



**京城機電股份**  
JINGCHENG MAC

# 北京京城機電股份有限公司

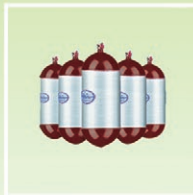
**Beijing Jingcheng Machinery Electric Company Limited**

*(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)



Annual Report 2014



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## IMPORTANT NOTES

1. The board of directors (the “Board”), the Supervisory Committee and the directors (the “Directors”), supervisors and senior management of Beijing Jingcheng Machinery Electric Company (the “Company”) confirm that information contained in this annual 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. Information on non-attended director

Position	Name	Reason for non-attendance	Name of proxy
Director	Xia Zhonghua	Due to other official business	Chang Yun

3. Shinewing Certified Public Accountants LLP has issued a standard audited report without reserved opinions for the Company.

4. Mr. Hu Chuanzhong, the person in charge of the Company, Mr. Li Junjie, the Accounting Director and Ms. Jiang Chi, Accounting Manager(accountant in charge), have declared that they guarantee the trueness, accuracy and completeness of the financial statements contained in this Annual Report.

5. Resolutions of profit distribution and capitalisation from capital reserves of the Company for the Reporting Period examined and reviewed by the Board

During the Reporting Period, as audited by the Shinewing Certified Public Accountants LLP, the net profits attributable to the parent company was RMB21.4162 million and the undistributed profits at the end of the year was RMB-232.0569 million. As the Company recorded negative undistributed profits, the Board of the Company proposed not to distribute any profit and not to capitalize from capital reserves for the year 2014. Such resolutions are required to be submitted at the AGM for consideration and approval.

6. Declaration on risk from forward-looking statements

(1) Risks from the constant expansion of production capacity in the industry to the operating results

Due to the optimism for domestic natural gas markets, large investment companies set up factories to produce the natural gas storage and transportation equipment, and existing factories continued to expand the production scale, creating serious excess production capacity and making an increasingly competitive industry.

(2) World economic environment deteriorated and oil-gas price difference keeps narrowing down

Due to the depressed world economy, technical advancement and political factors, the international futures price of crude oil halved, leading to the reduction of the price of domestic product oil for 11 consecutive times; while the price of natural gas in China increased in September this year, narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for “oil to gas” that the vehicle modification market is basically at a standstill state.

7. Whether the controlling shareholders of the Company or its associates have misappropriated the Company’s funds or not.

No

8. Whether any external guarantees are provided in violation of any specified decision-making procedures or not.

No



## SECTION 1 DEFINITION AND IMPORTANT RISK WARNINGS

### 1. Definition

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

#### Definition of frequently used terms

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
Beiren Printing	means	Beiren Printing Machinery Holdings Limited (the former name of the Company)
Group	means	the Company and its subsidiaries
Jingcheng Holding (controlling 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
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)
Tianhai Industrial and Beijing Tianhai	means	Beijing Tianhai Industry Co., Ltd.(北京天海工業有限公司), a subsidiary of 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
Board	means	the board of directors of the Company
AGM	means	the 2013 Annual General Meeting convened on 26 June 2014
Supervisory Committee	means	the Supervisory Committee of the Company
Director(s)	means	the director(s) of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Shareholder(s)	means	the holder of Shares
Listing Rules	means	the Rules Governing the Listing of Securities on the Stock Exchange
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
SSE	means	Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited

## SECTION 1 DEFINITION AND IMPORTANT RISK WARNINGS

### 1. Definition *(cont'd)*

CSRC	means	China Securities Regulatory Commission
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
PRC Accounting Standards	means	PRC Accounting Standards for Business Enterprise
RMB	means	Renminbi, the legal currency of the PRC
HK\$	means	Hong Kong dollars, the legal currency of Hong Kong
US\$	means	United States dollars, the legal currency of the United States of America
DOT	means	Abbreviation of US Department of Transportation
LNG	means	Abbreviation of Liquefied Natural Gas
CNG	means	Abbreviation of Compressed Natural Gas
Station	means	The station where automobiles are filled with LNG or CNG
Industrial gas cylinder	means	Collective name for the cylinder that filled with industrial gas

### 2. Important Risk Warnings

The Company has described related matters in which risks may occur in details in this report. Please refer to the Section V Management Discussion and Analysis for the risks that are exposed to the Company in the contents concerning discussion and analysis of future development of the Company.

**(I) Information of the Company**

Chinese name of the Company	北京京城機電股份有限公司
Chinese abbreviation	*ST京城
English name of the Company	BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED
English abbreviation	JINGCHENG MAC
Company's legal representative	Hu Chuanzhong

**(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	jcgf@btic.com.cn	jcgf@btic.com.cn

**(III) 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 international internet website	www.btic.com.cn
E-mail	jcgf@btic.com.cn

**(IV) Dissemination of Company Information and the Place for Preparation and Reference**

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

**(V) Information of the Company's Shares**

Type of shares	Basic Information of the Company's Shares			Stock abbreviation before changes
	Place of listing of the shares	Stock abbreviation	Stock code	
A share	Shanghai Stock Exchange	*ST京城	600860	京城股份
H share	The Stock Exchange of Hong Kong Limited	JINGCHENG MAC	0187	JINGCHENG MAC

Note: On 20 March 2015, the Shanghai Stock Exchange agreed to cancel the delisting risk warning imposed on the Company's A Shares. On 24 March 2015, the abbreviation of the Company's A shares was changed from "\*ST京城" to "京城股份". The Company has disclosed the above information on the Shanghai Stock Exchange's website and HKEx's website on 20 March 2015.

The Company has relocated to a new business place from 27 March 2015. The business address has changed from No.9 Tianying North Road, Chaoyang District, Beijing to No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC. The Company has announced the above information on 27 March 2015.

The Company announced the resignation of Lu Ruiping, the representative in charge of securities affairs on 8 April 2015. The Company will hire a new securities affairs representative as soon as possible to assist in the secretarial work of the board of directors.

## SECTION 2 COMPANY PROFILE

(VI) Changes in registration of the Company during the reporting period

**(1) Basic information**

Date of registration	23 December 2013
Place of registration	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

**(2) Relevant query index concerning the first registration of the Company**

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

**(3) Change in major business of the Company since its listing**

Considering that the approval for the Material Assets Reorganisation of the Company was issued by the CSRC on 26 September 2013, the Company exchanged all of its assets and liabilities with all assets relating to gas storage and transportation equipment business held by Jingcheng Holding according to the reorganisation plan. Therefore, the major business of the Company has been changed from manufacturing of printing machines to manufacturing of gas storage and transportation equipment.

**(4) Change in controlling shareholder of the Company since its listing**

On 7 December 2012, Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding without consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder of the Company, holding approximately 47.78% shares of the Company.

## (VII) Other Related Information

Name of the accounting firm engaged by the Company (domestic)	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 accountant	Huang Ying, Pang Rongzhi

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	40-3C, No. 40, XingFu Ercun, Chao Yang 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.



### (VIII) History

The Company is a joint stock company established by Beiren Group Corporation as the sole promoter. On 13 July 1993, the Company incorporated in the Administration Bureau of Industry and Commerce. The Company was approved to become a joint stock limited company established by public offer of shares domestically and in Hong Kong on 16 July 1993 with regard to the approval document Ti Gai Sheng (1993) No. 118 from the State Commission for Restructuring Economic System. Pursuant to the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council and other relevant authorities, the Company issued H Shares in Hong Kong in 1993 and A Shares in Shanghai in 1994. The H Shares were listed on Stock Exchange in 1993 and the A Shares were listed on the SSE in 1994. Upon the approval of document Zheng Jian Fa Hang Zi [2002] No. 133 issued by CSRC in 2002, the Company issued 22,000,000 additional A Shares which were listed on the SSE on 16 January 2003. On 20 March 2006, the Company’s general meeting approved share segregation reform in the A-share market. Trading in the Company’s A shares resumed on 31 March 2006. 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 China Securities Regulatory Commission, whereby the Company’s material asset reorganisation and connected transaction matters have been approved. The Company exchanged all 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 Jincheng Holding, with the difference is to be paid in cash by Jincheng Holding. Sine relevant businesses have been changed after material asset reorganisation, on 23 December 2013, after approved by the Beijing Municipality State Administration for Industry and Commerce, the name of the Company was changed to “Beijing Jingcheng Machinery Electric Company Limited” from “Beiren Printing Machinery Holdings Limited”.

With effect from 10 February 2014, the Chinese short name of A share of the Company was changed from “北人股份” to “京城股份”. The stock code of A share of the Company remained unchanged as “600860”. With effect from 4 February 2014, the Chinese stock short name of H share of the Company was changed from “北人印刷機械股份” to “京城機電股份”, and the English stock short name of H share was changed from “BEIREN PRINTING” to “JINGCHENG MAC”. The stock code of H share of the Company remained unchanged as “0187”.

### (IX) Scope of Business Operations

Authorised items of operation: general logistics; professional contractor.

General scope of operation: development, design, sales, installation, adjustment, maintenance of cryogenic containers for storage, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency.



## SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

### I. Major Accounting Figures and Financial Indicators of the Company at the End of the Reporting Period for the Past Three Years

#### (1) Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figures	2014	2013		Changes over the same period of the preceding year (%)	2012
		After adjustment	Before adjustment		
Operation income	<b>1,806,333,093.44</b>	2,828,194,349.87	2,828,194,349.87	-36.13	3,045,275,527.04
Net profit attributable to shareholders of listed company	<b>21,416,206.70</b>	-107,597,719.91	-108,239,018.44	Not applicable	-124,456,883.57
Net profit attributable to shareholders of listed company after extraordinary items	<b>-156,817,432.32</b>	-76,005,574.46	-76,646,872.99	Not applicable	-173,196,189.59
Net cash flow from operating activities	<b>-107,897,373.68</b>	-226,602,488.48	-226,602,488.48	Not applicable	-60,172,645.94
	<b>At the year end of 2014</b>	At the year end of 2013		Changes over the same period of the preceding year (%)	At the year end of 2012
		After adjustment	Before adjustment		
Net assets attributable to equity holders of the listed company	<b>919,530,631.51</b>	775,271,687.06	803,573,308.22	18.61	1,436,750,081.62
Total assets	<b>2,507,883,349.66</b>	2,829,360,876.07	2,829,360,876.07	-11.36	3,802,931,964.53

#### (2) Key financial data

Key financial indicators	2014	2013		Changes over the same period of the preceding year (%)	2012
		After adjustment	Before adjustment		
Basic earnings per share (Yuan/share)	<b>0.05</b>	-0.25	-0.26	Not applicable	-0.29
Diluted earnings per share (Yuan/share)	<b>0.05</b>	-0.25	-0.26	Not applicable	-0.29
Basic earnings per share after extraordinary items (Yuan/share)	<b>-0.37</b>	-0.18	-0.18	Not applicable	-0.41
Returns on net assets on weighted average basis (%)	<b>2.33</b>	-13.88	-8.36	Increase by 16.21 percentage points	-8.30
Return on net assets on weighted average basis after extraordinary items (%)	<b>-17.05</b>	-9.80	-13.27	Decrease by 7.25 percentage points	-25.77

Explanation on the major accounting data and financial indicators of the company at the end of the reporting period for the past three years:

Before adjustment in 2013 means that with respect to relevant financial data in the financial report as disclosed by the Company in 2013, the amounts at the beginning of the period in the combined balance sheet were adjusted and relevant items in comparative statements were also adjusted according to the provisions of Accounting Standards for Enterprises No. 19 – Employee Benefits. Therefore, the financial data after adjustment in 2013 included relevant financial data resulting from adjustment to amounts under employee benefits-post-employment benefit.

## SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

### II. ACCOUNTING DATA DIFFERENCES BETWEEN THE PRC GAAP AND IFRSs

(I) **Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the PRC GAAP**

Applicable  Not Applicable

(II) **Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC GAAP**

Applicable  Not Applicable

### III. Extraordinary Items and Amount

Applicable  Not Applicable

*Unit: Yuan Currency: RMB*

Extraordinary items	Amount of 2014	Note (where applicable)	Amount of 2013	Amount of 2012
Profit and loss from disposal of non-current assets	81,540,465.35		-14,393.74	-111,794.87
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)	1,548,580.56		2,668,633.80 34,759.16	5,065,300.56
Profit and loss from debt restructuring				
Subsidiaries' Year-to-Date net profit or loss arising from business combination of entities controlled by a same company			-32,693,979.16	48,404,711.61
Other non-operating income/expenses save for the above	-1,129,671.91		-75,174.26	490,372.57
Gains or losses from transfer of long-term equity investment held	99,193,128.78		-641,637.99	
Effect on minority interests	-2,925,187.60		-873,356.67	-5,109,283.85
Effect on income tax	6,323.84		3,003.41	0
<b>Total</b>	<b>178,233,639.02</b>		<b>-31,592,145.45</b>	<b>48,739,306.02</b>

## SECTION 4 CHAIRMAN'S STATEMENT



### I. Review

During the Reporting Period, the development of global economy remained unbalanced. U.S. economy saw robust recovery while EU economy lacked sustained growth. Emerging markets economies were experiencing structural and periodic adjustments and slowed down their economic growth. The pace of China economic growth turned from high speed into medium high speed.

Due to a sudden halt in the utilization of the huge production capacity accumulated at the time of high speed economic growth, the excess production capacity led to quick deterioration of competition. The circumstance of excess production capacity, varying product quality and low price competition in the industrial gas cylinder market remained. In previous years, the potential of the LNG market was generally favored and the size of the industry expanded dropped by half. However, during the Reporting Period, the international futures price of crude oil halved, leading to the reduction of the price of domestic oil products for 11 times in a row; the domestic price reform for natural gas increased the price of natural gas several times, further narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for "shifting from oil to gas" that the vehicle modification market is basically at a standstill state; and the subsidy policies for electric vehicles led to the less-than-expected development of LNG passenger vehicles.

Facing with such a difficult and complicated market environment, the Company accelerated its adjustment pace for industrial distribution, actively adjusted the sales strategies, and vigorously developed new products to seek for development against the worsening environment to a virtuous circle.

During the Reporting Period, the operating income prepared in accordance with the PRC Accounting Standards was RMB 1,806,333,100, and the net profit attributable to the shareholders of the listed company was RMB 21,416,200.

#### 1. **Actively promoted the adjustment of the industrial distribution, and accelerated the industrial transformation and upgrade**

During the Reporting Period, the Company, according to the national strategies of integration of Beijing-Tianjin-Hebei regions, determined the plan for adjustment of industrial distribution, worked out the strategic positioning and profit models of all production bases. The production lines in the Beijing head quarter were planned to be transferred to low cost regions gradually. Over the past year, the speed of industrial adjustment was remarkable. The production base in Huoxian County was rapidly constructed and put into production. The product transfer of Beijing Tianhai to the other subsidiaries was successively initiated, and major projects such as investment cooperation of Shandong Tianhai, product structure adjustment of Tianjin Tianhai, acquisition of large low temperature storage container technology by Tianhai Low Temperature, liquidation of Tianhai Xigang, sales of equity interests in Jingcheng Compressor were successively completed.



## I. Review (cont'd)

### 2. Continuously promoted the total-staff cost management with cost control level constantly upgraded

During the Reporting Period, the Company continued to implement the total-staff cost management in order to further reduce the cost and improve the product competitiveness. It mainly reduced the cost from the source by optimizing the product design, reduced the procurement costs by enhancing the management of supplies and bidding; and with technology improvement, reengineering of procedures, self-made tooling and independent implementation, such measures greatly reduced the operating costs of the Company.

### 3. Actively adjusted the sales strategies with highlights in the market exploration

During the Reporting Period, facing with the tough market conditions, the Company actively adjusted the sales strategies, and made great efforts to increase the sales income. According to the unbalanced international situations, the Company over-fulfilled the budget targets of the international business formulated at the beginning of the year by segmenting the market, maintaining old customers, actively developing new customers and products, enhancing the promotion of products with high added value or new products such as low temperature cylinders, SI-LNG cylinders, high pressure light cylinders and type III cylinders. In order to handle the idleness of production capacity in the production bases, the Company adjusted the quotation system and realized tiered prices for the same products to effectively improve the management efficiency.

### 4. Improved the construction of internal control system, enhanced the risk control and safeguarded the Company's interests

During the Reporting Period, in order to further standardize the operation, adapt to the transfer of the Company's function positioning and comply with the regulatory requirements on listed companies, the Company continued to improve the evaluation and construction of the internal control system, comprehensively sorted out the organizational structure, funding activities, guarantee business and communications of internal information, improved the working mechanism of internal control and determined the internal control measures against all the risks. It sought for the risk points by conducting internal audits, formulated the prevention and control measures and organized the rectification. And meanwhile, the Company made good achievement in collection of accounts receivable and safeguarding of trademarks through legal means.

### 5. Insisted on technical innovation and realized product upgrading

During the Reporting Period, the Company continued to insist on product innovation, accelerate the development of new products and developed single mouth plate punching aluminum inner type III cylinder, mini tanks. In order to cooperate with the transfer and adjustment of the production lines to other places, which involved more than 80 certificates, the Company re-obtained most of the certificate except for several individual certificates. For example, Tianjin Tianhai completed the certification of U.S. DOT and Korean KGS, Langfang Tianha completed the DOT certification for DOT3 AA tube type cylinders, UNISO9809-1 tube type cylinders and UNISO9809-2 impact extruded cylinders.





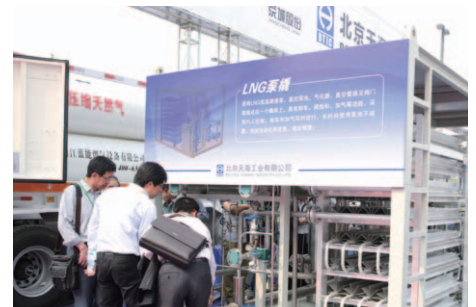
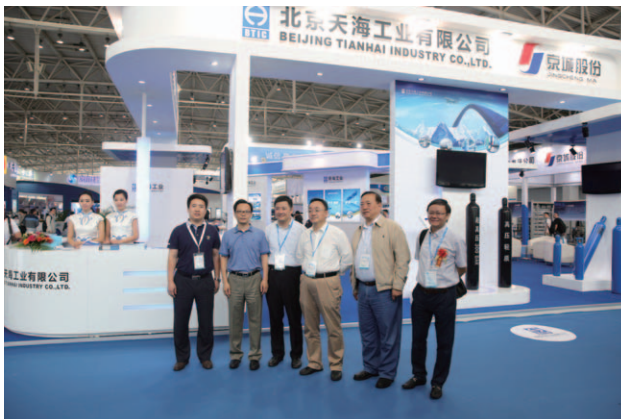
## SECTION 4 CHAIRMAN'S STATEMENT

### II. Outlook

It is pointed out in 2015 Yellow Book of World Economy published by Chinese Academy of Social Sciences that, the probability that the world economy will largely recover is small. In comparison with 2014, it is more likely that the economic growth will maintain essentially the same or turn slightly better.

