1993. In accordance with the approval of Ti Gai Sheng (1993) No. 118 issued by the State Commission for Restructuring the Economic System of the PRC, the Company became a listed company with the right of issuing public shares in both the mainland of China and Hong Kong on 16 July 1993. In accordance with the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council, the H Shares and A Shares of the Group were offered in both Hong Kong and Shanghai. The Company was listed on both Stock Exchange of Hong Kong and the Shanghai Stock Exchange in 1993 and 1994 respectively.

Upon approval by the General Shareholders’ Meeting on 16 May 2001 and 11 Jun 2002 as well as the approval of document Zheng Jian Fa Xing Zi [2002] No. 133 issued by China Securities Regulatory Commission (“CSRC”) in 2002, the Company issued 22,000,000 additional A Shares on the Stock Exchange, with par value of RMB 1 Yuan during the period from 26 December 2002 to 7 January 2003. After issuing of additional shares, the Company has 422,000,000 shares in total, among which 250,000,000 are held by state owned institutions, 72,000,000 are held by domestic public and 100,000,000 are issued to offshore public, each share has par value of RMB 1 Yuan.

According to the “Decision on the share right reformation of Beiren Printing Machinery Holding Limited”, Jing Guo Zi Quan Zi No.25 (2006), which was issued by the Committee of State-owned Assets Supervision and Administration of Beijing Government, the Beiren Group Corporation, as the sole non-floating shareholder of the Company was required to transfer its original 27,360,000 state-owned shares to A shareholders through a bonus issued on the basis of 10 for 3.8. The registration date regarding the share segregation reform was 29 March 2006.

Beiren Group Corporation sold 21,000,000 unconditioned tradable shares through the Bulk Exchange Platform of Shanghai Stock Exchange on 6 January 2010 and 7 January 2010 respectively. On 2 December 2010, Beiren Group Corporation sold 20,000 unconditioned tradable shares to public, which accounts for 4.98% of the total share rights held by the Company. As at 31 December 2011, Beiren Group Corporation held 201,620,000 state-owned institutional shares, which represents 47.78% of total share rights (classified as unconditioned floating shares), 120,380,000 shares which represents 28.52% of the total share rights (classified as unconditioned domestic public shares) and 100,000,000 shares which represents 23.70% of the total share rights (classified as unconditioned offshore public shares)

The Company’s controlling shareholder, Beiren Group Corporation, signed “the Agreement on Free Transfer of Shares Equity Between Beijing Jingcheng Machinery Electric Holding Co., Ltd and Beiren Group Corporation” with the Company’s beneficial controller Beijing Jingcheng Machinery Electric Holding Co., Ltd (hereinafter referred to as “Jingcheng Holding”) on 16 June 2012. Beiren Group Corporation has transferred the Company’s 201,620,000 A shares to Jingcheng Holding. The Company’s total share rights remained unchanged after this transformation. Jingcheng Holding became controlling shareholders of the Company with holding of 201,620,000 shares which represents 47.78% of total share rights. The transfer of share rights was approved by the Committee of State-owned Assets Supervision and Administration of State Council on 1 September 2012. The Company has received the Shanghai Branch Registrar Confirmation Letter of the China Securities Depository and Clearing Limited Company on 7 December 2012. Thus the relevant process has been completed.

On November 2012, the Company signed the Agreement of Significant Asset Restructuring and its supplementary agreement with Jingcheng Holding and Beiren Group Corporation. This agreement states that the Company shall exchange all its assets and liabilities with Jingcheng Holding’s assets that are related to gas storage and transportation. The difference is to be complemented by cash paid up by Jingcheng Holding. Exchanged out assets are all assets and liabilities of the Company, exchanged in assets are 88.50% of the Beijing Tianhai Industry Co., Ltd. shareholding, 100% of the Jingcheng Holding (Hong Kong) Co., Ltd. shareholding and 100% of the Beijing Jingcheng Compressor Co., Ltd. shareholding which had environmental business peeled off

On 26 September 2013, the Company received the Approval for the Intended Significant Asset Reorganization for Beiren Printing Machinery Holding Company Limited from the China Securities Regulatory Commission (CSRC) (Zhengjianxuke [2013] No.1240). It approved this significant asset restructuring.

On 31 October 2013, the Company signed the Agreement on Settlement of Significant Asset Restructuring with Beiren Group Corporation and Jingcheng Holding. Since then, Jingcheng Holding has delivered the incoming assets to the Company and the Company has delivered outgoing assets and related employees to Beiren Group Corporation.

In December 2013, the Company changed its name, legal representative, place of registration and business scope. The Company’s name changed from Beiren Printing Machinery Holding Company Limited to Beijing Jingcheng Machinery Electric Co., Ltd. The legal representative changed from Mr. Zhang Peiwu to Mr. Jiang Zili, the place of registration changed to room No. 901, No.59 building, Dongsanhuan Middle Road, Chaoyang District, Beijing.

In 2014, Mr. Hu Chuanzhong was elected as the eighth chairman of the Company through the 1st meeting of the Eighth Boarding Meetings; the term of this position is 3 years and starts from 26 June 2014 to the shareholders Annual General Meeting of 2016.

The Company was originally engaged in developing, designing, manufacturing and selling a variety of printing press and related spare parts, packaging equipments and related spare parts, as well as technique consultations and services related to business operations.

The business scope of the Company has now changed to normal shipping; professional contractor. The general business projects includes: developing, designing, selling, installation and setup, repair low temperature storage-transport vessel, compressor (piston compressor, diaphragm compressor, nuclear membrane compressor) and related parts; Equipments, electrical equipments; technique consultation and service; import and export of goods and techniques and agent.

Jingcheng Holding is the Company’s controlling shareholder and ultimate controller. The Shareholders Meeting holds major decision-making authority, and in accordance with laws, it executes the resolution rights concerning significant business events such as the operations of the Group, financing, investment, profit distribution etc. The Board of Directors is responsible for the Shareholders Meeting and legally executing the decision-making rights on business operations. The management is responsible for implementation of resolutions made by Shareholders and the Board of Directors and also presides over the operational management of the Company.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation of financial statement

Based on the going-concern assumption, the consolidated financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises by the Ministry of Finance of the PRC, NO.15 Information Disclosures Regulations for Companies that Offering Shares in Public- General Rules of Preparing Financial Reports (revised in 2010) issued by China Securities Regulatory Commission (CSRC), and disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Exchange and Companies Ordinance.

2. Disclaimer on the compliance with accounting standards for business enterprises

The financial statements have been prepared by the Company and the Group in accordance with the accounting standards for business enterprises, and reflect a true and fair view of the Group's financial position as at 30 June 2014 and of the operating results and cash flows for the period then ended.

3. Accounting period

The accounting period for the Company is from 1 January to 31 December.

4. Reporting currency

The reporting currencies are Renminbi for all domestic business and US Dollar for both Jingcheng Holding (Hong Kong) and America Fortune Company.

5. Basis of accounting and measurement

The accrual basis of accounting is adopted. Furthermore, the historical cost method is used where appropriate except in the case of some financial instruments which are measured at fair value.

6. Business combination

A business combination involves combining more than two separate entities into one reporting entity. The Company recognizes identified assets and liabilities on acquisition date. Combination or acquisition date is the date when the control over the acquiree is obtained.

Business combination is divided into combination under common control and combination not under common control.

(1) Business combination under common control

The consideration paid and net assets obtained by acquirer are measured at the carrying amounts. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations adjusted to capital reserves (capital premium). If the balance of capital reserves (capital premium) is insufficient, any excess is adjusted against retained earnings.

(2) Business combination not under common control

The acquirer's purchase price and the acquiree's identifiable assets are recognized at their fair values at the acquisition date. When purchase price exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. When the purchase price is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, if the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference through profit or loss for the current period.

(3) Acquiring non-controlling shareholders' equity

After acquiring control over subsidiaries and obtaining all or partial equity from non-controlling shareholders, the assets and liabilities of subsidiaries are disclosed on the price of acquisition date in the consolidated financial statements. The long-term equity investment increased is calculated based on updated holding rights which is the difference of net assets held from subsidiaries since acquisition date or consolidation date should be adjusted to Capital reserves (Share capital premiums); if Capital reserves (Share capital premiums) isn't enough to charge, the adjustment should be made to retain earnings.

7. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

Control refers to the right which entitles the Company to make decisions on the financial and operational policies of the invested company, and receiving benefits from the business activities conducted by the invested company. The operation and financial position of the controlled subsidiaries is consolidated through the period of consolidation.

The significant balance, transactions and unrealized profits in the consolidation are eliminated when consolidation statements are prepared. Shareholders' equity of subsidiary and net profit and loss which are not belonging to the Company will be treated as non-controlling shareholders' equity and profit and loss, which are disclosed as separate line item under the shareholders' equity and the net profit in consolidation income statements. If the loss of non-controlling shareholders' exceeds the initial equity proportions at the beginning year owned by non-controlling shareholders in subsidiaries, the non-controlling shareholders equity is written down.



II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Preparation of consolidated financial statements (Continued)

When accounting policy and accounting period that subsidiaries adopt are not in accordance with the Company, Subsidiaries' financial statements should be adjusted based on the Company's accounting policy and accounting period.

For subsidiaries acquired through business combination not under common control, their financial statements should be adjusted based on identifiable fair value of net assets at the acquisition date. For subsidiaries acquired through business combination under common control, the business combination is treated occurred at the beginning of the earliest Reporting Period. The assets, liabilities, operation results and cash flow are recorded at the consolidation statements at its book value from the beginning of the earliest Reporting Period.

8. Cash and cash equivalents

Cash in the cash flow statement indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

9. Foreign exchange translation for financial statements

(1) Transactions involving foreign currencies

Foreign currency transactions are translated into RMB at the spot exchange rate on the date of the transaction

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance date. However, the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into current profit and loss. For non-monetary accounts measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB is consistent. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current profit and loss as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

(2) Foreign currency translation of financial statements

The asset and liability items in the balance sheets are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except those classified as "retained earnings", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate during the accounting period. The difference arisen from the above translation's are presented separately under the owner's equity item of the balance sheets. Foreign currency cash flow is translated using the average exchange rate during the accounting period. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

10. Financial instruments

(1) Financial assets

1) *The classification of financial assets*

Financial assets are classified into four categories according to the purposes of investments and their economic substance. The four categories include: "Financial assets at fair value through profit or loss", "Held-to-maturity investments", "Loan and receivables" and "Available-for-sale financial assets".

Financial assets at fair value through profit or loss are those financial assets that have been acquired principally for the purpose of selling in the short terms. They are presented in the balance sheets as "Financial assets held for trading".

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments for which management has both positive intention and ability to hold to maturity.

Loan and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

2) *Recognition and measurement of financial assets*

A financial asset is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities; any related directly attributable transaction costs are included in their initial costs.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loan and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recorded as 'Gain or loss arising from changes in fair value' to current profit and loss. Interest or cash dividends received during the period in which such financial assets are held, are recognized as 'Investment income'. On disposal, the difference between the fair value of the disposal purchase consideration and the amount initially recorded are recognized as 'Gains or losses on Investment' through the current profit and loss.

Except for impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets is derecognized, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period as 'Investment income'. Interests for the period in which the assets are held is calculated using the effective interest method is charge to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'.

3) *Impairment of financial assets*

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

When there is a significant or prolonged decline in the fair value of available-for-sale financial assets, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognized as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognized, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previous recognized impairment loss is reversed into profit or loss for the period. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognized, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

4) *Transfer of financial assets*

A financial asset is derecognized when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes risks to changes in the value of such financial asset.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for de-recognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Financial liabilities

Financial liabilities of the Group are classified as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when the underlying present obligations (or part of those obligations) are discharged.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

(3) Determine the fair value of financial assets and financial liabilities

1) Where there is an active trading market, the fair value of the financial instruments is determined by reference to the quoted price in the active trading market. In the active trading market, the fair value of financial assets already held by the Group or the financial liabilities that the group is proposed to assume is determined by the current bid price of the corresponding assets or liabilities. The fair value of financial assets that the Group is proposed to acquire or the liabilities already assumed by the Group is determined by the ask price of the corresponding assets and liabilities. Where the financial assets and financial liabilities do not have bid price or ask price, and there are no significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by reference to the quoted prices of recent transactions. Where there are significant changes in the operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by the quoted price of the most recent transactions as adjusted by reference to the current prices or interest rate. Where there is sufficient evidence to show that the market quoted price of the recent transactions is the fair value of such financial assets or financial liabilities is determined by the quoted price of the recent transaction after making appropriate adjustments.

2) Where there is no active trading market for the financial instruments, the fair value of such financial instruments are determined by valuation techniques. Valuation techniques include making reference to the price of recent market transactions by knowledgeable and willing parties; making reference to the current fair value of other financial assets that are the substantially identical to such financial assets; discounting method of cash flows, share option valuation model, etc.

(4) Offsetting financial assets against financial liabilities

When there is legal entitlement to offset financial assets and financial liabilities, and the parties involved both agree to record the net amount, or settling financial assets and financial liabilities aggregately (Other than netting agreement), financial assets and financial liabilities can be offset in balance sheet statement.

(5) Equity instrument

Equity instruments are any contracts that evidence a residual interest in the assets of an entity after deducting all its liabilities.

The transaction cost from the issuance of the Company's equity instrument is deducted from stockholder's equity.

When an entity reacquires its own equity instruments (“treasury shares”), the consideration and related expenses paid are deducted from equity.

Distributions (excluding dividends) paid on equity instruments issued should be charged directly to equity, net of any related income tax benefit. The Company does not recognize changes in fair value of equity instrument.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Accounts receivable

Receivables include accounts receivable and other receivables. The Group's accounts receivable arise from selling goods and rendering services. The Group initially recognized accounts receivable in accordance to the selling price stated in the contracts signed or the amount negotiated with buyers.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

(1) Accounts receivable that are individually insignificant but are individually provided for bad debts

The basis or standard for determining the significant level of individual receivable

Consider individual receivables above RMB 5,000,000.00 as significant receivables

Provision-making Method on individual receivables above significant level

The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables.

(2) Receivables for which provision of bad debts made by groups

The basis of defining combinations

Combination based on age of accounts

Consider ageing of receivables as credit risk characteristics

Method on making provision of bad debts based on combinations

Combination based on age accounts

Provision of bad debts is made by ageing analysis

a) The rate of bad debts provision according to ageing analysis is as follows:

Ageing	Accounts Receivable (%)	Other Receivables (%)
Within 1 year	1	1
1-2 years	10	10
2-3 years	20	20
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

(3) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis

Reason for making provision of bad debts individually

Individual receivables below significant level whereby the combined method does not reflect its risk characteristics

Method for provision of bad debts

Provision for bad debts is made using the difference between the present value of future cash flows and the book value of receivables

12. Inventories

The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process inventories, and finished goods, etc.

Inventory is measured at historical cost which includes purchase cost, processing cost and other expenditures for the purpose of bringing the inventory to its required location and condition so it is readily available for sale. The weighted average method is used when inventories are issued or consumed.

At the end of period, inventory is measured as the lower of historical cost and net realizable value. When net realizable value of inventory is lower than cost, impairment provision is made. The provision for impairment for finished goods and raw materials in a large amount is made on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision of impairment for the auxiliary materials with a large quantity and low cost is withdrawn in terms of classification.

The net realizable value finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realizable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

The perpetual inventory system is applied by the Group for physical stocktaking purposes.

Low-valued consumables and packing materials on cyclic use should be amortized in full amount.



II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments

Long-term equity investments mainly include investment to subsidiaries, joint ventures and associates, and equity investments which are neither controlled, common controlled or has significant influence or fair value cannot be found or measured reliably in an active market.

Subsidiaries defined as invested entities that can be controlled by the Company; Joint-ventures defined as invested entities that can be jointly controlled by the Company and other investing parties; associated enterprise defined as invested entities of which the Group has significant influence over its financial and operation decisions.

(1) Identify control, common control and significant influence:

Control indicates the Group has power over the invested entities' financial and operating policies and will benefit from their operating activities. When determining whether the Company has control over the invested entity, any convertible corporate bonds and executive share options held for the current period are taken into consideration as well.

Common control indicates the joint sharing of control according to the investment contract. Any one party involved cannot control the production and operation activities of the joint venture. All decisions related to principal operations and activities need the agreement from all parties

Significant influence indicates the right to be involved in the decision-making regarding the financial and operational policies of the investee but does not constitute enough power to be deemed control or common control. Significant influence usually involves the direct ownership or indirect ownership of subsidiaries where ownership amounts to between 20% and 50% of voting rights from investees otherwise there must be solid evidence showing investors cannot be involved in investees' decision making under such conditions.

(2) Initial measurement

For the combination of enterprises under the same control, on the date of combination, regard the share of the book value of the owner's equity of the combination enterprise as the initial cost of the long-term equity investments. The difference between the initial cost of the long-term equity investments and the payment in cash, non-cash assets transferred as well as the book value of the debts borne and par value of equity securities issued by the merging party shall offset against the capital reserves. If the capital reserves are insufficient to dilute, the retained earnings shall be adjusted.

For the combination of enterprise not under the same control, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. The positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree is recognized as goodwill. The negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree is accounted into current profit and loss account after the confirmation.

The initial cost of a long-term equity investments obtained by making payment in cash is initially measured at the purchase cost which was actually paid.

The initial cost of a long-term equity investments obtained through the issue of equity securities is measured at the fair value of the equity securities issued.

The initial cost of a long-term equity investments of an investor are measured as the value stipulated in the investment contract or agreement after considering the unfair value stipulated in the contract or agreement.

The initial cost of a long-term equity investments obtained by recombination of liabilities or the exchange of nonmonetary assets is measured in accordance with Accounting Standards for Enterprises

(3) Subsequent measurement

The Group recognizes the investment in subsidiaries using the cost method and upon compiling the consolidated statements, the group subsequently uses the equity method. The Group applies the equity method of accounting for investments in joint ventures and associated companies, and the cost method of accounting for any long-term equity investments without control, with common control or with significant influence as well as situations where there are no pricing and no reliable fair value in the active market for financial assets available-for-sale.

Under the cost method, if the long-term equity reinvestment or investment refund is incurred, the long-term equity investments cost shall be adjusted. The apportioned profit or cash dividends acquired from investees shall be recognized as current investment income.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

(3) Subsequent measurement (Continued)

For equity method: The current period's profit or loss is the entitled portion of the investee's profit or loss for the period. The gain or loss on investment must be determined and the book value of the long-term investment must be adjusted for factors other than net profit or losses that have impacts on investee's change in equity. When shareholding percentage remains unchanged, the gain or loss on the investment is calculated and the book value of the long term investment is adjusted accordingly; Capital reserves are also determined. When the Group determines the amount of net profit or loss from investee that it is entitled to, the fair value of the investee's assets at the acquisition date is applied as a basis for calculation basis. The entitlement is in accordance with Group's accounting policy and financial period and internal transactions between joint-ventures and associated enterprises are offset. A resulting adjustment is made to the investee's net profit or loss. The amount the group is entitled to be calculated based on both the declared dividends and cash dividends of the investee and lower book value of long-term investment accordingly. When the Group determines investee's net loss the book value of long-term investments is used as a basis and impairment is provided which could reduce the value to as low as nil when the contractual obligation to undertake additional losses is exclusive. In addition, in the case that Group has contractual obligation to undertake additional losses, then the estimated liability should be determined by the contractual amount and accounted for in the current period profit or loss. In the case that investee achieves net profits in the following periods; the Group begins to recognize return on investment after offsetting any undetermined share of losses.

The long-term equity investments for which the Group no longer has common control or significant influence over the investee as a result of the decrease of investment or other reasons, and there is no offer in the active market and of which the fair value can be reliably measured, the cost method is adopted for valuation purposes. Long term equity investments can constitute control over investees by reinvestment. In this case the cost method is adopted for valuation purposes. The equity method is adopted where an investee exists that the Group has either common control or significant influence but not control due to increased additional investment. The method will also be adopted where the Group no longer has control but only common control and significant influence over the investee due to reasons such as disposal of long-term investment.

(4) Disposal of long-term equity investments

The difference between the book value and the gain on disposal for long-term equity investments is accounted into the current profit or loss. For long-term equity investments measured using the equity method, they are recorded through equity based on the changes in equity which excludes the net profit made by the invested company. This amount is recorded through equity will be transferred to profit on investment for the period.

(5) Impairment loss of long-term equity investments

As at the balance sheet date, the Company estimates the recoverable amounts of long-term investments of subsidiaries, joint ventures and associated enterprises if there is any indicators impairment. In the case that recoverable amount is less than book value; an impairment loss is recognized through the current period profit or loss. A provision account is also raised for long-term investment impairment losses. If other equity investments are impaired, the difference between the present value of future cash flow and book value of investment is recognized as an impairment loss on the basis of similar financial assets rate of market return. Furthermore, the impairment losses are accounted through the current profit or loss account and also through the long term impairment loss provision account. The above impairment loss for long-term investment impairment loss cannot be reversed in subsequent accounting periods.

14. Investment properties

The investment properties include the rights to land use for property rented to other parties, the rights to land use for properties held for and prepared for transfer after appreciation and rights to land use for buildings that are rented to other parties.

The investment property is recognized at initial cost. The cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly attributed to the asset. The cost of a self-built investment property is composed of the necessary expenses required for building the asset to the necessary condition for use. If the subsequent expense is related to investment property that can bring economic benefit into the Group and expense can be measured reliably, it shall be include into the cost of the investment property; otherwise, it is accounted through current profit or loss.

The Group makes a follow-up measurement to the investment property through the cost pattern on the date of the balance sheet.

The investment property is amortized and depreciated basing on its useful life and the residual value. The life time and the rate of residual value applied by the Group are as follows

Classification	Useful life (Year)	The rate of residual value (%)	Amortization rate (%)
Land use right	50		2.000
Buildings	40	5	2.375

The Group will review the useful life, the estimated residual value and the amortization method of investment property on each balance sheet date, and make an appropriate adjustment if necessary.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Investment properties (Continued)

When the investment property is changed for owner occupied, it is recognized as a fixed asset or intangible asset as at the date when the change occurred. When the property for owner occupied is changed for generating rents or capital appreciation, it is recognized as the investment property as at the date when change occurred. The book value of the property prior to the conversion is the entry value after the conversion.

If an investment property is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the investment property shall be derecognized. When an enterprise sells, transfers or disposes of any investment property, or when any investment property is damaged or destroyed, the enterprise shall deduct the book value of the investment property as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

15. Fixed assets

Fixed assets are tangible assets that are held for the production of goods and/or the rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

Fixed assets consist of buildings, plant and machinery, motor vehicles, office equipment and others.

When it is probable that the economic benefits in relation to fixed assets will flow to the Group and the corresponding cost can be measured reliably, the fixed assets shall be recognized. The cost of purchased fixed assets includes the purchasing price, import duty and other relevant taxes and other expenditures directly attributable to bringing the assets into the conditions ready for use. The cost of self-made fixed assets includes the necessary expenditures for bringing the assets into the conditions ready for use. The cost of fixed assets invested by investors is recognized under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied. The fixed assets from finance leasing are measured at the lower of the fair value and the minimum lease payment on leasing date.

The subsequent measurement of fixed assets comprises maintenance expenses, renewal and renovation expenses etc. Expenses which meet the criteria for fixed assets are accounted into the cost of fixed assets. Otherwise if they do not meet the recognition criteria they are accounted through the current profit or loss. The replacement part is derecognized from the account.

Apart from those fixed assets fully depreciated but still in use, as well as land separately recognized, the Group depreciates fixed assets on a straight-line basis and the depreciation expenses are accounted through the current profit or loss or cost of assets in accordance with the purposes of fixed assets.

Useful life, estimated residual value, depreciation rate of incoming in assets and fixed assets are as the following:

Serial number	Classification	Useful life (year)	The rate of estimated residual value (%)	Depreciation rate (%)
1	Building	40	5	2.375
2	Machinery	10	5-10	9-9.5
3	Electric equipment	5-10	5-10	9-19
4	Transportation equipment	5	5-10	9-18
5	Administrative equipment and others	5	5-10	9-18

The Group assesses the useful life, the depreciation rate and the method of depreciation for fixed assets at the end of each year. If any changes occur, they will be regarded as changes on accounting estimates.

For fixed assets obtained through financial leases, if the ownership can be determined reasonably at the end of the lease, then the same depreciation method as other fixed assets will be adopted during the leased assets' useful life. If the ownership can't be determined reasonably at the end of the lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term, whichever is shorter.

The Group derecognizes fixed assets from the account that has been disposed or cannot generate economic benefits by application or disposal. The income from selling, transferring, disposal or impairment of fixed assets, after their book value and relevant taxes and expenses is accounted into current profit and loss.

16. Construction in progress

Construction in progress is recognized at actual cost, which includes all types of expense for the project during the period, capitalized interests expense from borrowings, and other necessary expenditure incurred for bringing the construction in progress to the expected conditions for use.

Constructions in progress are carried down into fixed assets at an estimated cost on the basis of the project budgeting, pricing and actual cost when completing and achieving estimated usage status. The corresponding depreciation on these fixed assets is applied since the month after carrying down the construction in progress into fixed assets. After clearing for completion of the project, the originally estimated cost of fixed assets will be adjusted on the basis of the actual cost; it is not necessary to adjust the amount of depreciation and amortization that have already been accrued.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Borrowing cost

Borrowing cost includes interests from borrowing, amortization of discount or price premium, other attribute expenses and foreign exchange difference from borrowing in foreign currency.

Borrowing costs that directly attribute to purchasing or constructing assets is to be capitalized when expenditures for the assets and borrowing cost occur and the activities of purchasing or constructing made the assets available for use or commencement of sale. When assets approach the available for use or sale status, the capitalization of borrowing cost ceases. Subsequent borrowing costs are accounted through current profit or loss.

Qualifying assets are assets (fixed assets, investment property, inventories) that necessarily take a substantial period of time (usually more than 1 year) for acquisition, construction or production to become ready for their intended use or sale.

For specific borrowings obtained for the acquisition of qualifying assets, the amount of borrowing costs to be capitalized is the interest expenses actually incurred during the period of capitalization deducting any interest income earned from depositing the unused borrowings in the banks or any investment income arising from temporary investment of those borrowings. For general borrowings obtained for the acquisition of qualifying assets, the amount of borrowing to be capitalized is determined by applying the weighted average effective interest rate of general borrowings, to weighted average of the excess amount of cumulative expenditures on the assets over the amount of specific borrowings.

During capitalization period, exchange differences of specific foreign currency borrowing will be capitalized; exchange differences for general foreign currency borrowing are accounted for the current period profit and loss.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months. The suspension ceases when the acquisition, construction or production activities are resumed.

18. Intangible assets

The intangible assets of the Group include the land use right, patent technology and non-patent technology.

Intangible assets are recognized at their actual cost when acquired. The cost of purchased intangible assets includes the actual purchase price and other necessary expenditures for purchase. The cost of intangible assets invested by investors is measured under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied.

The Group amortizes intangible assets with limited life using the straight-line method since the date it is acquired. Land use rights are amortized on the basis of their useful life by straight-line method since the date they are acquired. Patent technology, non-patent technology and other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is recognized in current year profit or loss.

The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year and makes adjustments if needed.

There is no amortization for intangible assets with uncertain useful life. Rather an impairment test is carried out at the end of each accounting period. The Group assesses the estimate of useful life of intangible assets with uncertain useful life at the end of each accounting period. If there is evidence to prove the useful life of intangible assets is limited, the Group will estimate their useful life and amortize the intangible assets within the estimated life time.

When there is evidence to indicate impairment loss of intangible assets, the Group performs an impairment test at end of each year where the evidence is identified. For intangible assets with uncertain useful lives, the Group performs impairment tests regardless of whether there is evidence to indicate impairment loss.

19. Research and development expenses

For the research and development expenses generated internally, it is classified as Research Stage and Development Stage in accordance with nature of the expense and the possibility of forming into intangible asset.

The expenditures in research phase are accounted into current profit and loss.

The expenditures in development phase are recognized as intangible assets if they meet the following conditions:

- (1) It is feasible to sell or use the intangible asset technically;
- (2) The intention is to sell or use the intangible asset;
- (3) The intangible assets are economically beneficial when the market is available for products from the intangible asset or the intangible asset itself. For intangible assets used internally, their usefulness should be proved.
- (4) The Group is capable of accomplishing the development of intangible asset by the supporting techniques, finance and other resources and of using or selling the intangible asset.
- (5) The expenditures on the research and development of the intangible asset can be measured reliably.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Research and development expenses (Continued)

If the expenditures cannot meet the above criteria, they will be accounted through the profit or loss for the period. The development expenditures incurred in previous accounting periods cannot be recognized as the asset in later accounting periods. The capitalized expenditures in the development phase are presented as development expenditures in the balance sheet and are carried down into intangible assets since the date the asset meets the available for use status.

20. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's share of the net identifiable assets of the invested company or acquiree at the date of acquisition or combination.

Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate line item. Goodwill relating to associates or jointly controlled entities is included in the carrying amount of the long-term equity investments.

21. Long-term deferred expenses

The long-term deferred expenses of the Group refer to the actual expenses paid and charged into current period and later periods. The length of period is normally more than one year (excluding one year). These expenses are amortized on straight-line basis within beneficial periods.

If the long-term deferred expenses cannot benefit the later periods, the amortized price will be accounted into current profit and loss.

22. Impairment of non-financial assets

The Group makes an assessment of the fixed assets, construction in progress, intangible assets with limited useful life, investment property based on cost model, and long-term equity investments on each balance sheet date. The impairment could be necessary based on impairment indicators and therefore the Group is required to conduct tests for impairment. In the case the impairment test indicates the book value of assets is greater than the recoverable amounts, and then the difference is recognized as an impairment loss. Assets' recoverable amount is whichever is higher of either difference between fair value of the assets after disposal expenses and the estimated future cash flow of assets. Asset's provision for impairment is calculated based on the single asset, if the recoverable amount of single asset is proved difficult to be recognized then the portfolio of which the single asset belonged to should be used as a calculation base. The portfolio is the minimal combination of assets which can generate cash inflow independently.

Impairment test should be made for good will at least once a year regardless of whether there is any indication of impairment losses. The book value of good will is distributed to assets portfolio or combination of assets portfolio that is expected to benefit from the business combination agreement. Loss needs to be recognized when the result of the test indicates that the recoverable value of asset portfolio or combination of asset portfolios, which contains good will, is lower than its book value. The provision of impairment amount is offset against the book value of distributed good will first, and then offset book value of other assets (assets that don't contain good will) based on the proportion of other assets of the asset portfolio or combination of asset portfolios.

The impairment loss of the above assets shall not be reversed in subsequent accounting periods once confirmed.

23. Employee benefits

Employee's benefits include salaries, bonus, allowances and subsidies; staff benefits, social security contributions; housing funds; union funds and staff education funds and other expenditure incurred for services rendered by employees.

Employee's benefits are recognized as liabilities during the accounting period when the employee renders services to the Group. Employee's benefits are allocated to related cost of assets and expense based on different beneficiaries. Compensation for termination of relationship with employees is recognized in the profit or loss for the period.

When the Group terminates an employee's employment before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy, the compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the current period if the Group has a formal plan for termination of employment relationship in place or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

The Group offers voluntary redundancy welfare to the employees who accept voluntary redundancy. Voluntary redundancy welfare is the salaries paid to and social security paid for the employees who voluntarily resign from their current position after management's approval and before the statutory retirement age. When qualified, the Group applies accounting treatment on the above-mentioned welfare based on the one on dismiss welfare. Voluntary redundancy welfare estimated from the day of service ceased to the day of normal retirement is recognized as contingent liability and accounted into current profit and loss.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Share-based payments

Share-based payment represents transactions in which the Company receives services from employee or other suppliers by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. Share-based payments included equity-settled share-based payments and cash-settled share-based payments.

(1) Equity-settled share-based payment

As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

Shares vested to employees are calculated under fair value according to the market price of the Group's shares, and adjustment to the shares vested is made according to the relevant provisions and conditions (except for the exercisable option not within market condition).

For stock options vested to employees, if there is no trading option with similar terms and conditions, the option-pricing model is applied to estimate the fair value of the options granted.

(2) Cash-settled share-based payments

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise.

(3) Basis of best estimated for recognition of vested equity instruments

If, on the balance sheet date, the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments.

(4) Accounting for modifications, cancellations, and settlements of share-based payment plan

If the modification increases the fair value of equity instruments vested, the Group recognizes the increase on the corresponding services obtained according to the increase on fair value of equity instrument; if the modification increases the quantity of equity instrument vested, the Group recognizes the increase on corresponding services obtained as the fair value of equity instrument increases; if the modification on the condition of exercisable option is beneficial to employees, the Groups considers the exercisable option after modification when the option is disposed.

If the modification decreases the fair value of equity instrument vested, the Groups continues recognizing the value of service obtained based on the equity instrument's fair value at the vested date without any consideration of the decrease on equity instrument's fair value; if the modification decreases the quantity of equity instrument, the Groups records the decreased portion in conformity with the cancellation of equity instrument vested; if the modification on exercisable option is unbeneficial to employees, no consideration is made on exercisable option when disposal of.

If the Group cancels the equity instrument vested or settled (excluding exercisable option cancelled due to unqualified) with vesting period, cancellation or settlement is treated as acceleration on exercisable option, amount proposed to be recognized within the remaining vesting period is immediately accounted into current profit and loss, and capital reserves should be recognized; entire amount paid to employees during cancellation or settlement is treated as repurchased of equity, consideration, paid for repurchase, in excess of the fair value at repurchasing date is accounted into expenses for current year; if new equity instruments are vested to employees, and they are verified, at the vesting date of new equity instrument, as alternatives vested to cancelled equity instruments, the Groups' treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.



II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Contingent liability/estimated liability

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as contingent liabilities. The requirements mentioned above are as follows: The assumed responsibilities are current liability. The fulfillment of obligations will cause the outflow of economic benefit from the Group. The amount of liabilities can be measured reliably.

Estimated liabilities are recognized at the most appropriate estimation of obligations by considering related risks, uncertainties and time value of money etc. If the effect from time value of money is significant, the most appropriate estimation will be discounted into present value. As time goes on, the book value of estimated liabilities is increased by the discount reduction; the increased amount is recognized as interest expense.