2015 will be a key year for full promotion of the reform and adjustment of China, and is also the year for the new normal state of the Chinese economy to experience the hard times. According to the forecasts of economic experts, the year 2015 will probably a periodical low point or bottom for the round of economic downturn of China. It is probable that the economy will present a state of "construction after destruction" or "destructing while constructing". The economic structure will constantly improve and the economy will maintain sustainable growth. It is GDP is expected to grow 7% in 2015.

The rise of gas price will restrict the domestic development of natural gas in the short term, yet cannot change the trend of rapid development of natural gas. It is indicated in the inside information from the National Development and Reform Commission that, as the State Council has proposed for many times to accelerate the market-oriented reform, the price reform of natural gas will be accelerated and is expected to complete in the first half of 2015. At present, a mature scheme has been formed for the price reform of natural gas in China, and the ultimate target is to thoroughly connect the gas price with the world with no difference among existing and incremental gas, which is advantageous for the healthy development of natural gas industry in China.



### II. Outlook *(cont'd)*

#### 1. Improving the benefit level with profits as the core

All subsidiaries will control better their own resources and formulate specific policies for each company to solve existing problems. Main management staff should have independent ideas of operations, rely on themselves, offer new thoughts, not bounded to old pattern and develop themselves; in terms of principal business, they should change the old thoughts of "waiting, reliance and demanding", but actively seek for the support from shareholders and functional departments to improve their own operating results. And meanwhile, the receivables, inventories and costs must be reduced to improve the economic benefits and keep the costs controlled and less than the costs of competitors.

#### 2. Inspiring the innovative vitality of organization and improving the management level of the enterprises

The Company will, in combination with the requirements on listed companies and the adjustment to the industrial distribution, sort out the organizational relations of major subsidiaries. And meanwhile, the Company will refine and improve the job responsibilities of all departments to improve the operation efficiency of the organization. According to the new organizational structure, the Company will revise the job responsibilities, and optimize the division of work of all departments to make smooth work connection and avoid evasiveness.

#### 3. Changing the marketing model and endeavoring in exploring markets

First, the Company will integrate the businesses, enhance the development and management of major customs and actively develop large and major customers; second, the Company will sort out and standardize the responsibilities and authority of agents and utilize the roles of key agents; third, the Company will enhance the cultivation of marketing teams, fully mobilize the initiatives of business personnel and enhance the vitality of the team; fourth, the Company will set up three mechanisms, i.e., mechanism for joint development of markets, flexible price mechanism and problem handling mechanism to jointly deal with the market.

#### 4. Accelerating the promotion of key working projects

First, the Company will accelerate the development and utilization of land resources; Second, the Company will utilize various means to dispose of idle assets such as the production equipment after relocation.

#### 5. Establishing a new product development and management system and accelerating the research and development of new products

To rapidly develop and launch new products is one of the major strategies for enterprises to create and maintain their competitive advantages. In 2015, the Company will enhance the development and management of new products, accelerate the research and development as well as launch of new products to focus on the customers and respond rapidly to the market.

By the order of the Board of Directors

**Hu Chuanzhong**

*Chairman*

17 March 2015





## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Discussion and analysis of the Company's Operation during the Reporting Period

#### 1. Scope of the principal business during the Reporting Period

Licensed items of operation: general logistics; professional contracting.

General scope of operation: development, design, sales, installation, adjustment and trial, maintenance of cryogenic containers for storage and transportation, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; import and export of commodities and technology and acting as an agency for import and export.

#### 2. Explanations on the operation of the principal business of the Company

As for the principal business of the Company during the Reporting Period, the Company recorded a principal operating income of RMB1,806,333,100, net profit attributable to shareholders of listed companies of RMB21,416,200, earnings per share of RMB0.05 in accordance with the PRC Accounting Standards.

### (II) Analysis on principal business

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

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating income	1,806,333,093.44	2,828,194,349.87	-36.13
Operating cost	1,621,482,256.01	2,402,264,930.73	-32.5
Sales expense	102,661,594.08	158,783,476.97	-35.34
Management expense	182,887,041.22	281,480,648.76	-35.03
Financial expense	41,825,014.86	59,834,213.01	-30.1
Net cash flow from operating activities	-107,897,373.68	-226,602,488.48	Not applicable
Net cash flow from investment activities	87,653,788.55	-506,462,626.25	Not applicable
Net cash flow from financing activities	-160,813,146.23	551,943,371.00	-129.14
R&D expenditure	16,003,399.28	36,929,211.02	-56.66

#### 2. Income

##### (1) Analysis on the factors in relation to driving changes in business income

During the Reporting Period, the sales of gas storage and transportation equipment and compressors declined as compared with 2013, which was mainly attributable to the following factors:

##### ① Smaller price difference of oil and natural gas affected the profitability of natural gas cylinder products

In 2014, due to the weak world economy, technical progress and political factors, the international futures price of crude oil dropped by half and the price of domestic product oil was reduced for 11 times in a row; while the price of natural gas rose in September, narrowing down the price difference with oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for "shifting from oil to gas" that the vehicle modification market is basically at a standstill state.

##### ② The fluctuation of downstream industries had impacts on the profitability of traditional industrial gas cylinder products

In 2014, affected by the decline of industries smelting, shipbuilding and construction industries, in which the industrial gas was used, the demand for the industrial gas declined, leading to the excess production capacity of seamless steel gas cylinders for industrial uses. The competition in the traditional market of seamless steel gas cylinders for industrial use became increasingly fierce, leading to the declines in achievements of traditional industrial gas cylinders. Transportation expenses, labor costs and energy and power related expenses increased, leading to the decline of profits.

##### (2) Analysis on factors affecting the product income of companies mainly involved in physical sales

① The excess production capacity in the country was serious, and sales price had to be reduced to compete for limited market demands.

② Transportation expenses, labor costs and energy and power related expenses increased, leading to the decline of profits.

### (II) Analysis on principal business *(cont'd)*

#### 2. Income *(cont'd)*

##### (3) Analysis on orders

In 2015, the gas storage and transportation market will see not much improvement, excess production capacity and fierce price competition will remain. The Company will actively change the marketing model and make great efforts to explore the market.

##### ① Cultivating awareness of integrated marketing and increasing resource allocation

The Company will enhance the supports of marketing sales from internally, continued to increase the allocation of marketing resources in the markets; formulate specific marketing strategies and never lose one order.

##### ② Changing the marketing model and enhancing the marketing administration

The Company will integrate the businesses, and enhance the development and administration of major customers. First, the Company will gradually form a comprehensive service ecological chains consisting of “sales + technologies + quality + service” and actively explore major customers; second, the Company will continue to conduct cooperation with manufacturers with strength and competitiveness to jointly explore the main machine markets; third, the Company will further decrease the number of agents, sort out and standardize the job responsibilities and licensing rights of the agents, and fully exert the roles of key agents.

##### (4) Analysis on the impact of new products and new services

To rapidly develop and launch new products is one of the major strategies for enterprises to create and maintain their competitive advantages. In 2015, the Company will enhance the development and management of new products, accelerate the research and development as well as launch of new products to focus on the customers and respond rapidly to the market. And it will establish an efficient new product development and management system.

① The Company will establish the “market-oriented and customer centered” idea for the research and development of new products, make in-depth research on the gas storage markets, find out the potential demands, comprehensively understand the wishes of customers and grasp the right direction. This is a key move to the success of research and development of new products.

② The Company will attempt to set to the IPD (integrated product development) procedure management system, the core concept of which is to make effective investment portfolio analysis for the research and development products, focus on inter-department cooperation, reduce the period of research, development and launch of new products and realize a concise and efficient procedural management over the research and development of new products.

③ The Company will improve the assessment methods for the research and development of new products and fully mobilize the initiatives of R&D personnel.

##### (5) Sales to major customers

During the Reporting Period, the sales revenue from top five customers of the Company amounted to RMB 343,018,900, accounting for 18.99% of total revenue.





## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Analysis on principal business (cont'd)

#### 3. Cost (1) Cost analysis table

Unit: Yuan

##### Analysis by products

Product	Component of cost	Current period	Proportion over total cost for the current period (%)	Corresponding period of last year	Proportion over total cost for corresponding period of last year (%)	Changes in amount over last year (%)	Remarks
Offset presses series	Materials			184,919,024.38	72.69	-100.00	
	Labor cost			26,075,388.64	10.25	-100.00	
	Manufacturing cost			43,399,622.45	17.06	-100.00	
	Total	-	-	254,394,035.47	100.00	-100.00	
Intrusion printers series	Materials	-		156,059,061.35	76.48	-100.00	
	Labor cost	-		29,607,962.61	14.51	-100.00	
	Manufacturing cost	-		18,385,096.01	9.01	-100.00	
	Total	-	-	204,052,119.97	100.00	-100.00	
Form presses	Materials	-		5,599,995.34	55.74	-100.00	
	Labor cost	-		2,445,351.39	24.34	-100.00	
	Manufacturing cost	-		2,001,290.05	19.92	-100.00	
	Total	-	-	10,046,636.78	100.00	-100.00	
Seamless steel gas cylinders	Materials	520,639,071.06	68.79	564,723,773.52	79.96	-7.81	
	Labor cost	63,272,897.72	8.36	56,147,498.74	7.95	12.69	
	Manufacturing cost	172,940,874.75	22.85	85,386,573.56	12.09	102.54	
	Total	756,852,843.53	100.00	706,257,845.82	100.00	7.16	
Wrapped cylinders	Materials	190,594,610.44	66.57	297,973,150.98	78.04	-36.04	
	Labor cost	28,258,506.91	9.87	31,309,326.47	8.20	-9.74	
	Manufacturing cost	67,453,943.55	23.56	52,538,577.11	13.76	28.39	
	Total	286,307,060.90	100.00	381,821,054.56	100.00	-25.02	
Cryogenic gas cylinders	Materials	189,164,963.86	83.83	256,380,906.03	83.29	-26.22	
	Labor cost	15,141,320.62	6.71	23,455,666.99	7.62	-35.45	
	Manufacturing cost	21,346,779.89	9.46	27,980,579.13	9.09	-23.71	
	Total	225,653,064.37	100.00	307,817,152.15	100.00	-26.69	
Cryogenic devices for storage and transportation	Materials	59,745,750.90	72.26	85,508,517.16	75.00	-30.13	
	Labor cost	11,195,093.65	13.54	13,681,362.75	12.00	-18.17	
	Manufacturing cost	11,740,792.45	14.20	14,821,476.31	13.00	-20.79	
	Total	82,681,637.00	100.00	114,011,356.21	100.00	-27.48	
Compressor business	Materials	27,939,591.51	75.30	78,102,864.01	84.93	-64.23	
	Labor cost	2,675,225.16	7.21	3,909,388.03	4.25	-31.57	
	Manufacturing cost	6,489,554.52	17.49	9,944,943.94	10.81	-34.75	
	Total	37,104,371.20	100.00	91,957,195.98	100.00	-59.65	

#### (2) Major suppliers

During the Reporting Period, the total purchasing amount for top five suppliers of the Company amounted to RMB 509,782,100, accounting for 37.21% of the total purchasing amount for the year, of which the largest supplier Tianjin Steel Pipe and Steel Trade Co., Ltd accounted for 9.21% of the total purchasing amount for the year.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Analysis on principal business *(cont'd)*

#### 4. Expense

Items	Current period	Corresponding period of last year	Changes (%)
Sales expenses	102,661,594.08	158,783,476.97	-35.34
Management expenses	182,887,041.22	281,480,648.76	-35.03
Financial expenses	41,825,014.86	59,834,213.01	-30.10

Sales expenses decreased by 35.34% as compared with corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 53.48 million included last year. The amount after deduction was RMB 105,303,400, representing a decrease of 2.51%.

Management expenses decreased by 35.03% as compared with corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 95,439,000 included last year. The amount after deduction was RMB 186,041,600, representing a decrease of 1.7%.

Financial expenses decreased by 30.10% as compared with the corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 15,672,700 included last year. The amount after deduction was RMB 44,161,500, representing a decrease of 5.29%, which was mainly attributable to decrease of loan.

#### 5. R&D expenditure

##### (1) Table of R&D expenditure

	<i>Unit: Yuan</i>
R&D expenditure for current period	16,003,399.28
Capitalized R&D expenditure for current period	0
Total R&D expenditure	16,003,399.28
Percentage of total R&D expenditure over net asset (%)	1.11
Percentage of total R&D expenditure over operating income (%)	0.89

##### (2) Description

- ① The research and development of large-capacity, large-diameter series products such as Type-III aluminum inner carbon fiber fully wrapped composite cylinder was completed;
- ② The research and development of 35MPa and 70MPa high pressure storage cylinder for hydrogen fuel vehicles was completed;
- ③ The promotion of HPDI type LNG gas cylinder in China was completed;
- ④ The construction of gas supply facilities (gas refueling station and regular inspection stations) in combination with the "shifting from coal-to-gas" policies for rural areas was completed;
- ⑤ The research and development of LNG fuel tanks, LNG storage tanks liquid adding vessels and storage tanks for large LNG vessels.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Analysis on principal business *(cont'd)*

#### 6. Cash flows

Items	Current year	Last year	Change
Cash receipts from sales of goods and rendering of services	<b>1,238,879,958.53</b>	1,952,682,191.03	-36.55
Receipts of tax refunds	<b>17,585,532.73</b>	38,794,498.94	-54.67
Cash payment for goods and service acquired	<b>828,024,734.64</b>	1,480,601,163.08	-44.08
Cash paid to and for employees	<b>309,327,037.10</b>	490,313,983.94	-36.91
Net cash receipts from disposal of subsidiaries and other business units	<b>232,123,306.01</b>	–	–
Other cash receipts in relation to investing activities	–	11,716,300.00	-100.00
Cash paid for investments	<b>58,420,500.00</b>	–	–
Other cash paid for investment activities	<b>8,351,822.34</b>	292,580,707.25	-97.15
Cash receipts from borrowings	<b>308,182,440.13</b>	1,006,618,001.12	-69.38
Other cash receipts in relation to financing activities	<b>189,659,790.29</b>	548,000,000.00	-65.39

#### Description:

Cash receipts from sales of goods and rendering of services for current period decreased by 36.55% as compared with last year, which was mainly attributable to the fact that the amount for the same period last year contained the information of the outgoing assets from January to October. The amount after removing the information of outgoing assets decreased by 14.98% as compared with last year;

Receipts of tax refunds for current period decreased by 54.67% as compared with last year, which was mainly attributable to the decrease in export rebates received by subsidiaries;

Cash payments for goods and service acquired decreased by 44.08% as compared with last year, and after removing the information of outgoing assets, decreased by 31.78% as compared with last year, which was mainly attributable to the decrease in cash payments for goods for current period;

Cash paid to and for employees decreased by 36.91% as compared with last year, and after removing the information of outgoing assets, increased by 2.08% as compared with last year;

Net cash receipts from disposal of subsidiaries and other business units increased as compared with last year, which was mainly attributable to the payments received from the transfer of the equity interests in Jingcheng Compressor for current period;

Other cash receipts in relation to investing activities decreased as compared with last year; and there were no other cash receipts in relation to investing activities for current period;

Cash payments for investment increased as compared with last year, which was mainly attributable to increase in the investment in Shandong Tianhai for current period;

Other cash payments in relation to investing activities decreased by 97.15% as compared with last year, which was mainly attributable to payment for monetary funds of the outgoing assets last year;

Cash receipts from borrowings decreased by 69.38%, and after removing the outgoing assets, decreased by 48.29% as compared with last year, which was mainly attributable to decrease in short-term loans during the year;

Other cash receipts in relation to financing activities decreased by 65.39% as compared with last year, which was mainly attributable to decrease in loans of the Company's subsidiaries from Jingcheng Holding during the year.

### (II) Analysis on principal business (cont'd)

#### 7. Others

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

During the Reporting Period, the main sources of the Company's profits were: 1. in order to reduce the operating costs and deficit units, the Company transferred 100% equity interests of Beijing Jingcheng Compressor Co., Ltd. in 2014; 2. in order to further highlight the principal business and for the needs of relocation, to dispose part of non-operating assets, reduce the number of low-efficient assets, and improve the return on assets of the enterprises, the Company sold the undergraduate's apartment.

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

The Company was informed by its substantial shareholder, Beijing Jingcheng Machinery Electric Holding Co., Ltd. (hereinafter referred to as "Jingcheng Holding"), on 6 April 2012 that it was planning to implement a material assets reorganization relating 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 Reorganization on 13 April 2012 and an Announcement of Extension of Suspension Period in relation to a Material Asset Reorganization on 15 May 2012 and 14 June 2012 respectively. During such period, the Company published an Announcement on the Progress of Material Asset Reorganization once every week. On 5 July 2012, the Company convened the first board meeting for the material assets reorganization. The trading of shares of the Company was resumed on 6 July 2012 and a resolution of material reorganization 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 reorganization and disclosed material assets reorganization resolution. On 18 December 2012, resolution for material assets reorganization was considered and passed at the extraordinary general meeting of the Company.

On 4 January 2013, the Company announced it received CSRC's Acceptance Notice of the Application for Administrative Permission from the China Securities Regulatory Commission (the "CSRC"). On 21 January 2013, the Company announced it received a notice from CSRC that the vetting of the Company's Material Asset Reorganization matters has been carried out in the 2013 second working conference and unconditionally approved by the Listed Companies Merger and Reorganization 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 reorganization was/were suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material assets reorganization was temporarily suspended by the CSRC.

On 26 September 2013, the Company received the approval in relation to the Material Asset Reorganization of Beiren Printing Machinery Holdings 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 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 Beijing Jingcheng Machinery Electric Holding Co., Ltd. The difference was to be paid in cash by Jingcheng Holding.

On 31 October 2013, the Company entered into "Material Asset Reorganization 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.



## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Analysis on principal business *(cont'd)*

#### 7. Others *(cont'd)*

##### (2) Analysis on the implementation progress of each type of financing and material asset reorganization of the Company *(cont'd)*

Jingcheng Holding paid RMB5,522,900 in cash to the Company, being the difference between the outgoing and incoming assets under the material asset reorganization and such amount was fully received.

On 11 April 2014, the Company disclosed the “Announcement on the Completion of Material Asset Reorganization and Connected Transaction” and “Report on the Progress of Material Asset Reorganization and Connected Transaction”.