The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

26. Revenue recognition

The revenue of the Group is mainly from selling goods, rendering services and allowing the use by others of company's assets. The criteria of reorganization are as follows:

(1) The revenue from selling goods

Sales of goods are recognized when 1) the significant risks and rewards of the ownership of commodities are transferred to customers; 2) the Group has no longer retained continuous management rights generally associated with the ownerships; 3) the Group has no longer effective control over the commodities sold; 4) the amount of revenue can be reliably measured; 5) it is very likely that the economic benefits will be flowed to the Company; and 6) when the related costs that has incurred or will be incurred can be reliably measured.

(2) The revenue from rendering service

Revenue is recognized when the total income and cost of service can be measured reliably, relative economic benefits likely flow into the Group and the percentage of completion of the service can be determined reliably.

At the balance sheet date, for the results of rendering service can be measured reliably, the relative income will be recognized in accordance of percentage-of-completion method. The percentage-of-completion is determined by finished work/percentage of service rendered of service promised to provide/cost occurred of total cost; For result of service rendered can't be measured reliably but the occurred labor cost is expected to be compensated, the relative income is determined by the occurred labor cost which is expected to be compensated and carry-forward occurred labor cost; For result of service rendered can't be measured reliably and the occurred labor cost is not expected to be compensated, the occurred labor cost is accounted into current period profit and loss and income is not recognized.

(3) The revenue from transfer of asset use right

The revenue from transfer of asset use right is recognized by the receive date and method under the related contract or agreement. When the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

27. Government subsidies

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should recognized as Capital reserves according to related Federal documents, should also be capitalized in nature, and therefore shouldn't be recognized as government grants.

A government subsidy of the Group shall be recognized if the Group can meet the conditions for the government subsidy and also can obtain the government subsidy.

If a government subsidy is a monetary asset, it is measured at actual received amount; if the amount is fixed or reasonable evidence indicates legal compliance is satisfied and amount is likely to be received in the future, it is measured at receivable amount.

If a government subsidy is a non-monetary asset, it is measured at its fair value. If the fair value of a non-monetary asset cannot be acquired in a reliable way, it is measured at its nominal amount (RMB 1.00 Yuan).

The Group classifies government subsidies as assets related and income related grant, and the base of determination is as the following: Assets related grant is the government subsidy used in the generation of long-term assets through construction or others. Income related grant is the government subsidy other than assets related grant. If there is no defined subsidy object stated in government's documents, the above will be applied as the Group's judgment basis.

The government subsidies pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life.

Those subsidies used for compensating the related future expenses or losses of the Group are recognized as deferred income and accounted into current profit and loss when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the Group are accounted into current profit and loss directly.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Government subsidies (Continued)

When government subsidies are determined needed to return, the balance of deferred income is written-off and any exceeded portion is accounted into current profit and loss. If the returned subsidies don't constitute as deferred income then account into current profit and loss directly.

28. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. The Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. The temporary difference of initial recognition of goodwill shall not be recognized as deferred tax liabilities. The temporary difference is caused by the initial recognition of assets and liabilities from non-enterprise combination, which is not influence profits and tax payables, it shall not be recognized as deferred tax asset and liabilities. On the balance sheet date, the deferred tax assets and liabilities are measured by the applicable tax rate when the assets predict to be returned or liabilities can be repaid.

The Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the differed tax assets that have already been recognized, when there are any evidences showing that the Group is probably incapable of acquiring sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the book value of the deferred tax assets will be deducted. When it is likely to acquire sufficient amount of taxable income tax, the amount deducted can be reversed.

For deferred tax liabilities arising from deferred tax difference of subsidiaries and associated enterprise unless Group can control the time of reversal and the reversal is most likely not going to occur in the foreseeable future. For deductible deferred tax differences of subsidiaries and associated enterprise, when the temporary difference will be reversed in the foreseeable future and it is going to be used to set off tax payable of deductible temporary difference will be treated as deferred tax assets.

The deferred tax assets and liabilities satisfy following conditions is presented at net amount after offsetting:

- (1) The deferred tax assets and liabilities is relative to the income tax collected by same tax authority from the same taxable entity of the Group;
- (2) The Group's taxable entity has legal right to settle tax assets and liabilities at net amount.

29. Lease

The Group classifies lease into financing lease and operating lease on the start date of the lease. Financing lease refers to the lease that essentially transfers all the risks and compensations related with the ownership of the asset; Operation lease refers to the lease other than financing lease.

(1) Financing lease for leasing in assets

From the start date of the lease, comparing the fair value of the lease asset and the present value of the minimum lease payment, the lower one would be the entry value as asset of financing lease. The unconfirmed financing expenses refers to the balance of the entry value as asset of financing lease and the minimum lease payment; the amortization applied by effective interest method over the lease term. The minimum lease payment deducts the unconfirmed financing expenses account to long-term liabilities and the long-term liabilities due within one year.

The lease assets accrue depreciation during the working life if the ownership is reasonable confirmed before expiration. Otherwise, the lease assets would accrue depreciation in the shorter term between the lease term and its working life.

(2) Financing lease for leasing out assets

From the start date of the lease, the entry value of receivable financing lease is the sum of the minimum lease payment and the initial direct expenses, and the unguaranteed residual value would be accounted; the balance of the total value of minimum lease payment, initial direct expenses and unguaranteed residual value and the sum of the present value is recognized as unrealized financing income, and distributed during the lease term. The current financing income is calculated by effective interest rate method.

The unguaranteed residual value would be reviewed at the end of each year. There is no adjustment while the unguaranteed residual value increases. If the evidence indicates that unguaranteed residual value has been decreased, the lease implicit interest rate would be recalculated. The caused decrease of net value of lease investment is accounted to the current profit or loss; the financing revenue would be recognized according to modified net value of lease investment and the lease implicit interest rate. The net value of lease investment refers to the balance of the minimum lease payment and unguaranteed residual value and unrealized financing income.

The recognized loss of unguaranteed residual value that might be recovered, which would be return in the original recognized amount of investment and recalculated lease implicit interest rate. The financing revenue would be recognized according to modified net value of lease investment and the lease implicit interest rate.

It might be accounted to the current profit or loss when the contingent rental actual occurs.



II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease (Continued)

(3) Operating lease for leasing in assets

The rental expenses of assets of operating lease are recognized as relevant asset cost or current profit or loss due to the straight-line method during the period of the lease. The initial direct expenses would be accounted to the current profit or loss. It might be accounted to the current profit or loss when the contingent rental actual occurs.

(4) Operating lease for leasing out assets

The rental income of assets of operating lease is recognized as revenue due to the straight-line method during the period of the lease. As to the initial direct expenses of assets of the operating lease, the bigger amount would be capitalization and the whole lease period may accordance with the basic stages that are same as the recognized rental income; the smaller amount would be directly accounted to current profit or loss. It might be accounted to the current profit or loss when the contingent rental actual occurs.

30. Income tax

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying amount of goodwill. All other current tax and deferred tax are recognized in the profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprise in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred tax assets and deferred tax liabilities at the end of period that should be recognized using the balance sheet liabilities approach and their balances originally recognized.

31. Segment report

Business segment is determined in accordance with governance structure; management requests, internal reporting system, and the Group confirm the report segment on the basis of business segment and disclose the segmental information.

Business segment is a component of the Group that satisfies the following conditions simultaneously: the component can make revenue and expenses in normal operation activities; the management level can appraise the operating performance of the component in order to allocation of resource and appraise the performance on regular basis; and the Group can receive the financial position, operating performance and cash flow of the component etc. If two or more than two segments carry similar economic characteristics, and satisfied certain condition which could merge as one operation segment.

32. Held-to-sale assets and discontinued operation

A component is classified as held-for-sale when all of the following conditions are satisfied: 1) the Group has made a resolution on disposal of the component; 2) an irrevocable contract with the transferee has been signed; and 3) the transfer will be completed within one year.

Qualified held-for-sale non-current assets are presented as other non-current assets, and the amount is the lower of carrying amount or fair value less disposal expenses. If the carrying amount is greater than fair value less disposal expenses, the exceed amount is recognized as impairment loss.

Discontinued operation is a component of the Group that either has been disposed of or is classified as held-for-sale, and can be distinguished from other components within the Group in the business operations and in the preparation of financial statements.

33. Change in Accounting Policies, Estimates and Errors

(1) Change in accounting policies

There is no change in accounting policies for this period.

(2) Change in accounting estimates

- 1) The content of the changes in the accounting estimates

The Company's 13rd meeting of its 7th Board of Director which was held on 16 December 2013 has approved the proposal of changing the company's accounting estimates. The Company has made the changes in the accrued percentage of bad debt provision for accounts receivable and the estimated useful lives of part of fixed assets. They are:

The accrual percentage related to accounts receivables within 1 year changes from 0% to 1%, accrual percentage related to accounts receivables from 1 to 2 years changes from 30% to 10%, accrual percentage related to accounts receivables from 2 to 3years changes from 60% to 20%, accrual percentage related to accounts receivables from 3 to 4 years changes from 100% to 50%, accrual percentage related to accounts receivables from 4 to 5 years changes from 100% to 80%, accrual percentage related to accounts receivables over 5 years remains 100%.

The Company changes the estimated fixed assets useful lives and related residual value for some fixed assets, where the estimated residual value was changed from 3% to 5%-10%, the estimated useful life for buildings was changed to 40 years, machinery and equipment was changed from 8-14 years to 10 years and electronic equipment was changed to 5-10 years, transportation, office, and other equipments was changed from 8 years to 5 years.

SECTION 9 FINANCIAL STATEMENTS

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Change in Accounting Policies, Estimates and Errors (Continued)

(2) Change in accounting estimates (Continued)

2) The influence of the changes in the accounting estimates

The new accounting estimates shall be executed on 1 January 2014, the prospective application is adopted, and the net profit of consolidated financial statements is increased by RMB 19,132,509.45 Yuan for this period.

34. Correction of errors of prior periods

There is no correction of errors of prior periods.

35. Significant accounting estimation and materiality judgment

When preparing financial statements, the management of the Group uses assumptions and evaluations, which might have impact on accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective result might have conflicts with these estimates. The management will process continuing evaluation on the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognized in the current period or carry forward.

The following accounting estimates and key assumptions would result in significant adjustment of the book value of assets and liabilities for next fiscal year.

(1) Provision for receivables' devaluation

As disclosed in Note II.11, the Group reviews the Accounts receivables measured with amortized costs on the balance sheet date to evaluate the existence of impairment, and determine the estimated amount of impairment. The proof for impairment includes data indicated that the future cash flow for individual or combined accounts receivable's significant decrease; data indicated that the debtors for individual or combined accounts receivable negative financial issues. If it's proved that the value of accounts receivable has recovered, and objectively related to the post damage, then the impairment shall be reversed.

(2) Impairment for inventories

As stated in Note II.12, the Group estimates net realizable value of Inventories on a regular basis, and the difference of inventory cost higher than net realizable value shall be recognized as loss from inventory devaluation. The estimating net realizable value is based on estimated price of similar goods, net of costs, selling expense and related taxes. If the effective price is different from estimated price, the management would adjust the net realizable value. Therefore the estimation according to current experience would be different from the actual value, resulting in adjustment of book value of Inventories in the Balance sheet. Provision for Inventory impairment could be revised because of the above issues. The adjustment for Provision for Inventory impairment could impact the current profit or loss.

(3) Accounting estimates for goodwill impairment

The Group tests the goodwill impairment annually. If the assets and assets portfolio include goodwill and their recoverable amount is future cash flow, accounting estimate shall be applied as measurement method.

If the management revises the gross margin, which is adopted for the calculation of future cash flow of assets and assets portfolio and the revised gross margin is lower than the current adopted one, the Group shall increase the provision of goodwill impairment.

If the management revises the pre-tax discount rate for discounted cash flow and the revised pre-tax discount rate is greater than the current adopted one, the Group shall increase the provision of goodwill impairment.

If actual gross margin or pre-tax discount rate is greater than the one estimated by the management, the Group is not allowed to recover the provision of goodwill impairment loss.

(4) Accounting estimates for fixed assets impairment

The Group carries out impairment test for fixed assets such as buildings, machinery and equipment, etc. The higher of collectable value and discounted future cash flow, and fair value net of the disposal costs, the calculation of which needs accounting estimates.

If the management revises the applied gross margin rate for asset group or its future cash flow calculation, and the revised gross margin rate is lower than effective discount rate applied, the Group shall increase the accrual the impairment for fixed assets.

If the management revises the pre-tax cash flow discount rate, and the revised pre-tax discount rate is higher than the effective discount rate applied, the Group shall increase the accrual the impairment for fixed assets.

If the effective gross margin rate or the pre-tax discount rate higher or lower than estimated, the Group shall not reverse the impairment for fixed assets accrued.



II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Significant accounting estimation and materiality judgment (Continued)

(5) Accounting estimates for deferred income tax assets recognized

The estimation of deferred income tax assets is worked out by estimation on taxable income and applicable tax rate for future years. The deferred income tax assets' existence is depended on whether the Group has enough taxable income in the future. Changes of tax rate and time of temporary difference reversal also have influence over income tax expenses (income) and the balance of deferred income tax. Above estimation changes might be resulted in significant adjustment to deferred income tax.

(6) The useful lives for fixed assets and intangible assets

The Group reviews the estimated useful life of fixed assets and intangible assets at year-end for at least once a year. The estimated useful life is determined by the management based on previous experience, and that of the same industry, together with the upgrade of technology. If the previous experience changes significantly, the Group adjusts the depreciation and amortization expense in future years.

III. TAXATION

1. Main categories of tax and tax rate

Category	Tax basis	Tax rate
VAT	Revenue from sales of goods	17%
Business Tax	Taxable revenue	5%
Urban Construction & Maintenance Tax	VAT or Business tax payable	1%, 5%, 7%
Education Surcharges	VAT or Business tax payable	3%
Local Education surcharges	VAT or Business tax payable	2%
Estate Tax	Lease income and 70-80% of the estate's original value	1.2% & 12%

Corporate income tax rates for subsidiaries are as following:

Company	Tax rate
Beijing Jingcheng Machinery Electric Co., Ltd.	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Containers Co., Ltd.	25%
Langfang Tianhai High Pressure Cylinder Co., Ltd.	25%
Shanghai Tianhai Gas Cylinder Co., Ltd.	25%
Beijing Tianhai Cryogenic Equipment Co., Ltd.	15%
Beijing Panni Gaokong Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	25%
America Fortune Company	Progressive tax rate
Beijing Jingcheng Compressor Co., Ltd.	15%
Jingcheng Holding (Hong Kong) Company Limited	16.50%

America Fortune Company is registered in the USA, it applies progressive tax rate to calculate corporate income tax, which is 15% to 39% based on different taxable income.

2. Taxation benefits and approval

On 11 November 2013, Beijing Tianhai Industry Co., Ltd. as the subsidiary of the Company was certified as High and New Technology Enterprise and issued the corresponding certificate with No. GR201311000576 jointly by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation and Beijing administration of Local Taxation. The certificate is valid for three years. Upon approval of this certificate, Beijing Tianhai enjoys 15% corporate income tax rate.

On 5 December 2013, Beijing Tianhai Cryogenic Equipment Co., Ltd. as the subsidiary of the Company was certified as High and New Technology Enterprise and issued the corresponding certificate with No. GR 201311001531 jointly by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation and Beijing administration of Local Taxation. The certificate is valid for three years. Upon approval of this certificate, Beijing Jingcheng Compressor Co., Ltd. enjoys 15% corporate income tax rate.

On 28 October 2011, Beijing Jingcheng Compressor Co., Ltd. as the subsidiary of the Company was certified as High and New Technology Enterprise and issued the corresponding certificate with No. GF201111001877 jointly by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation and Beijing administration of Local Taxation. The certificate is valid for three years. Upon approval of this certificate, Beijing Jingcheng Compressor Co., Ltd. enjoys 15% corporate income tax rate.

3. Changes in taxation and taxation preferential policy

There is no change in taxation and taxation preferential policy in contrast to previous period.

SECTION 9 FINANCIAL STATEMENTS

IV. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries

Company names	Abbreviation	Business type and structure	Registration location	Operation location	Business nature	Registered capital	Scope of operation
Subsidiaries acquired under common control							
Beijing Tianhai Industry Co., Ltd.	Tianhai Industry	Sino-foreign joint ventures	Chaoyang, Beijing	Chaoyang, Beijing	Manufacture	USD 61,401,800.00	Produces, sells of gas cylinder, accumulator, pressure vessels and equipment etc.
Beijing Jingcheng Compressor Co., Ltd.	Jingcheng Compressor	Limited company	Yanqing, Beijing	Yanqing, Beijing	Manufacture	RMB 139,271,500.00	Designs, produces, sells of compressor
Jingcheng Holding (Hong Kong) Company Limited	Jingcheng Holding (Hong Kong)	Hong Kong and Macao Enterprises	Hong Kong	Hong Kong	Trade and investment	HKD 1,000.00	Imports and exports trade, investment and consultancy services.

(Continued)

Company names	Ending investment balance	Balance of other items that essentially constitute net investment in subsidiaries	Ownership percentage (%)	Voting right percentage (%)	Legal representative	Code of organization	Whether is consolidated financial statements	Non-controlling interests' amount used to offset profit and loss attribute to non-controlling interests	Notes
Subsidiaries acquired under common control									
Tianhai Industry Co., Ltd.	624,631,295.27		100.00	100.00	Wang Pingsheng	60000369-4	Yes		Total ownership in sum of direct holding and indirect holding through Jingcheng Holding (Hong Kong)
Jingcheng Compressor Co., Ltd	164,842,943.18		100.00	100.00	Wang Pingsheng	74043038-0	Yes		
Jingcheng Holding (Hong Kong) Company Limited	142,044,028.10		100.00	100.00	Wang Pingsheng		Yes		

2. The change on the scope of consolidated financial statements

(1) The details of subsidiaries newly consolidated during this period

There is no subsidiary which is consolidated into the Group consolidation scope during this period.

(2) The details of subsidiaries are no longer consolidated during this period.

There is no subsidiary which is no longer to be consolidated into the Group consolidation scope during this period.

3. Business combination during this period

(1) Subsidiaries acquired through business combination under common control

There is no newly acquired subsidiary through business combination under common control for this accounting period.

(2) Subsidiaries acquired through business combination not under common control

There is no newly acquired subsidiary through business combination not under common control for this accounting period.

SECTION 9 FINANCIAL STATEMENTS

IV. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Exchange rate used for financial statements of entities operated abroad

The currency that Jingcheng Holding (Hong Kong) Company Limited and America Fortune Company used in the consolidated financial statement is US dollar, the exchange rate as the following:

Item	End of this year/ current year	Beginning of this year/last year
Items in balance sheet	6.1528	6.0969
Items in profit/loss statement	6.1249	6.1912
Items in statement of owners' equity(except "undistributed profit")		Actual spot rate

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Following disclosed financial Statement data, except for otherwise indicated, "Beginning balance" refers to 1 January 2014, "Ending balance" refers to 30 June 2014, "Current period" refers to the period from 1 January 2014 to 30 June, 2014, "Last period" refers to the period from 1 January 2013 to 30 June, 2013, and the currency unit is RMB Yuan.

1. Cash and cash equivalents

Items	Ending balance			Beginning balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			82,181.11			77,407.20
Inc.RMB	70,348.66	1.0000	70,348.66	65,735.36		65,735.36
USD	1,923.10	6.1528	11,832.45			
HKD				14,845.33	0.7862	11,671.84
JPY						
Cash in bank			220,323,561.94			305,819,618.29
Inc.RMB	205,878,860.10	1.0000	205,878,860.11	290,831,708.64		290,831,708.64
USD	2,253,659.62	6.1528	13,866,316.91	2,457,874.47	6.0969	14,985,414.86
HKD				3,165.49	0.7862	2,488.81
JPY						
EUR	68,899.64	8.3946	578,384.92	0.71	8.4189	5.98
Other			58,181,190.63			31,846,190.63
RMB	58,181,190.63	1.0000	58,181,190.63	31,846,190.63		31,846,190.63
Total			278,586,933.68			337,743,216.12

The ending balance of other monetary fund of the group includes bank acceptance notes guarantee of RMB 53,000,000.00 Yuan (beginning balance was RMB 26,000,000.00 Yuan), the guarantee deposit of RMB 5,181,190.63 Yuan (beginning balance was RMB 5,846,190.63 Yuan).

2. Notes receivable

(1) Category

Items	Ending balance	Beginning balance
Bank acceptance notes	12,509,035.90	28,387,575.12

(2) There are no notes which are used for pledge.

(3) There are no notes receivable that are transferred to accounts receivable due to drawers' incapability of fulfilment.

(4) The top five of notes receivable which has endorsed to other party but has not yet expired at the year end

Items	Issuing company	Issuing date	Maturity date	Amount
Bank acceptance notes	Beiqi Foton Motor Co., Ltd.	19-6-2014	19-12-2014	6,000,000.00
Bank acceptance notes	Zhengzhou Yutong Passenger Automobile Co., Ltd.	23-5-2014	20-11-2014	5,653,209.99
Bank acceptance notes	Chengdu Senrui Goods and Materials Trading Co., Ltd.	22-5-2014	21-11-2014	5,000,000.00
Bank acceptance notes	Sanyi Motor Manufacture Co., Ltd.	21-3-2014	19-9-2014	4,000,000.00
Bank acceptance notes	Shandong Tianhai Gas Co., Ltd.	4-4-2014	4-10-2014	4,000,000.00
Total				24,653,209.99

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

(1) The classification of accounts receivable by risk

Items	Ending balance				Beginning balance			
	Book value Amount	Percent%	Bad debts Amount	Percent%	Book value Amount	Percent%	Bad debts Amount	Percent%
Individually significant and provided for bad debts on individual basis								
Provided for bad debts on portfolio basis								
Age group								
Individually insignificant but provided for bad debts on individual basis								
Total	503,870,600.65	100.00	25,204,708.88	5.02	436,413,873.64	99.65	29,951,170.01	6.86

1) Provision for the bad debts by aging analysis

Items	Amount	Ending balance	
		Percent (%)	Bad debts provision
Within 1 year	399,979,710.88	79.62	3,999,797.11
1-2 years	75,622,053.44	15.05	7,562,205.34
2-3 years	12,090,224.56	2.41	2,418,044.91
3-4 years	6,257,539.12	1.24	3,128,769.56
4-5 years	1,482,679.50	0.30	1,186,143.60
Over 5 years	6,909,748.36	1.38	6,909,748.36
Total	502,341,955.86	100.00	25,204,708.88

(Continued)

Items	Amount	Beginning balance	
		Percent (%)	Bad debts provision
Within 1 year	373,601,273.09	85.60	
1-2 years	42,188,215.56	9.67	12,656,464.67
2-3 years	8,324,199.13	1.91	4,994,519.48
Over 3 years	12,300,185.86	2.82	12,300,185.86
Total	436,413,873.64	100.00	29,951,170.01

2) Individually insignificant but provided for bad debts on individual basis

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	1,528,644.79			No risk to recover

(2) There is no reversal (or take back) of bad debts provision.

(3) There is no written off of accounts receivables.

(4) The closing balance does not include amount due from shareholders who hold 5% or more of the Group's shares.

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (Continued)

(5) The top five receivables:

Company name	Relationship	Amount	Age	Proportion in accounts receivable (%)
Sichuan Ruifeng International Trade Co., Ltd.	Customer	28,277,981.00	Within 3 years	5.61
Shanxi Dayun Automobile Manufacturing Co., Ltd.	Customer	20,177,066.66	Within 2 years	4.01
Chengdu huaqihoupu Electromechanical Technology Co., Ltd.	Customer	18,467,786.58	Within 1 year	3.67
Zhengzhou Yutong Passenger Automobile Co., Ltd.	Customer	17,962,265.32	Within 1 year	3.56
Cyl-Tec, Inc.	Customer	16,043,869.00	Within 1 year	3.18
Total		100,928,968.56		20.03

(6) Please refer to VI.3. for detailed closing balance due from related parties

(7) The balance in foreign currencies:

Foreign currency	Ending balance			Beginning balance		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
USD	13,662,613.17	6.1528	84,063,326.29	6,538,869.76	6.0969	39,866,835.05
EUR	52,122.00	8.3946	437,543.34	396,563.29	8.4189	3,338,626.68
Total			84,500,869.63			43,205,461.73

4. Advances to suppliers

(1) Aging of advances to suppliers

Items	Ending balance		Beginning balance	
	Amount	Percentage%	Amount	Percentage%
Within 1 year	43,963,806.19	91.08	36,792,833.78	89.72
1-2 years	2,559,587.31	5.30	2,142,885.19	5.22
2-3 years	434,486.23	0.91	735,362.26	1.79
Over 3 years	1,305,426.57	2.71	1,342,222.98	3.27
Total	48,263,306.30	100.00	41,013,304.21	100.00

(2) Advances to major suppliers

Company name	Relationship	Amount	Proportion in advance to suppliers (%)	Age	Reasons for unsettlement
Beijing Guohai HD Steel Trade Co., Ltd.	Suppliers	8,193,760.53	16.98	Within 1 year	Goods not delivered
Beijing Dongfang Hualing Steel Trading Co., Ltd.	Suppliers	4,535,131.10	9.40	Within 1 year	Goods not delivered
Gas Compressor Factory of Beijing Yitong General Machinery Co., Ltd.	Suppliers	1,897,039.58	3.93	Within 1 year	Goods not delivered
Wouter Jeter trade (Beijing) Co., Ltd	Suppliers	1,542,000.00	3.19	Within 1 year	Goods not delivered
BestobellValves	Suppliers	1,217,064.55	2.52	Within 1 year	Goods not delivered
Total		17,384,995.76	36.02		

(3) The closing balance does not include amounts advanced to shareholders who hold 5% or more of the Company's shares.

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Advances to suppliers (Continued)

(4) The balance in foreign currencies:

Foreign currency	Ending balance			Beginning balance		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	707,862.54	6.1528	4,355,336.65	702,071.09	6.0969	4,280,457.24

5. Other receivables

(1) Classification by risk

Items	Ending balance				Beginning balance			
	Book value		Bad debts		Book value		Bad debts	
	Amount	Percent %	Amount	Percent %	Amount	Percent %	Amount	Percent %
Individually significant and provided for bad debts on individual basis	12,889,750.00	50.77						
Provided for bad debts on portfolio basis	12,458,280.69	49.07	2,352,195.60	18.88	8,439,895.59	99.53	2,793,461.01	33.10
Individually insignificant but provided for bad debts on individual basis	40,000.00	0.16			40,000.00	0.47		
Total	25,388,030.69	100.00	2,352,195.60		8,479,895.59	100.00	2,793,461.01	

1) Provided for bad debts by aging analysis

Items	Amount	Ending balance percent (%)	Bad debts
Within 1 year	8,286,407.72	66.52	82,864.08
1-2 years	1,893,339.56	15.20	189,333.95
2-3 years	112,420.00	0.90	22,484.00
3-4 years	193,199.68	1.55	96,599.84
4-5 years	60,000.00	0.48	48,000.00
Over 5 years	1,912,913.73	15.35	1,912,913.73
Total	12,458,280.69	100.00	2,352,195.60

(Continued)

Items	Amount	Beginning balance Percent (%)	Bad Debts
Within 1 year	4,533,411.82	53.71	
1-2 years	1,482,739.42	17.57	444,821.83
2-3 years	187,762.92	2.23	112,657.75
Over 3 years	2,235,981.43	26.49	2,235,981.43
Total	8,439,895.59	100.00	2,793,461.01

2) Individually significant or insignificant but provided for bad debts on individual basis at the end of period

Company name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	12,889,750.00			No risk of recovery
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	40,000.00			No risk of recovery
Total	12,929,750.00			

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

- (2) There is no reversal (or taken back) of bad debts provision.
- (3) There is no written off of other receivables.
- (4) The closing balance does not include amount due from shareholders who hold 5% or more of the Company's shares.
- (5) **The top 5 receivables:**

Company name	Relationship	Amount	Age	Proportion in other receivables (%)	Nature & content
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Related party	12,889,750.00	Within 1 year	50.77	Receivables for transferring assets
Langfang Xiniao Gas Co., Ltd.	Third party	1,551,513.75	Within 1 year, over 5 years	6.11	Deposit
Tianhai Local sales department	Company department	1,126,665.49	Within 1 year	4.44	Petty cash
Qinghai Saline Lake Magnesium Industry Co. Ltd.	Third party	960,000.00	1-2 years	3.78	Performance security
Tianhai low temperature sales department	Company department	755,903.40	Within 1 year	2.98	Petty cash
Total		17,283,832.64		68.08	

- (6) Please refer to Note VI.3. for detailed amounts due from related parties

6. Inventories

(1) Categories of inventories

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	330,647,438.13	2,249,607.01	328,397,831.12	365,598,288.08	2,249,607.01	363,348,681.07
Work in progress	180,050,490.81		180,050,490.81	171,786,901.35		171,786,901.35
Finished goods	228,217,895.81	9,111,503.82	219,106,391.99	209,844,904.78	10,781,215.36	199,063,689.42
Total	738,915,824.75	11,361,110.83	727,554,713.92	747,230,094.21	13,030,822.37	734,199,271.84

(2) Provision for the impairment of inventories

Items	Beginning balance	Increase	Decrease in this year		Ending balance
			Reversal	Other transfer out	
Raw materials	2,249,607.01				2,249,607.01
Work in progress					
Finished goods	10,781,215.36	2,493,553.47		4,163,265.01	9,111,503.82
Total	13,030,822.37	2,493,553.47		4,163,265.01	11,361,110.83

- (3) Please refer to Note II.12. for the provision method for the impairment of inventories

- (4) No inventory has been mortgaged or frozen at the end of period.

7. Other current assets

Item	Ending balance	Beginning balance
Asset held-for-sale	9,540.41	15,718,684.47
Total	9,540.41	15,718,684.47

The beginning balance of asset held-for-sale is the undergraduate's apartment, please refer to Note XIII other significant issues for more details.

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investments

(1) Categories of long-term equity investments

Items	Ending balance	Beginning balance
Accounted in equity method	55,791,078.48	63,231,444.54
Joint ventures	602,559.18	614,447.95
Associates	55,188,519.30	62,616,996.59
Total	55,791,078.48	63,231,444.54
Less: provision for impairment on long-term equity investments		
Net book value	55,791,078.48	63,231,444.54

(2) The long-term equity investments is measured by cost and equity method

Name of invested companies	Share holding %	Voting right %	Original investment amounts	Beginning balance	Increase or decrease	Adjusted net profit/loss by equity method	Cash dividends declared	Change in other equity	Ending balance	Provision for impairment	Impairment loss for the year
In equity method											
Beijing Tianhai Xiqang Environmental Technique Co., Ltd.	50	50	3,059,000.00	614,447.95		-11,888.77			602,559.18		
Beijing Fusheng Machine Co., Ltd.	30	30	16,960,563.13	62,616,996.59		435,786.04	7,864,263.33		55,188,519.30		
Total			20,019,563.13	63,231,444.54		423,897.27	7,864,263.33		55,791,078.48		

(3) Investment in associated companies/joint venture

Name of invested company	Nature	Registration	Address	Legal representative	Organization code	Business type	Registered capital	Share holding %	Voting right %
Joint venture									
Beijing Tianhai Xiqang Environmental Technique Co., Ltd.	Sino-foreign equity joint venture	Chaoyang Zone, Beijing	Chaoyang Zone, Beijing	Wang Pingsheng	79900704-2	Selling	USD 800,000.00	50.00	50.00
Associated Company									
Beijing Fusheng Machine Co., Ltd.	Sino-foreign joint venture	Changping Zone, Beijing	Changping Zone, Beijing	Wu Yanzhang	60003264-7	Production	USD 5,500,000.00	30.00	30.00

(Continued)

Name of invested company	Ending balance of total assets	Ending balance of total liabilities	Ending balance of total net assets	Total operation income for current period	Net profit for current period
Joint venture					
Beijing Tianhai Xiqang Environmental Technique Co., Ltd.	4,832,729.92	3,627,145.33	1,205,584.59		-23,311.31
Associated Company					
Beijing Fusheng Machine Co., Ltd.	322,079,528.44	151,341,182.88	170,738,345.56	178,325,778.72	1,452,620.16

9. Investment properties

(1) Accounted in cost method

Items	Beginning balance	Increase	Decrease	Ending balance
Original cost				
Buildings	9,519,696.39			9,519,696.39
Accumulated depreciation				
Buildings		113,046.41		113,046.41
Book value				
Buildings	9,519,696.39			
Impairment provision				
Buildings				9,406,649.98
Net book value				
Buildings	9,519,696.39			9,406,649.98

SECTION 9 FINANCIAL STATEMENTS



V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Fixed assets

(1) Breakdown of fixed assets

Items	Beginning balance	Increase	Decrease	Ending balance
Original Cost	1,219,814,391.44	14,019,035.18	1,927,854.04	1,231,905,572.58
Building	386,656,454.25		169,639.61	386,486,814.64
Electrical Equipment	24,589,289.23	68,381.00		24,657,670.23
Machinery	759,347,109.87	13,019,463.00	991,937.40	771,374,635.47
Transportation facilities	37,552,073.75	103,846.16	356,050.55	37,299,869.36
Office equipment and others	11,669,464.34	827,345.02	410,226.48	12,086,582.88
Accumulated Depreciation	504,189,259.34	39,855,547.10	1,367,273.01	542,677,533.43
Building	112,478,698.59	6,443,085.49	47,113.80	118,874,670.28
Electrical Equipment	12,571,702.25	2,782.91		12,574,485.16
Machinery	347,667,965.00	31,017,810.42	687,572.20	377,998,203.22
Transportation facilities	22,971,198.96	1,782,547.96	277,710.89	24,476,036.03
Office equipment and others	8,499,694.54	609,320.32	354,876.12	8,754,138.74
Book value	715,625,132.10			689,228,039.15
Building	274,177,755.66			267,612,144.36
Electrical Equipment	12,017,586.98			12,083,185.07
Machinery	411,679,144.87			393,376,432.25
Transportation facilities	14,580,874.79			12,823,833.33
Office equipment and others	3,169,769.80			3,332,444.14
Impairment provision	664,142.40			664,142.40
Building				
Electrical Equipment				
Machinery	664,142.40			664,142.40
Transportation facilities				
Office equipment and others				
Net book value	714,960,989.70			688,563,896.75
Building	274,177,755.66			267,612,144.36
Electrical Equipment	12,017,586.98			12,083,185.07
Machinery	411,015,002.47			392,712,289.85
Transportation facilities	14,580,874.79			12,823,833.33
Office equipment and others	3,169,769.80			3,332,444.14

- 1) Current period depreciation included in accumulated depreciation was RMB 39,855,547.10 Yuan.
- 2) The ending balance of fixed assets includes part of buildings which are mortgaged to bank as the guarantee for a mortgage loan, the original value is RMB 136,615,941.26 Yuan, and the net value is RMB 104,899,014.47 Yuan.
- (2) There are no idle fixed assets at the end of the period
- (3) There is no finance leased fixed assets of the Group at end of the period.
- (4) There is no fixed asset leased out through an operating lease at end of the period.
- (5) Among the fixed assets added for the period, RMB 14,019,035.18 was transferred from construction-in-progress.
- (6) Four factories including assembling workshops belong to subsidiary Beijing Jingcheng Compressor Co., Ltd. have not obtained the property ownership certificates, the original cost is RMB 13,907,641.87 Yuan, the accumulated depreciation is RMB 2,796,733.31 Yuan, and the net value is RMB 11,110,908.56 Yuan.