On 1 September 2014, the amount paid by Jingcheng Holding for the compensation of the annual losses for 2013 and the amount for failure to reach the unexpected profits of the incoming assets, which was RMB 100,159,780.29, was fully received.

As at the date of disclosure, the transaction parties involved were actively handling the changes of ownership of the outgoing assets. The Company will continue to speed up the implementation of follow-up work for the material asset replacement and connected transactions, and fulfill the obligations of information disclosure according to relevant requirements of laws and regulations.

##### (3) Progresses of development strategies and operating plans

###### 1) Progress of implementation for development strategies

In 2014, taking into consideration the existing situation, the Company made adjustments to the strategic objectives of the “twelfth five-year plan”. In terms of industrial gas, the Company set up the production base of industrial gas cylinder and realized the strategic transfer of low-end products, reduced the costs and ensured the first place in the industrial gas cylinder market; in terms of natural gas, the Company completed the special projects to increase capital to the production base (for LGN industry) of LNG cylinder for vehicle use and cryogenic equipment, focused on the development of natural gas storage and transportation products and further improved the industrial chains of cylinders, tanks, vehicles and stations.

###### 2) Progresses of operating plans

Throughout 2014, with severe external economic condition and low market demands, the Company faced with unprecedented difficult situations that the income from the principal business and the profits did not reach the targets for 2014. Under such pressure, the Company still completed the construction of the internal control system for listing, accomplished the introduction of strategic investors and finished the overall plan for adjustment and reform. In order that all targets in 2015 will be accomplished, the Company formulated the following measures:

- (i) to formulate cost control measures centered on profits and guarantee and improve the gross margin level;
- (ii) to motivate the innovative vitality of organizations, cut expenses and improve the management efficiency;
- (iii) to change the marketing model and vigorously explore the market;
- (iv) to reduce the accounts receivable and inventories, and reduce capital used;
- (v) to set up a product development and management system, accelerate the research and development of new products;
- (vi) to enhance quality control and improve product quality.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Analysis on industry, products or regional operation

#### 1. Principal business by industry and by product

Unit: Yuan Currency: RMB

##### Principal business by product

Sector of Product	Operating income	Operating cost	Gross profit margin(%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year(%)	Increase/decrease in gross profit margin over last year(%)
Sales of offset printers				-100	-100	
Sales of intrusion printers				-100	-100	
Sales of form printers				-100	-100	
Sales of spare parts				-100	-100	
Compressor business	42,183,398.47	37,104,371.20	12.04	-60.68	-59.65	Decreased by 2.24 percentage points
Seamless steel gas cylinders	841,015,682.27	756,852,843.53	10.01	7.28	7.16	Increased by 0.10 percentage points
Wrapped cylinders	335,938,765.63	286,307,060.90	14.77	-29.6	-25.02	Decreased by 5.21 percentage points
Cryogenic gas cylinders	225,610,444.04	225,653,064.37	-0.02	-37.61	-26.69	Decreased by 14.90 percentage points
Cryogenic devices for storage and transportation	107,720,049.76	82,681,637.00	23.24	-31.89	-27.48	Decreased by 4.67 percentage points
Others	191,679,916.77	173,533,641.48	9.47	-10.21	-9.79	Decreased by 0.42 percentage points
Total	1,744,148,256.94	1,562,132,618.48	10.44	-34.81	-31.13	Decreased by 4.78 percentage points

Description on principal business by industry and by product:

Affected by the international and domestic depressed macroeconomic situation, the demands for the gas storage and transportation industry decreased, which is particularly affected by the further reduced difference between the prices of oil and gas, adjustment of the oil to gas policy, market demand for products like model SI LNG cylinder, wrapped gas cylinders and small cryogenic tanks of the Company decline drastically, led to a serious decline in sales. Compared to the corresponding period last year, the regional operating income decreased 46.96%.

#### 2. Principal business by geographical region

Unit: Yuan Currency: RMB

Geographical region	Operating income	Increase/decrease in operating income as compared with last year (%)
Domestic	1,181,209,109.58	-46.96
Overseas	562,939,147.36	25.58
Total	1,744,148,256.94	-34.81

Description on principal business by geographical region:

The northern regions, southern regions, central and western region of the PRC remained as the Company's principal marketing regions, whilst North America and Southeast Asia are the international principal marketing regions.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Analysis on assets and liabilities

#### (1) Analysis of assets and liabilities

Unit: Yuan

Items	At the end of current period	Percentage of the amount at the end of current period over total assets (%)	At the end of previous period	Proportion of the amount at the end of previous period over total assets (%)	Changes in amount at the end of current period over the previous period (%)	Remarks
Monetary fund	163,962,823.33	6.54	337,743,216.12	11.94	-51.45	
Accounts receivable	404,135,634.03	16.11	407,991,348.42	14.42	-0.95	
Notes receivable	13,148,883.12	0.52	28,387,575.12	1.00	-53.68	
Other receivables	6,435,698.19	0.26	5,686,434.58	0.20	13.18	
Inventory	572,992,423.57	22.85	734,199,271.84	25.95	-21.96	
Investment real estate	-	-	9,519,696.39	0.34	-100	
Long-term equity investment	55,004,776.68	2.19	63,231,444.54	2.23	-13.01	
Fixed assets	1,016,720,860.27	40.54	714,960,989.70	25.27	42.21	
Construction in progress	22,888,621.63	0.91	278,770,258.89	9.85	-91.79	
Short-term borrowing	318,051,050.00	12.68	482,613,152.34	17.06	-34.10	

Description:

Monetary fund recorded a decrease of 51.45%, which was mainly due to the decrease in monetary fund resulting from repayment of bank loans and the payments for Jingcheng Holding during the year;

Accounts receivable recorded a decrease of 53.68%, which was mainly due to increases in the notes endorsed and transferred for the payment of cargos for current period and decrease in notes received;

Fixed assets recorded an increase of 42.21%, which was mainly due to the transfer of LNG industry base project of Minghui Tianhai to fixed assets upon construction;

Construction in progress recorded a decrease of 91.79%, which was mainly due to the transfer of LNG industry base project of Minghui Tianhai to fixed assets upon construction;

Short-term borrowings recorded a decrease of 34.10%, which was mainly due to the decrease of bank loans of subsidiaries.

#### 2. Changes in the measurement attributes of the assets at fair value and the prime assets

Not applicable

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (V) Analysis on core competitiveness

The brand of Tianhai had a relatively high reputation in the global gas storage and transportation industry. The major economic indicators of the Company were continuously in the leading position in the industry for 19 consecutive years.

The Company obtained ISO9001:2008, ISO/TS16949:2009 international quality management system certification and ISO1400:2004 environment management system, OHSAS18001:1998 OSH management system and 41 international product certifications such as American DOT, German TUV, Canadian TC and EU EN etc. The Company is awarded as the “high-tech enterprise” on 11 November 2013.

The Company has established a complete sales network with over 30 distribution network points scattering across the country, realizing a full geographical coverage nationwide. The Company has also set up eight overseas sales network points mainly located in the United States, Singapore, Korea, India, Australia and other countries with value of direct export accounting for around 32.28% of total income.

### (VI) Analysis on investment

#### 1. General analysis on external equity investment

- (1) In order to develop the project of natural gas storage and transportation equipment, Beijing Tianhai Industrial Co., Ltd. (“Tianhai Industrial”), a subsidiary of the Company, introduced Beijing Bashi Media Co., Ltd to invest in its subsidiary, Beijing Minghui Tianhai Gas Storage and Transportation Equipment Trading Co., Ltd (“Minghui Tianhai”). Upon the completion of the capital increase, the registered capital of Minghui Tianhai was changed to RMB 545,225,228. The shareholding ratio of Tianhai Industrial in Minghui Tianhai was changed from 55.20% to 38.51%.
- (2) In order to realize the strategic transfer of low-end products, Tianhai Industrial a subsidiary of the Company, decided to establish with Shandong Yongan Heli Steel Cylinder Co., Ltd (“Yongan Heli”) a joint venture named Shandong Tianhai High Pressure Containers Co., Ltd. (“Shangdong Tianhai”), which was established on 12 June 2014 with a registered capital of RMB 30,000,000. Tianhai Industrial contributed RMB 15,300,000 in cash, accounting for 51% of the equity interests; while Yongan Heli contributed RMB 14,700,000 in cash accounting for 49% of the equity interest. On 23 October 2014, the registered capital of Shandong Tianhai increased from RMB 30,000,000 to RMB 114,550,000; Tianhai Industrial increased capital of RMB 58,420,500 in cash and Shandong Yongan increased capital of RMB 56,129,500 in cash. Upon the capital increase, Tianhai Industrial accounted for 51% of the equity interest and Yongan Heli accounted for 49% of the equity interest in Shandong Tianhai.
- (3) Beijing Jingcheng Compressor Co., Ltd., a subsidiary of the Company, recorded losses in recent years. In order to improve its operating condition, the Company decided to sell 100% equity of Beijing Jingcheng Compressor Co., Ltd, through public auction in China Beijing Equity Exchange on 23 July 2014. Beijing Guotong Asset Management Co., Ltd won the bid at a transfer price of RMB 250,202,800.

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

#### 3. Use of proceeds

- (1) **Overall use of proceeds**  
 Applicable  Not Applicable
- (2) **Projects funded by raised proceeds**  
 Applicable  Not Applicable
- (3) **Changes in projects funded by raised proceeds**  
 Applicable  Not Applicable
- (4) **Others**  
During the Reporting Period, the Company did not use, for the current period, any proceeds raised or any proceeds raised in the previous period.



## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) Analysis on investment (cont'd)

#### 4. Analysis on principal subsidiaries and joint stock companies

Unit: Yuan Currency: RMB

Name of company	Business nature	Principal products or service	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	USD 61,401,800	2,496,350,244.33	1,090,447,734.56	-79,156,978.81
Beijing Jingcheng Compressor Co., Ltd.	Production	Design, manufacture and sale of compressors	RMB 139,271,500			-9,643,479.14
Jingcheng Holding (Hong Kong) Ltd.,	Trade and investment	Import and export trade, investment holding and consultancy services, etc.	HKD 1,000	142,508,896.27	141,298,755.96	-200,616.08

On 25 September 2014, the Company disclosed the announcement on sale of 100% equity of its subsidiary Beijing Jingcheng Compressor Co., Ltd on the websites of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) for details.

#### 5. Projects financed by non-raised funds

Applicable  Not Applicable

Unit: 0'000 Currency: RMB

Name of project	Project amounts	Project progress	Investment in this year	The cumulative amount of actual investment	Project earnings
Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry)	79,379	(1) Civil engineering: fully completed. (2) Equipment: fully installed and debugged and going through acceptance. (3) The project is put into production.	15,289	51,968	The project is currently put into production.
Construction project of industrial gas cylinder production base of Shandong Tianhai High Pressure Container Co., Ltd.	12,715	(1) The capital of RMB114.55 million contributed by both shareholders was in place. (2) The civil engineering for the construction project was completed with equipment fully installed and debugged and going through acceptance. (3) The project is put into production.	11,455	11,455	The project is currently put into production.
Total	92,094	/	26,744	63,423	/

Description on projects financed by non-raised funds

(1) Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry) mainly produce products such as cryogenic equipment, automotive liquefied gas bottle and mini tanks. The land acquired by the project is 137,554 sq.m, the annual production capacity of the project for cryogenic equipment is 1,381, 32,000 automotive liquefied gas bottles and mini tanks. The project is currently put into production.

(2) The construction project of industrial gas cylinder production base of Shandong Tianhai High Pressure Container Co., Ltd. mainly produces 0219 seamless steel gas cylinders. The land acquired by the project is 110,370 sq.m, the annual production capacity of tube type cylinders is 1.8 million. The project is currently put into production.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) Others

#### Analysis on Financial Position and Business Performance during the Reporting Period

##### 1. Analysis on operating results

During the Reporting period, the total profits of the Company increased by RMB 122,670,600 as compared with last year. The operating income decreased by 36.13% as compared with last year; the operating cost decreased by 32.50% as compared with last year and the operating profits increased by RMB 43,963,500 as compared with last year.

##### Operation during the Reporting Period as compared with the outgoing assets last year

During the Reporting Period, the income from the principal business amounted to RMB 1,744,148,300, representing a decrease of RMB 357,489,300 as compared with last year. The cost of principal business recorded a decrease of RMB 232,106,400, which was mainly due to the decline in operation of the industry, excess production capacity in China and fall in sales number and unit price.

During the Reporting Period, the expenses recorded a decrease of RMB 8,132,900 as compared with last year, which was mainly due to the decrease in sale income, reduction of sales expenses and decreases in borrowings and interest expenses during the year.

During the Reporting Period, the assets impairment loss recorded a decrease of RMB 22,082,700 as compared with last year, which was mainly attributable to the active destocking of the Company and the strict control of newly increased inventories as well as reduced provision for bad debts for implementation of accounting estimates since 1 January 2014 that comply with the actual situation of the incoming assets.

During the Reporting Period, the investment income recorded an increase of RMB 94,830,100, which was the income from transfer of equity interests of Jingcheng Compressor.

During the Reporting Period, the non-operating income recorded an increase of RMB 81,492,800, which was mainly income from sales of fixed assets such as the undergraduate's apartments and mechanical equipment.

##### 2. Analysis of assets, liabilities and shareholders' equity interests

The assets and liabilities as at the end of the year of the report both recorded decreases with some projects less affected by transfer of equity interests of the subsidiary Jingcheng Compressor.

During the Reporting Period, the total assets as at the end of the period amounted to RMB 2,507,883,300, representing a decrease of 11.36% as compared with the beginning of the year; among others, monetary funds decreased by 51.45%, inventories decreased by 21.96%, fixed assets increased by 42.21%, construction in progress decreased by 91.79% and long-term equity investment decreased by 13.01%.

The total liabilities amounted to RMB 1,063,124,000, representing a decrease of 37.30% as compared with the beginning of the year; among others, the short-term borrowing decreased by 34.10% while the advance accounts decreased by 77.99%.

The total shareholders' equity interests amounted to RMB 1,444,759,300, representing an increase of RMB 310,961,000 or 27.43%, which was mainly due to the difference of RMB 100,159,800 between the Company's actual operating results for 2013 and the expected operating results from incoming assets of the material asset reorganization. During the year, the Company received the compensation for the unaccomplished profit forecast from Jingcheng Holding; and the capital increase of RMB 164,812,500 for Beijing Minghui Tianhai Gas Storage and Transportation Equipment Trading Co., Ltd. during the year.

##### 3. 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 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

	2014	2013
(1) Gearing ratio	42.39%	59.93%
(2) Quick ratio	71.77%	54.47%
(3) Current ratio	133.46%	102.27%

##### 4. 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 RMB 318,805,110, representing a decrease of 34.10% as compared with the beginning of the year. Long-term loan was nil.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) Others (cont'd)

#### 5. Foreign exchange risk management

The Company held a relatively small amount of deposits in foreign currencies. In addition to the payment of dividends of H shares and fees payable to the Stock Exchange and paper for information disclosure, the partial export and import business of the Company is settled in US dollars and Jingcheng Hong Kong and 天海美洲 adopt US dollars as their recording currency. Therefore, the Company is exposed to the foreign exchange risk arising from the fluctuation of exchange rate between RMB and US dollars. The Company actively adopted such measures to reduce the foreign exchange risk.

#### 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. 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 RMB 1,271,047,800, while cash outflow amounted to RMB 1,378,945,200. Net cash flow during the Reporting Period from operating activities amounted to RMB-107,897,400.

##### 2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB 303,590,200 while cash outflows to investment activities amounted to RMB 215,936,400, which was mainly used for capital expense on the purchase of fixed assets and payment for long-term equity investment. The principal source of income was from transfer of the equity interest of Jingcheng Compressor and disposal of parts of fixed assets. Net cash flows from investment activities for the Reporting Period amounted to RMB 87,653,800.

##### 3. Cash flows from financing activities

Cash inflow from financing activities during the Reporting Period amounted to RMB 697,842,200, which was mainly derived from bank loans, borrowings from Jingcheng Holding and compensation from Jingcheng Holding. Cash outflow to financing activities during the Reporting Period amounted to RMB 858,655,400, which was mainly due to the repayment of bank loans and borrowings from banks and Jingcheng Holding and interests. Net cash flow from financing activities for the Reporting Period amounted to RMB-160,813,100.

Net cash flow from operating activities in 2014 recorded an increase of RMB 118,705,100 as compared with last year, which was due the much less decrease of cash receipt from sales of goods and rendering of service as compared with last year than the decrease of cash paid for purchase of goods as compared with last year. Net cash flow generated from the investment recorded an increase of RMB 594,116,400 as compared with last year, which was mainly due to increase in the income from transfer of equity interests and the cash of the monetary funds of the outgoing assets last year. Net cash flow generated from financing activities recorded a decrease of RMB 712,756,500, which was mainly due to the decrease in loans borrowed as compared with last year and compensation received from the holding company.

Net cash flow generated from operating activities for the year was RMB-107,897,400. Net profit for the year was RMB 13,012,000, which was mainly attributable to investment activities.

#### Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB 1,444,759,300, of which minority interests amounted to RMB 525,228,700, and total liabilities amounted to RMB 1,063,124,000. Total assets amounted to RMB 2,507,883,300. As at the end of the year, the Company's gearing ratio was 42.39%.

#### Capital structure by liquidity

Total current liabilities	RMB 928,854,000	Accounting for 37.04% of assets
Total equity interest	RMB 1,444,759,300	Accounting for 57.61% of assets
attributable to shareholders		
Of which: minority interests	RMB 525,228,700	Accounting for 20.94% of assets

#### Contingent liabilities

During the Reporting Period, the Company did not have any significant contingent liabilities.