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress

(1) Breakdown of construction in progress

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
LNG industry base construction	331,664,012.23		331,664,012.23	241,709,925.38		241,709,925.38
Low temperature at the new workshop of new equipment	1,054,812.60		1,054,812.60	9,065,201.59		9,065,201.59
Production capacity expansion project	22,352,243.38		22,352,243.38	17,381,937.71		17,381,937.71
Others	-1,073,326.45		-1,073,326.45	10,613,194.21		10,613,194.21
Total	353,997,741.76		353,997,741.76	278,770,258.89		278,770,258.89

(2) Changes in major construction in progress

Name	Beginning balance	Increase	Transferred to fixed asset	Decrease		Ending balance
				Other decrease		
LNG industry base construction	241,709,925.38	89,954,086.85				331,664,012.23
Low temperature at the new workshop of new equipment	9,065,201.59		8,010,388.99			1,054,812.60
Production capacity expansion project	17,381,937.71	4,970,305.67				22,352,243.38
Total	268,157,064.68	94,924,392.52	8,010,388.99			355,071,068.21

12. Intangible assets

Items	Beginning balance	Increase	Decrease	Ending balance
Original Cost	189,832,687.11	124,439.62		189,957,126.73
Land use right	177,068,860.62			177,068,860.62
Proprietary technology	11,707,050.00			11,707,050.00
Software	1,056,776.49	124,439.62		1,181,216.11
Accumulated amortization	16,022,524.99	2,583,163.32		18,605,688.31
Land use right	9,975,573.94	2,125,315.95		12,100,889.89
Proprietary technology	5,136,142.24	425,520.78		5,561,663.02
Software	910,808.81	32,326.59		943,135.40
Book value	173,810,162.12			171,351,438.42
Land use right	167,093,286.68			164,967,970.73
Proprietary technology	6,570,907.76			6,145,386.98
Software	145,967.68			238,080.71
Impairment provision				
Land use right				
Proprietary technology				
Software				
Net book value	173,810,162.12			171,351,438.42
Land use right	167,093,286.68			164,967,970.73
Proprietary technology	6,570,907.76			6,145,386.98
Software	145,967.68			238,080.71

(1) Current period amortisation included in accumulated amortisation increase was RMB 2,583,163.32 Yuan.

13. Goodwill

Name	Beginning balance	Increase	Decrease	Ending balance	Ending balance of provision for impairment
America Fortune Company	6,562,344.06			6,562,344.06	
Total	6,562,344.06			6,562,344.06	

SECTION 9 FINANCIAL STATEMENTS



V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term prepayments

Items	Beginning balance	Increase	Amortized	Other decrease	Ending balance
Decoration fees	2,259,035.21		445,291.57		1,813,743.64
Material shed transformation	375,662.00		49,002.00		326,660.00
Total	2,634,697.21		494,293.57		2,140,403.64

15. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets

Items	Ending balance	Beginning balance
Deferred tax assets		
Asset impairment provision	6,517,788.88	7,469,917.94
Unrealized internal profit	1,393,600.19	1,661,530.46
Total	7,911,389.07	9,131,448.40

(2) The details of unrecognized deferred tax assets

Items	Ending balance	Beginning balance
Asset impairment provision	664,142.40	664,142.40
Deductible loss	189,242,666.29	172,194,541.54
Total	189,906,808.69	172,858,683.94

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

Items	Ending balance
2014	24,299,976.87
2015	23,967,984.87
2016	3,377,533.04
2017	80,058,200.29
2018	40,486,957.83
2019	17,052,013.39
Total	189,242,666.29

(4) Details of taxable temporary difference and deductible temporary differences

Items	Ending balance	Beginning balance
Details of deductible temporary differences:		
Provision for bad debts	27,556,904.48	32,744,631.02
Provision for impairment of inventories	11,361,110.83	13,030,822.37
Unrealized internal profit	7,075,961.11	8,862,162.89
Total	45,993,976.42	54,637,616.28

16. Provision for impairment of assets

Items	Beginning balance	Increase	Decrease		Ending balance
			Reversal	Other transferring-out	
Provision for bad debts	32,744,631.02	-5,188,706.14		-979.60	27,556,904.48
Provision for impairment of inventories	13,030,822.37	2,493,553.47		4,163,265.01	11,361,110.83
Provision for impairment of fixed assets	664,142.40				664,142.40
Total	46,439,595.79	-2,695,152.67		4,162,285.41	39,582,157.71

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Short-term loans

(1) Categories

Category	Currency	Ending balance			Beginning balance		
		Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Pledged loans	RMB	40,000,000.00		40,000,000.00	70,000,000.00		70,000,000.00
Guaranteed loans	RMB	230,000,000.00		230,000,000.00	260,000,000.00		260,000,000.00
Credit loans	RMB	182,800,000.00		182,800,000.00	140,000,000.00		140,000,000.00
Credit loans	USD	2,895,000.00	6.1528	17,812,356.00	2,068,781.24	6.0969	12,613,152.34
Total				470,612,356.00			482,613,152.34

- The ending balance of the short-term loan of RMB 40,000,000.00 Yuan is pledged by the Group's building and land use right with the book value of RMB 104,898,014.47 Yuan.
- The ending balance of the Company's guaranteed loans of RMB 230,000,000.00 Yuan is guaranteed by the factual controller Jingcheng Holding.

18. Notes payable

Items	Ending balance	Beginning balance
Bank acceptance notes	106,000,000.00	80,000,000.00
Total	106,000,000.00	80,000,000.00

19. Accounts payable

(1) Details of accounts payable

Items	Ending balance	Beginning balance
Total	418,237,855.42	395,472,131.25
Includes: over 1 year	68,127,626.87	36,848,574.21

- The closing balance does not include amounts due to the shareholders with over 5% (includes 5%) voting rights.
- Please refer to Note VI.3 for detailed amounts due to related parties.
- Accounts payable with foreign currency balance

Currency	Ending balance			Beginning balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	1,409,373.83	6.1528	8,671,595.30	815,490.74	6.0969	4,971,965.51

20. Advances from customers

(1) Advances from customers

Items	Ending balance	Beginning balance
Total	82,689,110.41	135,006,560.18
Include: over one year	22,162,571.70	24,624,704.42

- Contracts with large amount of advances from customers, which are aged over one year, are still pending.
- The closing balance does not include amounts due to shareholder with over 5% (includes 5%) voting right.
- Advances from customers with foreign currency balance

Currency	Ending balance			Beginning balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	1,463,066.45	6.1528	9,001,955.26	1,618,114.43	6.0969	9,865,481.89
EUR	38,607.14	8.3946	324,091.50	245.82	8.4189	2,069.53
Total			9,326,046.76			9,867,551.42

SECTION 9 FINANCIAL STATEMENTS



V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable

Items	Beginning balance	Increase	Decrease	Ending balance
Wages or salaries, bonuses, allowances and subsidies	8,094,976.52	112,479,963.57	114,743,899.62	5,831,040.47
Staff welfare	238,080.24	4,711,227.74	4,710,717.74	238,590.24
Social securities	5,713,212.56	27,190,313.65	27,176,599.14	5,726,927.07
Include: Medical insurance	1,114,518.16	6,763,854.05	7,447,624.66	430,747.55
Basic endowment insurance	1,294,874.39	14,539,780.63	14,602,847.74	1,231,807.28
Unemployment insurance	80,112.70	819,418.26	832,545.65	66,985.31
Work-related injury insurance	71,345.71	793,855.29	797,925.74	67,275.26
Maternity insurance	33,399.78	470,689.47	466,633.10	37,456.15
Annuity	3,118,961.82	3,802,715.95	3,029,022.25	3,892,655.52
Housing funds	336,250.04	6,516,698.34	6,008,793.00	844,155.38
Union & education funds	3,127,663.52	2,519,633.38	2,747,670.32	2,899,626.58
Non-monetary benefits				
Housing allowance	2,935,700.00	4,533.40	144,653.40	2,795,580.00
Others		186,912.23	186,912.23	
Total	20,445,882.88	153,609,282.31	155,719,245.45	18,335,919.74

22. Taxes payable

Items	Ending balance	Beginning balance
Value-Added Tax	-23,157,995.94	-952,538.72
Business Tax	-202,000.05	-251,900.00
Corporate Income Tax	6,550,022.30	1,127,263.73
Individual Income Tax	547,818.45	1,624,560.59
City Maintenance and Construction Tax	135,839.64	112,193.68
Real Estate Tax		
Land Use Tax		189,136.84
Education Surcharge	109,284.52	135,401.64
Stamp Duty	17,124.00	260,547.99
River Management Fee		9,643.42
Flood Control Fee	13,277.56	6,641.99
Tariff	397,640.21	
Disable funds	605,562.24	
Total	-14,983,427.07	2,260,951.16

23. Interests payable

Item	Ending balance	Beginning balance
Interest payable on short loans	308,200.01	305,666.69

24. Dividends payable

Company Name	Ending balance	Beginning balance
Beiren Group Corporation	727,500.00	727,500.00
Jingcheng Holding	824,400.00	824,400.00
Total	1,551,900.00	1,551,900.00

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Other payables

(1) Other payables

Items	Ending balance	Beginning balance
Total	216,892,973.06	416,598,343.16
Include: over 1 year	15,092,101.31	39,650,608.33

(2) Amount due to shareholders with over 5%(include 5%) voting right

Company name	Ending balance	Beginning balance
Jingcheng Holding	194,500,000.00	386,807,077.46

(3) Please refer to Note VI (3) for other payables due to related parties

(4) Significant amount due to other suppliers at the end of the period

Items	Amount	Age	Nature or content
Jingcheng Holding	194,500,000.00	Within 1 year	Borrowings
Tianjin Steel and Medicinal Gases Factory	1,180,198.67	Within 1 year	Liquid oxygen expenses
Yanqing County Kangzhuang Town Industrial Development Service Centre	1,125,375.00	Within 1 year	Withholding for base heating expenses
Beiren Group Corporation	1,113,256.56	Within 1 year	Open credits
Total	197,918,830.23		

26. Special payables

Items	Beginning balance	Increase	Decrease	Ending balance	Note
Prizing liquefied natural gas (LNG) filling station products	5,000,000.00			5,000,000.00	Note 1
Self pressure type vehicle welded insulated cylinder products for liquefied natural gas	2,000,000.00			2,000,000.00	Note 2
HPDI-T6 type motor vehicles using liquefied natural gas cryogenic tank products	4,000,000.00			4,000,000.00	Note 3
Tianhai vehicle Lu liner fully wrapped composite cylinders project	3,900,000.00			3,900,000.00	Note 4
The project of natural gas storage and transportation equipment production base	100,000,000.00			100,000,000.00	Note 5
The composite piston force 16 tons series compressor development project	4,000,000.00			4,000,000.00	Note 6
Diaphragm type compressor for nuclear power project	3,000,000.00			3,000,000.00	Note 7
GDB super large diaphragm compressor product development project	5,000,000.00			5,000,000.00	Note 8
Nuclear power project special funds	4,568,000.00			4,568,000.00	Note 9
The production line of compressor and technological innovation of subsidiary equipments project		2,000,000.00		2,000,000.00	Note10
Total	131,468,000.00	2,000,000.00		133,468,000.00	

Note 1: On 25 December 2012, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding grant a supporting fund of RMB 5,000,000.00 Yuan to Tianhai Industry Co., Ltd. for "Prizing liquefied natural gas (LNG) filling station products" project. Tianhai Industry Co., Ltd. will make a lump-sum repayment to Jingcheng Holding within the first ten working days effective from 1 December 2014.

Note 2: On 22 December 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding grant a supporting fund of RMB 2,000,000.00 Yuan to Tianhai Industry Co., Ltd. for "Self pressure type vehicle welded insulated cylinder products for liquefied natural gas" project. Tianhai Industry Co., Ltd. will make a lump-sum repayment to Jingcheng Holding within the first ten working days started on 1 December 2014.

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Special payables (Continued)

- Note 3: On 22 December 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding grant a supporting fund of RMB 4,000,000.00 Yuan to Tianhai Industry Co., Ltd. for "HPDI-T6 type motor vehicles using liquefied natural gas cryogenic tank products" project. Tianhai Industry Co., Ltd. will make RMB 1,200,000.00 Yuan and RMB 2,800,000.00 Yuan repayment to Jingcheng Holding within the first ten working days effective from 1 December 2014 and 1 December 2015, respectively.
- Note 4: In 2009, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects"; Jingcheng Holding grant a supporting fund of RMB 10,000,000.00 Yuan to Tianhai Industry Co., Ltd. for "Tianhai vehicle Lu liner fully wrapped composite cylinders project". The ending balance of the fund payable is RMB 3,900,000.00 Yuan.
- Note 5: On 4 June 2013, Beijing People's Government National Assets Supervision and Administration Commission issued Notice of Granting 2013 Budgeted Capitals for National Capitals Operation (Beijing Capital [2013] 96); Jingcheng Holding was noticed to receive RMB 100,000,000.00 Yuan for natural gas storage and transportation equipment production base project. Beijing Tianhai Industry Co., Ltd. has received the above capital on August of 2013.
- Note 6: On 30 November 2010, Beijing Jingcheng Compressor Co., Ltd. and Jingcheng Holding signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding has granted a supporting fund of RMB 4,000,000.00 Yuan to Beijing Jingcheng Compressor Co., Ltd. for "The composite piston force 16 tons series compressor development project". Tianhai Industry Co., Ltd. will make a repayment to Jingcheng Holding within the first ten working days started on 30 November 2013. The fund payable is still outstanding at the end of this year.
- Note 7: On 24 June 2009, Beijing Jingcheng Compressor Co., Ltd. and Jingcheng Holding Machinery Electric Holding Co., Ltd. signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding grant a supporting fund of RMB 3,000,000.00 Yuan to Beijing Jingcheng Compressor Co., Ltd. for "Diaphragm type compressor for nuclear power project". Beijing Jingcheng Compressor Co., Ltd. will make RMB 900,000.00 Yuan and RMB 2,100,000.00 Yuan repayments to Jingcheng Holding within the first ten working days started on 30 November 2011 and 30 November 2012 respectively. The fund payable is still outstanding at the end of this year.
- Note 8: On 30 November 2010, Beijing Jingcheng Compressor Co., Ltd. and Jingcheng Holding Machinery Electric Holding Co., Ltd. signed "Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects", Jingcheng Holding grant a supporting fund of RMB 5,000,000.00 Yuan to Beijing Jingcheng Compressor Co., Ltd. for "GD8 super large diaphragm compressor product development project". Beijing Jingcheng Compressor Co., Ltd. will make RMB 1,600,000.00 Yuan and RMB 3,400,000.00 Yuan repayment to Jingcheng Holding within the first ten working days started on 30 November 2014 and 30 November 2015 respectively.
- Note 9: According to the budget assessment report provided by the Ministry of Finance Investment Review Centre to the project of "Large-scale Advanced PWR and High Temperature Gas Cooled Reactor Nuclear Station" which is a major national science and technology research and development projects on such topic, Jingcheng Compressor Co., Ltd. has received the funds in 2012 and 2013 for research and development on such project with the total amount of RMB 4,568,000.00 Yuan.
- Note 10: Beijing Economic and Information Committee published the documents (Jingjingxinweifa [2014] No.41) to approve the production line of compressor and technological innovation of subsidiary equipments project for Jingcheng Compressor Co., Ltd., and the allocated fund is RMB 2,000,000.00 Yuan.

27. Share capitals

Changes of legally issued paid-up share capital are listed below: (all shares are ordinary shares with a nominal value of RMB 1.00 Yuan per share.)