#### Details of the Group's charge on assets

Item	Book value at the end of year	Reason for restriction
Bank balances and cash	38,500,000.00	Guarantee deposit
Fixed assets	40,667,821.55	Pledged
Intangible assets	1,308,390.10	Pledged



### (I) Details of Board Meetings and Resolutions

During the Reporting Period, a total of 9 board meetings were convened and the details of the meetings and resolutions were as follows:

1. The sixteenth extraordinary meeting of the seventh session of the Board was convened on 28 February 2014, at which the resolution in relation to the amendment of relevant systems of the Company was considered and approved; the resolution in relation to the daily connected transactions of the Company was considered and approved; and the resolution in relation to the application for banking facility and loan in 2014 was considered and approved.
2. The fourteenth meeting of the seventh session of the Board was convened on 27 March 2014, at which the 2013 Annual Report of the Company and its summary were considered and approved; the 2013 Annual Work Report of the Board was considered and approved; the 2013 Audited Financial Statements of the Company were considered and approved; the 2013 Audited Internal Control Report of the Company was considered and approved; the reappointment of ShineWing as the audit organization for the 2014 financial report of the Company was considered and approved; the reappointment of Shu Lun Pan as the audit organization for the 2014 internal control report of the Company was considered and approved; the 2013 resolution of the Company to distribute profit was considered and approved; and the resolution in relation to provision for impairment of the Company for the year 2013 was considered and approved.
3. The seventeenth extraordinary meeting of the seventh session of the Board was convened on 28 April 2014, at which the first quarterly report of the Company in 2014 was considered and approved.
4. The eighteenth extraordinary meeting of the seventh session of the Board was convened on 16 May 2014, at which the resolution in relation to the proposed disposal of the 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of public tender was considered and approved; the resolution in relation to the proposed Asset Transaction Agreement to be entered into between the Company and Beijing Jingcheng Machinery Electric Holding Co., Ltd., subject to terms and conditions, and the connected transaction contemplated thereunder was considered and approved; the resolution in relation to capital injection by Beijing Bashi Media Co., Ltd. into Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. was considered and approved; the resolution in relation to the establishment of Shandong Tianhai High Pressure Container Co., Ltd by the joint capital contribution of Beijing Tianhai Industry Co., Ltd and Shandong Yong'an Heli Steel Cylinder Co., Ltd. was considered and approved; the resolution in relation to the general election of the Board was considered and approved; and the resolution in relation to the remuneration of and written contracts to be entered into with the directors of the eighth Board was considered and approved.
5. The nineteenth extraordinary meeting of the seventh session of the Board was convened on 23 May 2014, at which the resolution in relation to the provision of guarantee by Beijing Tianhai Industry Co., Ltd. (a subsidiary of the company) to its subsidiary Tianjin Tianhai High Pressure Container Co., Ltd. was considered and approved.
6. The first meeting of the eighth session of the Board was convened on 26 June 2014, at which the resolution in relation to election of chairman of the eighth Board of the Company was considered and approved; the resolution in relation to the election of the members of special committees of the eighth Board was considered and approved; the resolution in relation to the appointment of the general manager of the Company and the secretary to the Board was considered and approved; the resolution in relation to the appointment of the deputy general manager, chief accountant and chief engineer of the Company was considered and approved; the resolution in relation to the lease of the houses of Beijing Jingcheng Electric Management Co., Ltd. by the Company was considered and approved; and the resolution in relation to the change of authorized representatives of the Company in Hong Kong was considered and approved.
7. The second meeting of the eighth session of the Board was convened as 14 August 2014, at which the 2014 Interim Report of the Company and its summary were considered and approved; the resolution in relation to on the impact on the Interim Report of the Company resulting from the changes in accounting estimation was considered and approved; the resolution on provision for impairment of the Company for the half year of 2014 was considered and approved; and the resolution on the capital injection in Shandong Tianhai High Pressure Containers Co., Ltd was considered and approved.
8. The first extraordinary meeting of the eighth session of the Board was convened on 3 September 2014, at which the resolution on provision of loans to Beijing Tianhai Industry Co., Ltd, a subsidiary of the Company was considered and approved.
9. The second extraordinary meeting of the eighth session of the Board was convened on 30 October 2014, at which full text of the 2014 Third Quarterly Report of the Company and its summary were considered and approved; the resolution on the application of the newly formulated or amended Accounting Standards for Business Enterprises of the Ministry of Finance was considered and approved; and the resolution on provision for impairment for July to September 2014 was considered and approved.



### (II) Discussion and analysis of the Board concerning the future development of the Company

#### (1) Competition within the industry and development trend

1. The economic environment will remain depressed, and special attentions should be paid to the integration of Beijing-Tianjin-Hebei regions and reform of State-owned enterprises. At present, major economies around the world are recovering in an imbalanced way. U.S. accelerated its economic recovery while the recovery of European economy was weak. Abe's reform of Japan is still to be observed. Emerging countries, along with an increasing power of discourse, is also facing with the most difficult environment in the post financial crisis. Political insecurities, potential conflicts and the distorted international relation are causing more and more threats to the economic development.

In the Opinions of Beijing on Comprehensively Deepening the Reform of Municipal State-owned Enterprises, Beijing Municipal state-owned enterprises are divided into enterprises of public service, special functions and competitive enterprises. Competitive enterprises include strategically supported and general competitive enterprises. The Company is a general competitive enterprise. According to the Opinions, more than 80% of state-owned capital will be placed on such sectors as public services. The increment of state-owned capital will quit from industries and links with no competitive advantages. The Company can only be established in Beijing by taking maximization of capital benefits as the main objective, realizing the transformation to strategically supported enterprises, centering around the strategic positioning of "four center" and the industrial development trend of high end, service, clustering, integration and low carbon, developing to the high end of the value chains and industrial chains and moving the low end of the value and industrial chains out of Beijing and cooperating and value-binding with the enterprises of urban public service and special functions. According to the Opinions, by 2020, the securitization ratio of the state-owned capital in Beijing will be strived to reach beyond 50%. It is supposed to make listed companies the major form for the state-owned enterprises to develop diversified ownership by developing diversified ownership economies, promoting the listing of municipal enterprises or overall listing. The Company, as one of a few platforms for listing companies under Beijing Municipal State-owned Assets Supervision and Administration Commission, will be fully utilized and developed well.

#### 2. Market competition is increasingly intensive yet business opportunities are still everywhere

At present, the market demands for most of the Company's products are not strong. Insufficient tasks, decreasing salaries and relocation of the head quarter have made a record high in staff turnover rate for the year. In particular, the "price reduction for 11 consecutive times" of oil products and the document jointly issued by five ministries and departments even make a pause to the market of modified vehicles. However, the issuance of industry and technical standards related to LNG powered vessel will promote the rapid development of "oil to gas" market for vessels and the auxiliary gas filling facilities. In 2014, as many as 150 units participated in the construction of LNG gas filling stations. In the depressed market environment, the low-price strategy also made most competitors cry bitterness. Our focus lies on how to correctly understand the market, i.e. the market size of all our products, the custom base, specific demands, market positions, strength and weakness of the Company. It is only by taking specific measures to expand the market share that the operating results will be improved.

#### 3. Analysis of macroeconomic environment

##### (1) International macroeconomic analysis

It is pointed out in 2015 Yellow Book of World Economy published by Chinese Academy of Social Sciences that, the probability of a significant world economic recovery is small. In comparison with 2014, it is more likely that the economic growth will maintain essentially the same or turn slightly better. Emerging markets are an important pillar to the global economic activities. In 2015, the emerging Asian region is still in the spotlight. The growth of China, India and Thailand is remarkable. Another region maintaining growth is the African region to the south of Sahara. Many African countries successfully passed through the crisis and expanded at an average annual rate of 5% which is only next to Asia. There are great potentials in the region to be explored.

##### (2) Domestic macroeconomic analysis

It is pointed out in the Central Economic Working Conference that the keynote for the economic work in 2015 is to insist on seeking improvement in stability, insisting on the focus of improving the quality and benefits of economic development, actively adapting the new normal condition of economic development, keeping the economic operations in a reasonable range; placing the transformation of methods and adjustment of structure in a more important position, vigorously concentrating on the reform, highlighting the innovation, enhancing risk prevention and control, enhancing the guarantees for people's livelihood and promoting the stable and healthy development of the economy and the social harmony and stability.

2015 will be a key year for full promotion of the reform and adjustment of China, and is also the year for the new normal state of Chinese economy to experience the hard times. According to the forecasts of economic experts, the year 2015 will probably a periodical low point or bottom for the round of economic downturn of China. It is probable that the economy will present a state of "construction after destruction" or "destructing while constructing". The economic structure will constantly improve and the economy will maintain sustainable growth. It is expected that GDP will increase 7%.

## (II) Discussion and analysis of the Board concerning the future development of the Company *(cont'd)*

### (1) Competition within the industry and development trend *(cont'd)*

#### 4. Analysis on upstream steel industry

WAS (World Steel Association) pointed out that, the apparent consumption of steel in the world in 2015 will reach up to 1.594 billion tonnes, representing an increase of 2%. Although it is difficult to change the situation where there is oversupply, the overall market environment is better than 2014.

The weak demand for steel in China will remain. It is expected that the apparent consumption of steel will grow 0.8% to 754.3 million tons. However, the government may take specific stimulating measures such as the promotion of “one belt and one road”, the easing policies for real estate may lead to more-than-expected growth in demands.

#### 5. Analysis on downstream gas industry

##### (1) Industrial gas market

All major gas companies remain confident for the prospect of global industrial gas market in 2015. Emerging markets are becoming potential fields for suppliers of industrial gas while the demands of electronic industry producers for special gas are growing.

##### (2) Natural gas market

On 19 November, the General Office of the State Council printed and distributed the Strategic Action Plan for Energy Development (2014 to 2020), determining that the natural gas will be developed in the country as a key energy in the future, and the proportion of the natural gas in the energy structure will reach up to 10% by 2020. At present, the construction of four major channels of the natural gas has been completed. For east and south China, LNG is mainly relied on transportation by sea; for western China, there are West-East Gas Pipelines; for the southwestern China, there are ChinaBurma natural gas pipelines and for northeast China, there are Sino-Russian pipelines. The development trend of natural gas is self-evident.

#### 6. Analysis on gas storage and transportation market

##### (1) Cylinders

Driven by the environmental protection policies and the National IV Standards for Emission, the application of domestic natural gas powered vehicles are expected to develop in a sustainable way, which, for sure, brings along the demands for gas cylinders of CNG/LNG-powered vehicles; however, the narrowing down of prices and the issuance of many policies encouraging application of public transportation may have material effects on promotion of LNG powered vehicles in certain regions.