(Currency: RMB, 000)

Shareholder's Name/type	Beginning balance		Changes in current year					Ending balance	
	Amount	Ratio (%)	Issue new stock	Complimentary shares	Accumulation funds to equity	Others	Sub-total	Amount	Ratio (%)
Conditioning Stock									
State-owned Holding									
Sub-total									
Un-conditioning Stock									
Common Stock (RMB)	322,000.00	76.30						322,000.00	76.30
Stock listed overseas	100,000.00	23.70						100,000.00	23.70
Sub-total	422,000.00	100.00						422,000.00	100.00
Total	422,000.00	100.00						422,000.00	100.00

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Share premium	557,838,342.74	24,944,764.70		582,783,107.44
Other capital reserves	860,283.96	50,079,895.15		50,940,179.11
Total	558,698,626.70	75,024,659.85		633,723,286.55

Share premium is the excess amount of actual paid capital and registered capital shared by Tianhai Industry Co., Ltd, based on percentage of shareholding by other shareholders in its subsidiary Minghui Tianhai Gas Storage Equipments Co., Ltd.

The current increase in other capital reserves is receiving of the first compensation payment for incoming assets from Jingcheng Holding.

29. Surplus reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	41,838,334.73			41,838,334.73
Discretionary surplus reserves	2,906,035.91			2,906,035.91
General reserve fund	460,638.52			460,638.52
Enterprise expansion fund	460,638.52			460,638.52
Total	45,665,647.68			45,665,647.68

30. Retained earnings

Items	Amounts	Appropriation %
Ending retained earnings of last year	-222,701,516.40	
Add: Adjustments for beginning retained earnings		
Including: Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning retained earnings of current year	-222,701,516.40	
Add: Net profit attributable to parent for the current period	20,818,005.76	
Others		
Less: provision on statutory surplus reserves		
Provision on discretionary surplus reserves		
Dividends payable of common shares		
Dividends of common shares transfer to share capitals		
Ending retained earnings of current year	-201,883,510.64	

31. Non-controlling interest

Name of subsidiary	Proportion (%)	Ending balance	Beginning balance
Langfang Tianhai High Pressure Cylinder Co., Ltd.	17.92	19,543,279.13	20,590,142.93
Shanghai Tianhai Gas Cylinder Co., Ltd.	12.16	4,186,356.24	4,021,780.68
American Fortune Company	49.00	13,740,770.23	13,074,297.04
Tianjin Tianhai High Pressure Containers Co., Ltd.	45.00	104,187,212.43	106,853,734.62
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	16,297,766.32	15,525,024.92
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	61.49	373,744,729.35	200,000,000.00
Total		531,700,113.70	360,064,980.19

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Operating income and operating costs

(1) Details of Operating income and operating costs

Items	Current period	Last period
Main operating income	911,013,382.16	1,509,919,381.86
Other operating income	25,844,078.39	66,585,908.07
Total	936,857,460.55	1,576,505,289.93
Main operating cost	801,796,442.29	1,275,697,073.22
Other operating cost	22,341,528.26	58,879,913.00
Total	824,137,970.55	1,334,576,986.22

(2) Main operating income and cost by products

Items	Current period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
Flexographic printing machines			198,043,529.85	166,566,406.73
Gravure printing machines			162,894,646.63	126,450,256.91
Table machines			5,051,365.76	4,798,666.92
Compressor	30,480,900.00	26,603,765.55	50,080,754.04	44,684,914.75
Seamless steel gas cylinders	414,963,770.46	353,529,248.07	414,543,172.34	369,178,055.03
Winding bottle	184,961,365.18	160,936,178.76	276,817,427.30	213,838,427.72
Low temperature bottle	132,839,611.65	128,230,920.57	229,352,513.27	202,368,762.54
Cryogenic tanks	54,324,174.50	41,212,023.35	69,040,983.59	49,315,074.62
Others	93,443,560.37	91,284,305.99	104,094,989.08	98,496,508.00
Total	911,013,382.16	801,796,442.29	1,509,919,381.86	1,275,697,073.22

(3) Main operating income and cost by region

Items	Current period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
Domestic sales	559,111,494.00	477,626,303.78	1,166,211,378.94	936,827,422.49
Overseas sales	351,901,888.16	324,170,138.51	343,708,002.92	338,869,650.73
Total	911,013,382.16	801,796,442.29	1,509,919,381.86	1,275,697,073.22

(4) The total operating income from the top 5 customers in the Company is RMB 129,043,472.20, which is accounted for 13.77% of the total operating income in the current period

33. Business taxes and surcharges

Items	Current period	Last period	Tax Rate (%)
Business tax	-27,837.90	576,701.33	5%/3% of taxable income
Urban maintenance and construction tax	4,830,086.06	2,413,681.38	1%, 5%, 7% of turnover tax
Educational surcharge	8,364,439.34	1,838,304.47	5% of turnover tax
Real estate tax		33,541.95	1.2% of 70% on original cost
Total	13,166,687.50	4,862,229.13	

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Selling and distribution expenses

Item	Current period	Last period
Delivery expenses	17,330,726.18	22,919,331.10
Salary and wages	12,637,619.59	20,164,833.52
Travelling expenses	4,129,632.09	7,709,379.95
Others	2,729,279.24	3,433,457.17
Entertainment expenses	2,309,325.70	2,746,431.04
After-sale services expenses	937,109.10	9,635,910.95
Storage expenses	617,650.58	1,108,745.91
Repair and maintenance	594,363.01	610,139.28
Insurance expenses	576,311.57	169,164.68
Gas and facilities	373,832.48	429,438.54
Office expenses	360,506.58	691,547.55
Advertising expenses	48,536.98	3,730,155.86
Department checking expenses		180,726.00
Total	42,644,893.10	73,529,261.55

35. Administrative expenses

Item	Current period	Last period
Salary and wages	42,001,736.05	67,616,151.73
Others	8,461,111.21	13,261,722.89
Taxes	5,900,922.80	7,962,149.80
Insurance expenses	5,361,970.57	5,527,849.73
Research and development expenses	5,012,119.06	12,483,573.90
Depreciation expenses	3,070,239.57	6,940,130.85
Amortisation expenses	2,567,443.32	2,670,759.34
Agent fees	2,092,470.31	2,839,256.29
Office expenses	1,968,246.47	4,201,544.52
Repair and maintenance	1,590,541.05	1,596,488.08
Promotion expenses	1,537,461.30	1,110,571.44
Motor vehicle expenses	1,504,527.63	2,285,913.14
Rent	1,496,369.19	1,530,859.56
Work protection expenses	1,225,206.99	1,744,325.06
Travelling expenses	1,178,660.65	1,705,636.60
Retiree expenses	697,147.39	2,562,708.07
Entertainment expenses	659,134.80	3,277,010.77
Consumables	355,353.05	440,318.88
Conference expenses	290,560.00	1,526,110.52
Utilities	99,796.67	486,551.12
Total	87,071,018.08	141,769,632.29

36. Financial expenses

Items	Current period	Last period
Interest expenses	24,470,486.42	26,477,160.45
Less: Interest income	728,678.09	1,366,022.42
Add: exchange losses	-1,273,140.73	3,854,998.76
Add: other expenditures	558,148.96	670,164.80
Total	23,026,816.56	29,636,301.59

37. Loss on impairment of assets

Items	Current period	Last period
Bad debt loss	-5,188,706.14	7,487,834.57
Impairment loss on inventories	2,493,553.47	5,866,010.87
Total	-2,695,152.67	13,353,845.44

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Investment income

(1) Sources of investment income

Items	Current period	Last period
Long-term equity investments by equity method	423,897.27	2,616,340.31
Disposal of long-term equity investments		-641,637.99
Total	423,897.27	1,974,702.32

(2) Investment income from long-term equity investments measured at equity method

Items	Current period	Last period
Total	423,897.27	2,616,340.31
Including:		
Beijing Beiyong Casting Company Limited		-301,202.67
Beijing Moni Automations Co., Ltd.		-2,770.25
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	-11,888.77	
Beijing Fusheng Machine Co., Ltd.	435,786.04	2,920,313.23

39. Non-operating income

(1) Details of non-operating income

Items	Current period	Last period
Gain on disposal of non-current assets	78,443,963.52	1,190,629.25
Include: gain on disposal of fixed assets	78,443,963.52	1,190,629.25
Government subsidies	610,733.00	2,500,765.69
Others	31,815.80	63,566.80
Total	79,086,512.32	3,754,961.74

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Non-operating income (Continued)

(2) Details of government subsidies

Items	Current period	Last period	Sources and basis
Government subsidies for "double independent" enterprises	514,733.00		
Energy audit motivation from Beijing Energy Save and Environmental Protection centre	80,000.00		
Received post subsidies of 2013 from Yanqing Disable Federation	16,000.00	14,000.00	Beijing City employers arrange disabler employment job subsidies temporary Proposal
Special funds for sustainable development-special subsidies for saving energy development		148,000.00	Chaoyang District Energy Save Development and Guidance Assets Management Method
Langfang economic and Technological Development Zone Management Committee decide to reward the outstanding contribution enterprise and enterprise management of 2012		100,000.00	Langfang economic and Technological Development Zone Management Committee decide to reward the outstanding contribution enterprise and enterprise management of 2012
Clean production incentives Bureau of finance of the Development Zone		30,000.00	Clean production incentives Bureau of finance of the Development Zone
Department of science and technology innovation project funding		600,000.00	Shanxi technology development No. [2012] 204 architecture of Enterprise Technology Innovation Award
Department of Finance in 2012 packaging industry high-tech R & D funds		560,000.00	Shanxi Caiban Enterprises No. [2012] 125 on the packaging industry of high-tech R & D funds
Weinan high tech Zone Finance Bureau business accounts fund 2012 large taxpayer award funds		50,000.00	Weinan high tech Zone Finance Bureau business accounts fund 2012 large taxpayer award funds
Weinan high tech Zone Talent Work Leading Group Office personnel incentive payments		866,800.00	Weinan high tech Zone Talent Work Leading Group Office personnel incentive payments
The disabled subsidies		10,000.00	Chaoyang District Federation of the disabled in the documents of payment
Tax reliefs by selling 62 equipments		21,865.41	
The development of high-grade flexible printing machine technical transformation project discount		57,836.99	The Shanxi development and reformation of investment [2006] 1278 document
Shanxi packaging printing machinery engineering technology research centre		42,263.29	Verify the word [2009] No. Twenty-fifth "Shanxi province" 13115 "scientific and technological innovation projects acceptance certificate"
Total	610,733.00	2,500,765.69	

40. Non-operating expenses

Items	Current period	Last period
Loss from disposal of non-current assets	207,810.95	1,129,588.57
Include: loss from disposal of fixed assets	207,810.95	1,129,588.57
Others	1,286,972.80	85.05
Total	1,494,783.75	1,129,673.62

41. Income tax expenses

(1) Income tax expenses

Items	Current period	Last period
Current income tax expenses	9,025,245.90	4,871,027.62
Deferred income tax expenses	1,220,059.33	-1,240,067.21
Total	10,245,305.23	3,630,960.41

SECTION 9 FINANCIAL STATEMENTS



V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income

Items	Current period	Last period
1. Gain (loss) from available-for-sale financial assets		
Less: Available-for-sale financial assets' impacts on income tax		
Previous recognized other comprehensive income (net transfers to current profit and loss)		
Subtotal		
2. Share on investees' other comprehensive income measured at equity method		
Less: Impact on income tax generated from share on investees' other comprehensive income measured at equity method		
Net gain and loss for current year transferred by amount previously recognized as other comprehensive income		
Subtotal		
3. Gain and loss from cash flow hedging		
Less: Impacts on income tax from cash flow hedging		
Net gain and loss for current year transferred by amount previously recognized as other comprehensive income		
Adjustment on initially recognized amount of hedging transferred		
Subtotal		
4. Difference of the foreign currencies translation on financial statements	208,390.06	-436,636.28
Less: Net gain and loss for the current year from disposal of foreign operation		
Subtotal	208,390.06	-436,636.28
5. Others		
Less: Impacts on income tax from other items accounted into other comprehensive income		
Net gain and loss for current year from the transferring in by others previously recognized as other comprehensive income		
Subtotal		
Total	208,390.06	-436,636.28

43. Earnings per share

(1) Basic earnings per share

Basic EPS is calculated through consolidated net profit attributable to the common shareholders of the parent divided by the weighted average outstanding common shares.

Items	Current period	Last period
Consolidated net profit attributable to the common shareholders of the parent	20,818,005.76	-21,286,267.37
Consolidated net profit attributable to the common shareholders of the parent(after deducting extraordinary gains or losses)	-45,140,213.05	-21,700,491.47
The weighted average outstanding common shares of the parent	422,000,000.00	422,000,000.00
Basic earnings per share (RMB/share)	0.05	-0.05
Basic earnings per share (RMB/share) (after deducting extraordinary gains or losses)	-0.11	-0.05

The calculation of the weighted average number of basic EPS:

Items	Current period	Last period
The beginning balance of outstanding common shares	422,000,000.00	422,000,000.00
Adjustment of capital reserves transfer to share capital		
The ending balance of outstanding common shares	422,000,000.00	422,000,000.00

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Earnings per share (Continued)

(2) Diluted earnings per share

The diluted EPS is calculated as consolidated net profit that is attributable to the basic shareholders of the parent company divided by the adjusted weighted average ordinary shares.

The adjustment factor for consolidated net profit attributable to the basic shareholders of the parent company is the diluted potential basic share interest which is recognized as expense, gains and losses of diluted potential basic share, generated during transition process; as well as other income tax influence.

The adjustment factor for weighted average ordinary shares is the increased weighted average number of assumed diluted potential basic share, generated during transition process of basic shares.

Items	Current period	Last period
Adjusted consolidated net profit attributable to the basic shareholders of the parent	20,818,005.76	-21,286,267.37
Adjusted consolidated net profit attributable to the basic shareholders of the parent (after deducting extraordinary gains or losses)	-45,140,213.05	-21,700,491.47
The adjusted weighted average outstanding basic shares	422,000,000.00	422,000,000.00
Diluted earnings per share (RMB/share)	0.05	-0.05
Diluted earnings per share (RMB/share) (after deducting extraordinary gains or losses)	-0.11	-0.05

44. Cash flow information

(1) Cash receipts and payments related to other operating/investing/financing activities

1) Cash receipts related to other operating activities

Items	Current period
Interests income	728,678.09
Receivables and payables	2,625,947.77
Refund of bond	41,000,000.00
Government subsidies	16,000.00
Others	13,075.76
Total	44,383,701.62

2) Cash payments related to other operating activities

Items	Current period
Expenses	77,241,949.76
Receivables and payables	8,662,986.04
Guarantee deposits	67,335,000.00
Others	44,083.33
Total	153,284,019.13

3) Cash receipts related to other investing activities

Items	Current period
Cash received from Beiren	1,244,249.91
Compensation received	50,079,895.15
Total	51,324,145.06

4) Cash payment related to other investing activities

Items	Current period
Cash payments to Beiren	9,625,742.58

5) Cash payment related to other financial activities

Item	Current period
Repayment of loans to Jingcheng Holding	138,800,000.00

SECTION 9 FINANCIAL STATEMENTS

V. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Cash flow information (Continued)

(2) Supplementary information for consolidation

Items	Current period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	17,275,548.04	-20,253,936.26
Add: Provision on the impairment of assets	-2,695,152.67	13,353,845.44
Depreciation of fixed asset	39,855,547.10	70,766,189.88
Amortization of intangible asset	2,583,163.32	2,973,867.50
Amortization of long-term prepaid expenses	494,293.57	685,538.77
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-78,244,478.39	-63,294.94
Loss on disposal of fixed assets (Gain listed as "-")	8,807.82	
Gain or loss from changes in fair value (Gain listed as "-")		
Financial expenses (Gain listed as "-")	23,470,669.28	26,477,160.45
Loss on investments (Gain listed as "-")	-423,897.27	-1,974,702.32
Decrease in deferred tax assets (Increase listed as "-")	1,220,059.33	-1,240,067.21
Increase in deferred tax liabilities (Decrease listed as "-")		
Decrease in inventories (Increase listed as "-")	8,314,269.46	-55,988,836.07
Decrease in operating receivables (Increase listed as "-")	-30,388,767.70	-657,587,576.59
Increase in operating payables (Decrease listed as "-")	9,014,642.90	474,277,041.90
Others		
Net cash flow generated from operating activities	-9,515,295.21	-148,574,769.45
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Changes in cash and cash equivalents:		
Closing balance of cash	220,405,743.05	254,319,847.87
Less: opening balance of cash	305,897,025.49	490,533,435.19
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-85,491,282.44	-236,213,587.32

(3) Cash and cash equivalents

Items	Current period	Last period
Cash	220,405,743.05	305,897,025.49
Including: Cash in hand	82,181.11	77,407.20
Bank deposits available for use on demand	220,323,561.94	305,819,618.29
Cash equivalents		
Cash and cash equivalents at end of year	220,405,743.05	305,897,025.49

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

1. Related parties relationship

(1) Parent companies and ultimate controlling parties

(1) Parent companies and ultimate controlling parties

Name	Type of business	Registration place	Business scope	Legal representative	Organization number
Ultimate controlling party					
Jingcheng Holding	Unique State-owned	Chaoyang District, Beijing	Operation and management of state owned assets	Ren Yaguang	63368621-7

(2) Registered capital (RMB 0,000) of the parent company(ultimate controller) and changes

Name	Beginning balance	Increase	Decrease	Ending balance
Jingcheng Holding	169,558.71			169,558.71

(3) Shareholding (RMB 0,000) of parent company and change

Name	Amount of shareholding		Percentage of share holding (%)	
	Ending balance	Beginning balance	Ending balance %	Beginning balance %
Jingcheng Holding	20,162.00	20,162.00	47.78	47.78

(2) Subsidiaries

1) List of subsidiaries

Name	Type of business	Registration place	Business scope	Legal representative	Organization number
Beijing Tianhai Industry Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang, Beijing	Manufacture	Wang Pingsheng	60000369-4
Langfang Tianhai High Pressure Cylinder Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Langfang, Heibei	Manufacture	Wang Pingsheng	79956948-3
Tianjin Tianhai High Pressure Containers Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Tianjin port free trade zone	Manufacture	Liu Guangling	74665239-8
Shanghai Tianhai Gas Cylinder Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Songjiang District, Shanghai	Manufacture	Wang Pingsheng	60742223-4
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Limited Liability company	Daxing District, Beijing	Manufacture	Wang Pingsheng	67505219-1
Beijing Panni Gaokong Equipment Co., Ltd.	Limited Liability company	Tongzhou District, Beijing	Manufacture	Wang Pingsheng	10248506-1
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	Limited Liability company	Tongzhou District, Beijing	Sale	Wang Pingsheng	05733001-9
America Fortune Company	Foreign enterprise	Houston, Texas, USA	Sale	Hu Chuanzhong	
Beijing Jingcheng Compressor Co., Ltd.	Limited Liability company	Yanqing, Beijing	Manufacture	Wang Pingsheng	74043038-0
Jingcheng Holding (Hong Kong) Company Limited	Limited Liability company	Hong Kong	Trade and investment	Wang Pingsheng	

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

1. Related parties relationship (Continued)

(2) Subsidiaries (Continued)

2) Registered capital of subsidiaries and changes

Name	Beginning balance	Increase	Decrease	Ending balance
Beijing Tianhai Industry Co., Ltd.	USD61,401,800.00			USD61,401,800.00
Langfang Tianhai High Pressure Cylinder Co., Ltd.	RMB 301,410,000.00			RMB 301,410,000.00
Tianjin Tianhai High Pressure Containers Co., Ltd.	RMB 225,578,400.00			RMB 225,578,400.00
Shanghai Tianhai Gas Cylinder Co., Ltd.	USD 3,017,400.00			USD 3,017,400.00
Beijing Tianhai Cryogenic Equipment Co., Ltd.	RMB 40,000,000.00			RMB 40,000,000.00
Beijing Panni Gaokong Equipment Co., Ltd.	RMB 20,000,000.00			RMB 20,000,000.00
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	RMB 380,412,700.00	RMB 164,812,500.00		RMB 545,225,200.00
America Fortune Company	USD 3,367,550.00			USD 3,367,550.00
Beijing Jingcheng Compressor Co., Ltd.	RMB 139,271,500.00			RMB 139,271,500.00
Jingcheng Holding (Hong Kong) Company Limited	HKD1,000.00			HKD1,000.00

3) Shareholdings or equity of subsidiaries and changes

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	Ending balance	Beginning balance	Ending balance %	Beginning balance %
Beijing Tianhai Industry Co., Ltd.	624,631,295.27	624,631,295.27	100.00	100.00
Langfang Tianhai High Pressure Cylinder Co., Ltd.	247,410,000.00	247,410,000.00	82.08	82.08
Tianjin Tianhai High Pressure Containers Co., Ltd.	124,068,100.00	124,068,100.00	55.00	55.00
Shanghai Tianhai Gas Cylinder Co., Ltd.	18,660,778.98	18,660,778.98	87.84	87.84
Beijing Tianhai Cryogenic Equipment Co., Ltd.	30,000,000.00	30,000,000.00	75.00	75.00
Beijing Panni Gaokong Equipment Co., Ltd.	20,000,000.00	20,000,000.00	100.00	100.00
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	210,000,000.00	210,000,000.00	38.51	55.20
America Fortune Company	18,360,270.00	18,360,270.00	51.00	51.00
Beijing Jingcheng Compressor Co., Ltd.	164,841,943.18	164,841,943.18	100.00	100.00
Jingcheng Holding (Hong Kong) Company Limited	142,044,028.10	142,044,028.10	100.00	100.00

(3) Joint ventures and associates

Please refer to Note V9 (5) for the detailed associated companies

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

1. Related parties relationship (Continued)

(4) Other related parties

Relationship	Name	Transaction	Organization number	
Under common control of the controlling shareholder and the ultimate controller	Beiren Corporation Group	Sales of goods	10110132-9	
		Rental of spaces		
	Haimen Beiren Printing Machinery Co., Ltd.	Sales of goods	138835313	
	Beijing Jingcheng Industry Logistics Co., Ltd.	Purchase of goods	101628956	
	Beijing Jingcheng Changye Engineering Machinery Co., Ltd.	Rental of spaces	58587627-7	
	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Rental of spaces	58588396-0	
	Beijing No.1 Machine Tool Factory	Rental of buildings	10120926-8	
	Beijing Beikai Electric Holding Co., Ltd.	Related parties transactions	70023939-7	
	Beijing Xihai Industrial and Trading Company	Rental of buildings	10140281-8	
	Beijing Jingcheng Tianyi Environment Technology Co., Ltd.	Rental of buildings	58443842-7	
	Beijing Mechanical & Electrical Academy High Technology Holding Co., Ltd.	Sales of goods	74040250-7	
	Other related parties	Beijing Beiyong Casting Co. Ltd.	Purchase of goods, Rental of spaces	802866623
		Tianjin Steel Pipe and Steel Trading Co., Ltd.	Purchase of raw materials	
		Tianjin Steel Pipe and Steel Trading Co., Ltd.	Purchase of goods	

2. Related parties transactions

(1) Consolidation

1) Purchase of goods or accepting service

Type and name of related parties	Pricing and decision making	Current period		Last period	
		Amount	Percent (%)	Amount	Percent (%)
Joint ventures and Associates					
Beijing Monigraf Automations Co. Ltd	Agreed price			2,821,965.67	0.19
Other related party					
Beijing Beiyong Casting Co. Ltd.	Agreed price			4,690,101.69	0.31
Under common control of the controlling shareholder and the ultimate controller					
Beijing Jingcheng Industrial Logistics Co. Ltd.	Agreed price	16,106,002.78	1.77	10,478,271.71	0.69
Beiren Corporation Group	Agreed price			13,146,879.15	0.87
Other related party					
Tianjin Steel Pipe and Steel Trading Co., Ltd.	Agreed price	35,161,153.50	3.86		
Total		51,267,156.28		31,137,218.22	

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. Related parties transactions (Continued)

(1) Consolidation (Continued)

2) Sales of goods

Type and name of related parties	Pricing and decision making	Current period		Last period	
		Amount	Percent (%)	Amount	Percent (%)
Joint ventures and Associates					
Beijing Monigraf Automations Co. Ltd	Agreed price			7,172.00	
Other related party					
Beijing Beijing Casting Co. Ltd.	Agreed price			2,203,532.34	0.17
Under common control of the controlling shareholder and the ultimate controller					
Beijing Jingcheng Changye Construction Machinery Co. Ltd	Agreed price			3,080,781.76	0.23
Total				5,979,766.07	

3) Lease

Lessor	Lessee	Assets rental information	Start date	Expire date	Rental income/expense	Pricing	Effect of rental income/expense
Beijing No.1 Machine Tool Factory	Beijing Panni Gaokong Equipment Co., Ltd.	Building	01-01-2014	31-12-2014	120,000.00	Agreed price	-120,000.00
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Building	01-01-2014	31-12-2016	680,000.00	Agreed price	-680,000.00
Beijing Xihai Industrial and Trading Company	Beijing Jingcheng Compressor Co., Ltd.	Building	01-01-2014	31-12-2015	1,202,857.50	Agreed price	-1,202,857.50
Jingcheng Compressor Co., Ltd.	Beijing Jingcheng Tianyi Environment Technology Co., Ltd.	Building	01-01-2014	31-12-2016	-924,362.50	Agreed price	924,362.50

4) The details of guarantees

Guarantor	Guarantee	Amount	Starting date	Expiration date	Whether executed completely
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	50,000,000.00	26-02-2013	25-02-2014	Y
		20,000,000.00	25-02-2014	24-02-2015	N
		40,000,000.00	19-08-2013	18-08-2014	N
		20,000,000.00	30-08-2013	29-08-2014	N
		20,000,000.00	20-03-2014	19-02-2015	N
		20,000,000.00	30-08-2013	29-08-2014	N
		20,000,000.00	20-03-2014	19-02-2015	N
		30,000,000.00	23-12-2013	23-12-2014	N
		50,000,000.00	24-07-2013	24-07-2014	N
		50,000,000.00	05-09-2013	04-09-2014	N
		6,000,000.00	30-06-2014	30-09-2014	N
		9,000,000.00	23-04-2014	22-07-2014	N
		15,000,000.00	27-05-2014	26-08-2014	N
		20,000,000.00	16-05-2014	16-11-2014	N
		Total		370,000,000.00	

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. Related parties transactions (Continued)

(1) Consolidation (Continued)

5) Capital lending

Lender	Borrower	Amount	Starting date	Expiration date	Interest rate	Note
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd	30,000,000.00	27-07-2012	26-07-2013	6.00%	
		38,000,000.00	02-08-2012	01-08-2013	6.00%	
	10,000,000.00	13-09-2013	12-09-2014	6.00%		
	10,000,000.00	22-10-2013	22-10-2014	6.00%		
	65,000,000.00	30-10-2013	29-10-2014	5.00%		
	10,000,000.00	14-03-2013	14-03-2014	6.00%		
	10,000,000.00	14-03-2013	14-03-2014	6.00%		
	10,000,000.00	20-05-2013	20-05-2014	6.00%		
	10,000,000.00	20-05-2013	20-05-2014	6.00%		
	1,500,000.00	08-04-2014	08-04-2015	6.00%		

6) Interest

Name	Current period	Last period
Jingcheng Holding	10,354,166.64	8,530,333.32

7) Remuneration of key management personnel

Item	Current period	Last period
Remuneration of key management personnel	2,900,032.31	2,134,497.27

(Continued)

Items	Current period	Last period
Fees	1,072,397.34	282,070.00
Salaries and other benefits	1,752,423.77	1,782,144.71
Retirement benefits scheme contributions	75,211.20	70,282.56
Total	2,900,032.31	2,134,497.27

Breakdown of key management personnel remuneration:

Name and Post	Current period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Wang Pingsheng	461,100.00	188,411.03	7,521.12	657,032.15
Hu Chuanzhong	459,400.00	328,171.00	7,521.12	795,092.12
Jiang Chi	8,000.00	172,787.98	7,521.12	188,309.10
Wu Yanzhang		140,866.32	7,521.12	148,387.44
Li Junjie	78,228.34	98,254.66	7,521.12	184,004.12
Supervisors				
Liu Zhe	7,200.00	169,449.64	7,521.12	184,170.76
Han Bingkui	11,671.00	194,816.22	7,521.12	214,008.34
Ruan Aihua	26,988.00	96,922.32	7,521.12	131,431.44
Other key management personnel				
Jiao Ruifang (Board Of Directors Secretary)	8,800.00	172,570.56	7,521.12	188,891.68
Jie Yuemei (General Engineer Manager)	11,010.00	190,174.04	7,521.12	208,705.16
Total	1,072,397.34	1,752,423.77	75,211.20	2,900,032.31

According to the internal management procedures, Jingcheng Holding Machinery Electric Holding Co., Ltd as the controlling shareholder paid Wang Pingsheng and Hu Chuanzhong RMB 461,100.00 Yuan and RMB 459,400.00 Yuan respectively for their performance pay before significant assets restructuring and delivering.

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. Related parties transactions (Continued)

(1) Consolidation (Continued)

8) Employees' rewards

Eight individuals with the highest rewards in the Group were members of key management of the Company whose rewards are disclosed in note VI 2. (1) above.

3. Balance of related-party transactions

(1) Accounts due from related parties

Related parties	Ending balance	Beginning balance
Joint ventures and Associates		
Include: Beijing Tianhai Xigang Environmental Technique Co., Ltd.	1,528,644.79	1,528,644.79
Less: bad debts provisions		
Total	1,528,644.79	1,528,644.79

(2) Other amounts due from related parties

Related parties	Ending balance	Beginning balance
Joint ventures and Associates		
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	40,000.00	40,000.00
Under common control of the controlling shareholder and the ultimate controller		
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	12,889,750.00	
Total	12,929,750.00	40,000.00
Less: bad debts provisions		
Total	12,929,750.00	40,000.00

The Company received remittance of RMB8,000,000 and RMB 4,889,750 from Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. on 8 July 2014 and 24 July respectively, totaling RMB 12,889,750.

(3) Accounts due to related parties

Related parties	Ending balance	Beginning balance
Under common control of the controlling shareholder and the ultimate controller		
Beijing Jingcheng Industrial Logistics Co. Ltd.	6,807,748.51	12,562,196.93
Other related party		
Tianjin Steel Pipe and Steel Trading Co., Ltd.	23,231,277.68	
Total	30,039,026.19	12,562,196.93

(4) Other amounts due to related parties

Related parties	Ending balance	Beginning balance
Ultimate controller		
Beijing National Capital Mechanical And Electrical Holding Company Limited	194,500,000.00	386,807,077.46
Under common control of the controlling shareholder and the ultimate controller		
Beiren Corporation Group	1,113,256.56	9,537,212.51
Beijing First Machine Tool Factory	429,359.09	393,359.09
Total	196,042,615.65	396,737,649.06

SECTION 9 FINANCIAL STATEMENTS

VI. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3. Balance of related-party transactions (Continued)

(5) Advanced from related parties

Related parties	Ending balance	Beginning balance
Under common control of the controlling shareholder and the ultimate controller		
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.		52,889,750.00
Beijing Jingcheng Tianyi Environment Technology Co., Ltd.	4,040,001.33	4,500,000.00
Total	4,040,001.33	57,389,750.00

(6) Special payables

Related parties	Ending balance	Beginning balance
Ultimate controller		
Beijing National Capital Mechanical And Electrical Holding Company Limited	133,468,000.00	126,900,000.00

VII. SHARE-BASED PAYMENT

The Group has no share-based payment as of 30 June 2014.

VIII. CONTINGENCIES

There is no other significant contingent event for the Group as of 30 June 2014.

IX. COMMITMENTS

There is no commitment to be disclosed for the Group as of 30 June 2014.

X. EVENTS AFTER THE BALANCE SHEET DATE

Until the date of approval of this financial statement, the Group has no significant event to be disclosed after the balance sheet date.

XI. SEGMENTAL INFORMATION

The segment information for January to June 2014

Unit: Yuan Currency: RMB

Items	Low temperature storage and transportation equipment	Compressor	Others	Write-off	Total
Operating income	905,857,720.00	30,999,740.55			936,857,460.55
Including: External transaction revenue	905,857,720.00	30,999,740.55			936,857,460.55
Revenue between segments					
Operating cost	797,344,434.69	26,793,535.86			824,137,970.55
Period charge	138,531,744.93	13,010,433.76	1,200,549.050		152,742,727.74
Total profit for Segment (total loss)	32,872,830.28	-4,151,427.96	-1,200,549.050		27,520,853.27
Total assets	2,560,869,768.15	301,515,050.32	1,056,124,098.500	-1,054,158,717.74	2,864,350,199.23
Including: Significant impairment loss on individual assets					
Total liabilities	1,335,515,195.39	146,020,567.70	3,991,996.980	-52,379,682.50	1,433,148,077.57
Supplementary information					
Capitalized expense					
Recognized loss of impairment	2,816,856.30	-5,512,008.97			-2,695,152.67
Including: Amortization of goodwill					
Depreciation and amortization expense	41,080,182.34	1,358,528.08			42,438,710.42
Non-cash expenses other than loss of impairment, depreciation and amortization					

XII. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include: Loans, receivables, payables, etc... For the specific details for each financial instrument please see Note V. The risks related to these financial instruments, and Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

1. Risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

(1) Market risk

1) Foreign currency risk

Foreign currency risk refers to risk caused by losses occurred because of changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the American Fortune Company as an subsidiary of the Group which is using USD dollar for purchasing and sales transactions, other main business operations are settled in RMB. As of 30 June 2014, except for assets and liabilities with balances in USD, Hong Kong Dollar and Euro depicted as below, all other assets and liabilities of the Group are reported in RMB. The foreign currency balance of assets and liabilities in the table below which is leading to foreign currency risk, may affect the results of operation.

Items	Ending balance		Beginning balance	
	Foreign currency	RMB	Foreign currency	RMB
Cash and cash equivalents		14,456,534.28		14,999,581.49
USD	2,255,582.72	13,878,149.36	2,457,874.47	14,985,414.86
EUR	68,899.64	578,384.92	0.71	5.99
HKD			18,010.82	14,160.64
Accounts receivables		84,500,869.63		43,205,461.73
USD	13,662,613.17	84,063,326.29	6,538,869.76	39,866,835.05
EUR	52,122.00	437,543.34	396,563.29	3,338,626.68
Advance to suppliers		4,355,336.65		4,280,457.24
USD	707,862.54	4,355,336.65	702,071.09	4,280,457.24
Accounts Payable		8,671,595.30		4,971,965.51
USD	1,409,373.83	8,671,595.30	815,490.74	4,971,965.51
Advances from Customers		9,326,046.76		9,867,551.42
USD	1,463,066.45	9,001,955.26	1,618,114.43	9,865,481.89
EUR	38,607.14	324,091.50	245.82	2,069.53
Total		121,310,382.62		77,325,017.39

2) Interest rate risk

Fixed interest rate is adopted by the Group.

3) Price risk

The selling price of the Group is based on the market price, therefore The Group is influenced by the variation of market price.

(2) Credit risk

At end of the year, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses of financial assets related to the Group.

In order to reduce credit risk, a team is established which is responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. Besides, the group examines the single accounts receivables at the each balance sheet date, to ensure the level of bad debts provisions for the irrecoverable amount. Therefore, the Management believes that credit risks held by this Group have been reduced significantly.

The current funds of this Group are deposited in banks that own high credit evaluations, thus the credit risk of current funds is relatively low.

There is no significant credit risk as the risk spreads on number of parties and clients. At the end of this period, 5.61% (3.39%, last period) and 20.03% (11.97%, last period) of accounts receivables are generated by the largest client and the top five clients of the Group. The Group does not have accumulated credit risk.

SECTION 9 FINANCIAL STATEMENTS

XII. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Liquidity risk

For the management of liquidity risk, the Group maintain to believe that the sufficient amount of cash and cash equivalent need to be obtained and be supervised, in order to satisfy the needs of the Group's operation which can also reduce the effect of cash flow movements. The management level of the Group is responsible of monitoring the borrowings and following the agreements.

The borrowings from banks are main source of cash. By the end of this period, the borrowing limit is RMB 331,000,000.00 Yuan, whereas the beginning of the year was RMB 331,770,200.00 Yuan.

XIII. OTHER SIGNIFICANT ISSUES

1. Exchange of non-monetary assets

The Group has no non-monetary assets exchange transaction as at 30 June 2014.

2. Debt restructuring

The Group has no significant debt restructuring transaction as at 30 June 2014.

3. Lease

Operating lease (leser)

Items	Ending balance	Beginning balance
Buildings	9,406,696.39	9,519,696.39

4. Sale of significant assets

The Company's subsidiary Tianhai Industry Co., Ltd transferred the college apartment which is located in No.25 building Huaweixili, Chaoyang District, Beijing city to Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. (hereinafter referred to as Asset Management Co., Ltd.) with a price during this period, the transferred building area is 4,520.49 square meters, the area of land usage right is 1,402.78 square meters, the transfer price is RMB 105,779,500.00 Yuan which is assessed by Beijing Dazheng State-Owned Assets Appraisal Co., Ltd. to provide the assessment report through the approval of Beijing State Capital Office. Tianhai Industry Co., Ltd has signed the sale and purchase contract of inventory of buildings in Beijing with Asset Management Co., Ltd. Until 12 March 2014, certificate of housing ownership for college apartment and certificate of land usage right has been change under the name of Assets Management Co., Ltd., and complete the asset transfer formalities.

5. The proposal for the disposal of shareholdings of subsidiaries

The Company intends to sell 100% shareholdings of its subsidiary Jingcheng Compressor Co., Ltd. by bidding price through public listing on 26 June 2014 on the Annual Board Meeting of 2013. This event is in the process.

6. Significant change and content of pension plan

According to the documents for notice of issues about the implementation of Enterprise Annuity Implementation Method by Beijing State-Owned Assets Management Committee(Jinglaoshe Yangfa[2006]No.39),Beijing Tianhai Industry Co., Ltd. as one of the subsidiaries who implement the method of paying both by company and employees, the annuity expenses shall be recorded in cost or expense of each year, and the annuity expenses shall be accrued by each month, and make the payment to China Life Pension Insurance Co., Ltd. to manage and operate.

7. Significant changes of accounting estimates

The company's 13th meeting of its 7th board of director meeting which was held on Dec 16, 2013 has approved the proposal of changing the company's accounting estimates. The company changes the accrued percentage of provision of bad debts related to its accounts receivables, among which the accrual percentage related to accounts receivables within 1 year changes from 0% to 1%, accrual percentage related to accounts receivables from 1 to 2 years changes from 30% to 10%, accrual percentage related to accounts receivables from 2 to 3years changes from 60% to 20%, accrual percentage related to accounts receivables from 3 to 4 years changes from 100% to 50%, accrual percentage related to accounts receivables from 4 to 5 years changes from 100% to 80%, accrual percentage related to accounts receivables over 5 years remains 100%. In addition, the company changes the estimated fixed assets depreciation life and related residual value, among which the estimated residual value changes from 3% of its book value to 5%-10%, the estimated depreciation life for buildings changes 40 years, the estimated depreciation life for machinery and equipment changes from 8-14 years to 10 years and the estimated depreciation life for electronic equipment changes to 5-10 years, the estimated depreciation life for transportation, office, and other equipments changes from 8 years to 5 years. The new accounting estimates would be executed on Jan 1, 2014.

SECTION 9 FINANCIAL STATEMENTS

XIII. OTHER SIGNIFICANT ISSUES (CONTINUED)

8. The implementation of new accounting standards

The Ministry of Finance has published Enterprise Accounting Regulations No.39-The measurement of Fair Value (Caihui [2014] No.6) and other four new standards in January and February of 2014 respectively, requiring all enterprises who are adopting Enterprise Accounting Standards to apply these new standards since 1 July 2014, and encourage enterprises that listed overseas to apply these standards in advance.

After the deep study of the changes between old and new standard and incorporate with the Company's real situation, the Company does not apply the new standard in preparing the financial statement of 30 June 2014 temporarily, the new standards will be applied since 1 July 2014.

XIV. NOTES TO MAIN ITEMS OF COMPANY'S FINANCIAL STATEMENTS

1. Cash

Item	Ending balance			Beginning balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand						
Inc.RMB			3,039,938.42			9,537,212.51
Cash at bank						
Inc.RMB	3,039,938.42		3,039,938.42	9,537,211.24		9,537,211.24
HKD				1.61	0.7862	1.27
Total			3,039,938.42			9,537,212.51

2. Other receivables

(1) Classification by risk

Items	Ending balance				Beginning balance			
	Book value Amount	%	Bad debts Amount	%	Book value Amount	%	Bad debts Amount	%
Individually significant and provided for bad debts on individual basis	50,000,000.00	100.00			5,522,900.00	100.00		
Provided for bad debts on portfolio basis								
Individually insignificant but provided for bad debts on individual basis								
Total	50,000,000.00	100.00			5,522,900.00	100.00		

(2) Individually significant and provided for bad debts on individual basis

Company name	Amount	Bad debts provision	Percentage (%)	Reason for bad debts provision
Beijing Tianhai Industry Co., Ltd.	50,000,000.00			Within consolidation scope

(3) Amount due from related party

Company name	Relationship	Amount	Proportion (%)
Beijing Tianhai Industry Co., Ltd.	Subsidiary	50,000,000.00	100.00

SECTION 9 FINANCIAL STATEMENTS

XIV. NOTES TO MAIN ITEMS OF COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

(1) Categories

Items	Ending balance	Beginning balance
Cost method	859,685,667.59	859,685,667.59
Equity method		
Joint ventures		
Associates		
Total	859,685,667.59	859,685,667.59
Less: provision for impairment on long-term equity investments		
Net book value	859,685,667.59	859,685,667.59

(2) Accounted in cost and equity method

Name of investee	Share Holding %	Voting right %	Cost	Beginning balance	Increase or decrease	Net profit/loss adjustments per equity method	Declared cash dividends	Other changes on equity	Ending balance	Provision for impairment	Current provision for impairment
In cost method											
Beijing Tianhai Industry Co., Ltd.	88.50	88.50	552,798,696.31	552,798,696.31					552,798,696.31		
Jingcheng Holding (Hong Kong) Company Limited	100.00	100.00	142,044,028.10	142,044,028.10					142,044,028.10		
Beijing Jingcheng Compressor Co., Ltd.	100.00	100.00	164,842,943.18	164,842,943.18					164,842,943.18		
Total			859,685,667.59	859,685,667.59					859,685,667.59		

4. Tax payable

Items	Ending balance	Beginning balance
Value added tax	-114,514.92	

5. Other payable

(1) Other payable

Item	Ending balance	Beginning balance
Total	2,889,687.05	13,774,136.35
Including: Over 1 year		

(2) Closing balance does not include amount due to shareholders who hold more than 5% (inclusive) of voting rights.

6. Share capital

The statement of changes of the Company's authorised issued and paid-up shares are as follows. The par value of ordinary shares is RMB 1.00 Yuan. (Unit: '000)

Shareholder's Name/Category	Beginning balance		Current changes					Ending balance	
	Amount	Percentage (%)	New shares issued	Gift (share)	Transferred from reserve fund	Others	Sub-total	Amount	Percentage (%)
Conditioning shares									
State-owned holdings									
Sub-total									
Un-conditioning shares									
ordinary shares (RMB)	322,000.00	76.30						322,000.00	76.30
Shares listed overseas	100,000.00	23.70						100,000.00	23.70
Sub-total	422,000.00	100.00						422,000.00	100.00
Total	422,000.00	100.00						422,000.00	100.00

SECTION 9 FINANCIAL STATEMENTS

XIV. NOTES TO MAIN ITEMS OF COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium	565,619,913.60			565,619,913.60
Other capital reverse	860,283.96	50,079,895.15		50,940,179.11
Total	566,480,197.56	50,079,895.15		616,560,092.71

8. Surplus reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	38,071,282.24			38,071,282.24

9. Retained earnings

Items	Amount	Distribution%
Brought forward from last period	-165,579,836.05	
Add: Adjustment of retained earnings at the year beginning		
Including: Changes of accounting policies		
Corrections to significant accounting errors for prior periods		
Changes to consolidation scope under the same control		
Other adjustments		
Beginning balance	-165,579,836.05	
Add: Net profits for the year	-1,101,105.02	
Less: Provision on statutory surplus fund		
Provision on arbitrary surplus fund		
Ordinary share dividend payable		
Ordinary shares transferred to capital		
Ending balance	-166,680,941.07	

10. Operating income and cost

(1) Operating income and cost

Items	Current period	Last period
Main operating income		201,397,088.88
Other operating income		8,693,372.49
Total		210,090,461.37
Main operating costs		170,269,307.11
Other operating costs		2,335,990.12
Total		172,605,297.23

(2) Main operating income and costs (classified by products)

Items	Current period		Last period	
	Operating income	Operating costs	Operating income	Operating costs
Sales of hectograph machine			198,682,623.90	168,272,943.28
Others			2,714,464.98	1,996,363.83
Total			201,397,088.88	170,269,307.11

SECTION 9 FINANCIAL STATEMENTS

XIV. NOTES TO MAIN ITEMS OF COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Investment income

(1) Source of investment income

Items	Current period	Last period
Income from investments by equity method		-303,972.92
Gain on disposal of investments		-641,637.99
Total		-945,610.91

(2) Income from investments by equity method

Items	Current period	Last period
Total		-303,972.92
Including:		
Beijing Beiyong Casting Company Limited		-301,202.67
Beijing Monigraf Automations Co., Ltd.		-2,770.25

12. Notes to the cash flow statement

(1) Cash received or paid related to other management/investment/financing activities

1) Cash received related to other operating activities

Items	Current period
Interest income	70,548.72
Intercompany funds	203,942.40
Total	274,491.12

2) Cash paid related to other operating activities

Items	Current period
All types of expenses	1,375,596.14
Others	2,671,471.55
Total	3,993,067.69

SECTION 9 FINANCIAL STATEMENTS

XIV. NOTES TO MAIN ITEMS OF COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. Notes to the cash flow statement (Continued)

(2) Supplementary information to cash flow statement of the Company

Items	Current period	Last period
1. Reconciliation of net profit to cash flows operating activities		
Net profit	-1,101,105.02	-18,748,185.23
Add: Loss on impairment of assets		5,866,010.87
Depreciation of fixed assets		11,040,763.79
Amortization of intangible assets		1,014,834.00
Amortization of long-term prepaid expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")		-695,783.43
Loss on written off of fixed assets (Gain listed as "-")		
Loss on fair value changes (Gain listed as "-")		
Financial expenses (Gain listed as "-")		7,957,312.67
Loss on investments (Gain listed as "-")		945,610.91
Decrease in deferred tax assets (Increase listed as "-")		
Increase in deferred tax liabilities (Decrease listed as "-")		
Decrease in inventories (Increase listed as "-")		14,223,378.46
Decrease in operating receivables (Increase listed as "-")		-78,879,157.09
Increase in operating payables (Decrease listed as "-")	-2,617,471.55	-11,034,664.90
Others		
Net cash flow generated from operating activities	-3,718,576.57	-68,309,879.95
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance leases arrangement		
3. Changes in cash and cash equivalents		
Cash at end of year	3,039,938.42	75,700,977.68
Less: Cash at beginning of year	9,537,212.51	150,192,182.81
Add: Cash equivalents at end of year		
Less: Cash equivalents at beginning of year		
Net increase in cash and cash equivalents	-6,497,274.09	-74,491,205.13
(3) Cash and cash equivalents		
Items	Current period	Last period
Cash	3,039,938.42	9,537,212.51
Including: Cash in hand		
Bank deposits available for use on demand	3,039,938.42	9,537,212.51
Other bank deposits available for use on demand		
Cash equivalents		
Cash and cash equivalents at end of year	3,039,938.42	9,537,212.51

XV. APPROVAL OF FINANCIAL STATEMENTS

This financial statement was approved by the Broad of Directors on the 14 August 2014.

SECTION 9 FINANCIAL STATEMENTS

XVI. SUPPLEMENTARY INFORMATION FOR FINANCIAL STATEMENTS

1. Profit or loss from extraordinary items

Items	Current period	Last period	Note
Disposal gain or loss on non-current assets	78,236,152.57	692,182.28	
Government grant recognized in profit or loss	610,733.00	2,208,765.69	
Gain or loss on debt restructuring			
Current net profit and loss of the subsidiary under the common control from the beginning to the consolidated date		-1,450,767.06	
Gain or loss from transferring of long-term equity investment		-641,637.99	
Other non-operating income and expenses	-1,255,157.00	1,861.55	
Other profit or loss account			
Sub-total	77,591,728.57	810,404.47	
Effects on income tax	-11,638,409.10	-377,549.44	
Effects on non-controlling interests (after tax)	4,899.34	-18,630.93	
Total	65,958,218.81	414,224.10	

2. Accounting data differences between foreign and domestic accounting standards

(Unit: RMB'000)

Items	Net profit		Net assets	
	Current period	Last period	Ending balance	Beginning balance
Under HK GAAP	17,275	-20,254	1,431,202	1,163,638
1. Evaluation difference on assets invested by Beiren Group Corporation				
2. Amortisation difference on assets invested by Beiren Group Corporation				
3. Evaluation difference on assets invested to subsidiaries				
4. Recognition difference in on goodwill upon acquisition of a subsidiary				
5. Amortization difference on goodwill upon acquisition of a subsidiary				
6. Others				
Under PRC GAAP	17,275	-20,254	1,431,202	1,163,638

3. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average ROA (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the parent	2.56	0.05	0.05
Net profit attributable to the parent after deducting non-operating profit or loss	-5.55	-0.11	-0.11

SECTION 9 FINANCIAL STATEMENTS

XVII. OTHER INFORMATION TO BE DISCLOSED

1. Revenue

Revenue is the net amount of received and receivable from sales of different types of printing machine unites, including cold storage container, compressor, spare parts and service rendered. Breakdown as follows:

Items	Current period	Last period
Hectograph machine		198,043,529.85
Intaglio printing machine		162,894,646.63
Form Machine		5,051,365.76
Compressor Business	30,480,900.00	50,080,754.04
Seamless steel gas cylinders	414,963,770.46	414,543,172.34
Wrapped bottle	184,961,365.18	276,817,427.30
Cold bottle	132,839,611.65	229,352,513.27
Cryogenic storage and transportation equipment	54,324,174.50	69,040,983.59
Others	93,443,560.37	104,094,989.08
Total revenue	911,013,382.16	1,509,919,381.86
Less: Sales tax and other surcharges	165,909,415.24	249,797,424.56
Total	745,103,966.92	1,260,121,957.30

2. Tax

Items	Current period	Last period
Current income tax	9,025,245.90	4,871,027.62
Deferred income tax	1,220,059.33	-1,240,067.21
Total	10,245,305.23	3,630,960.41

3. Dividend

No dividend paid or declared from January to June of 2014. No dividend is declared by the board during this Reporting Period.



SECTION 10 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the interim report signed by the Chairman;
2. The financial statements signed and sealed by the legal representative, in-charge of finance and finance manager of the Company;
3. Original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, Securities Daily, the website of Shanghai Stock Exchange and the website "HKExnews" of the Stock Exchange;
4. The Articles of Association of the Company.
5. The above documents are available for inspection at the Office of the Board of Directors of the Company, whose address is No.9 Tianying North Road, Chaoyang District, Beijing, the PRC.

Chairman:

Hu Chuanzhong
Beijing Jingcheng Machinery Electric Company Limited
14 August 2014