##### (2) Tanks

The potential for the development of cryogenic tanks is huge in the coming years. Large cryogenic tanks are required for receiving stations, peak regulation stations, vessels, gas refueling stations and the construction of factory buildings. And meanwhile, along with the adjustment of internal mechanism of domestic major energy companies, the projects suspended are gradually initiated. Some orders and demands are gradually recovering and the future market trend will turn better.

##### (3) Vehicles

It can be analyzed from above that, the market of tank cars grow at a rate of nearly 20% every year, which is also attributable to the rapid development of LNG and gas refueling stations. At present, the market prospect is optimistic. It is expected that the market capacity will be further expanded in 2015.

##### (4) Stations

In 2014, as many as 150 units participated in LNG gas refueling stations. Besides original refueling station operators, more local gas companies, local enterprises with resource advantages, even industrial investment groups and gas companies all participated in construction of gas refueling stations. The entry of many enterprises makes the threshold lower and lower, and the competition becomes fiercer. It is expected that, 2015 will not see growth surf as 2013; however, along with the development of the whole LNG markets, the refueling station industry will remain uptrend.

### (II) Discussion and analysis of the Board concerning the future development of the Company *(cont'd)*

#### (2) Development strategies of the Company

1. The Company will continue to consolidate its industrial cylinders business, and maintain the first place in the industrial cylinders market. The Company will focus on developing natural storage and transportation products. During the course of development of natural gas storage and transportation sector, the Company will strengthen and optimize its products of LNG vehicle cylinders, accelerate the development of industrialization of LNG cryogenic tank, specially the R&D of the LNG cryogenic tanker vehicles, forming a product portfolio containing cylinders, tankers, vehicles and stations. The Company will make innovations to its pattern of business development, improve design of channels and marketing organizations, build systematic solutions and speed up transformation from product-oriented to service-oriented and endeavor its best efforts to become an internationalized company at the forefront of the industry of gas storage and transportation globally.
2. The Company will take advantage of the geographic location of Hong Kong and U.S. companies to realize the financial innovative service functions.
3. The Company will utilize the capital market, develop investment and financing business and seek for new investment opportunities.

#### (3) Operating plans

2015 is the last year of the “twelfth five-year plan”. Minghui Tianhai, Tianhai Cryogenic and Shandong Tianhai will make contributions for the budget goals; Tianjin Tianhai and Langfang Tianhai will take advantage of the product structural adjustment to reverse the losses; and Shanghai Tianhai will strive to develop rapidly. The most critical point is Minghui Tianhai. Along with the relocation of the head quarter, how to operate Minghui Tianhai well will be the key to the successful completion of the targets next year.

Many strategic targets in the “twelfth five-year plan” are still to be realized. Except for tank products, vehicles and stations have failed to become the new growth points for the development of the Company. In recent two years, the strategic environment of the Company has changed a lot; it is especially important to make long-term plans for the next period. In 2015, the Company will make good strategic planning for the “thirteenth five-year plan”, focus on profitability, and based on the corrective and proactive analysis and assessment of the environment, stakeholders, the Company’s resources and abilities, plan for three sectors for the “thirteen five-year plan”: the first is the principal business of manufacturing; the second is the development and utilization of the land resources; and the third is to well utilize the capital market and Hong Kong company for investment and financing. And meanwhile, sub-strategies such as corresponding human resource development strategy, marketing strategy, production strategy, financial strategy, research and development strategy and information strategy are required for supports to guarantee the implementation of the strategies

#### (4) Fund requirement for maintaining existing business and establishing a project company in process

The Company has no newly increased large amount investment projects under construction in 2015. The outstanding project payment (for Minghui Tianhai) can be basically solved with privately-owned funds.

#### (5) Potential material risks

##### (1) Risks from the constant expansion of production capacity in the industry to the operating results

Due to the optimism for domestic natural gas markets, large investment companies set up factories to produce the natural gas storage and transportation equipment, and existing factories continued to expand the production scale, creating serious excess production capacity and making an increasingly competitive industry. According to the statistics of the industry association, at present, there are more than 60 enterprises qualified for the production of LNG gas cylinders with annual production capacity of 400,000 sets and more than 30 enterprises qualified for production of CNG gas cylinders with an annual production capacity of 2 million. Therefore, the Company may face with great pressure in terms of operation.

##### (2) World economic environment deteriorated and oil-gas price difference keeps narrowing down

Due to the depressed world economy, technical advancement and political factors, the international futures price of crude oil halved, leading to the reduction of the price of domestic product oil for 11 consecutive times; while the price of natural gas in China increased in September this year, narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for “oil to gas” that the vehicle modification market is basically at a standstill state. Facing with such a difficult and complicated market environment, the Company has accelerated the adjustment of the industry distribution, taken advantageous measures, guaranteed the platform of listing, actively adjusted the sales strategies, vigorously developed new products and sought for development in such difficulties. Although with certain gap to the expected targets, it is expected to walk the Company into the virtuous circle in the several coming years.



**(III) Explanation of the Board on non-standard opinion given by the auditors**

**1. Explanation of the Board and the Supervisory Committee in relation to any non-standard audit report given by the auditors**

Applicable  Not Applicable

**2. Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method**

Applicable  Not Applicable

**(1) Changes in significant accounting policies**

In 2014, the Ministry of Finance newly issued or revised a series of accounting standards such as Accounting Standards for Business Enterprises No.2-Long-term Equity Investments. The Group, when preparing the annual financial statements of 2014, adopted relevant accounting standards and handle according to relevant rules on liking.

Notes on the names and amounts of the items of statements that were significantly affected:

- 1) Before 2014, the unrealized gains or losses on internal transactions of sales of assets among subsidiaries of the Group offset in full the net profits attributable to the owners of the parent company. According to the revised Accounting Standards for Business Enterprises No.33-Consolidated Financial statements, unrealized gains or losses from internal transactions of the sales of assets between subsidiaries shall be distributed between and offset “net profit attributable to owners of the parent company” and “minority interest income” in proportion to the ratio the parent company distribute to the subsidiary selling the assets. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The adjusted decrease of the shareholders’ equity in the balance sheet of 2013 was RMB 1,538,378.84 and the adjusted retained profits were RMB 1,538,378.84 and the total liabilities were not affected.
- 2) Before 2014, the Group did not account relevant expenses of the defined benefit plan on incurrence. Pursuant to the revised Accounting Standards for Business Enterprises No.9 – Employee Benefits, for defined benefit plans, it is supposed to estimate relevant demographic statistical variables and financial variables by using expected accumulative benefit unit method based unbiased and mutually consistent actuarial assumption, measure obligations arising from defined benefit plans and determine the period, to which relevant obligations belong. Enterprises shall discount the obligations arising from defined benefit plans at a discount rate to determine the present value and current service cost of the obligations of defined benefit plans. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The employee compensation payable in the balance sheet of 2013 increased by RMB 29,840,000.00, and the retained profit was adjusted to decrease by RMB 32,310,000.00, and the other comprehensive revenue was adjusted to increase RMB2,470,000.00.

**(2) Changes in significant accounting estimates**

The Company implemented material asset reorganization in 2013. The business operated by the Company changed significantly and the type of fixed assets and the business modes also changed, leading to different estimated service life of fixed assets and proportion of provision for the bad debts reserve of accounts receivable from the original company. Therefore, the accounting estimates were made during the year with details as follows:

<b>Changes in Accounting Estimates</b>	<b>Procedure of Approval</b>	<b>Time of Adoption</b>
Proportion of provision for bad debt reserve of receivables	The Seventh Term of Board	1 January 2014
Depreciation life of fixed assets and residential rates	approval at the thirteenth meeting	



## SECTION 6 REPORT OF THE DIRECTORS

### (III) Explanation of the Board on non-standard opinion given by the auditors

(cont'd)

#### 2. Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method (cont'd)

##### (2) Changes in significant accounting estimates (cont'd)

##### 1) Changes in the proportion of the provision for the bad debt reserve of accounts receivable

Ageing	Proportion before Change (%)	Proportion after Change (%)
Within 1 year	0	1
1 to 2 years	30	10
2 to 3 years	60	20
3 to 4 years	100	50
4 to 5 years	100	80
Over 5 years	100	100

##### 2) Changes in depreciation life and residual rates of fixed assets

	Depreciation life before change	Depreciation life after change	Estimated residual rate before change (%)	Change in estimated residual rate (%)
Building	40	40	3	5
Machinery	8-14	5-10	3	5-10
Transportation	8	5	3	5-10
Administrative office	8	5	3	5-10

The prospective method is adopted for the changes in the accounting estimate, the profits for current financial statements increased by RMB 25,933,868.

#### 3. Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period

Applicable  Not Applicable

### (IV) Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital

#### (1) Formulation, implementation or adjustment of cash dividend policy

In accordance with the requirements of Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies issued by the CSRC, the Company had amended and perfected certain provisions concerning profit distribution policies in its articles of association, which have been considered and passed at the seventh meeting of the Seventh Board of Directors held on 26 July 2012 and the first extraordinary general meeting in 2012 (please refer to the announcements dated 26 July 2012 and 18 December 2012 on the websites of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) for details). During the Reporting Period, as the retained earnings at the end of the year was negative, therefore, there were no cash dividends distribution. However, the Company will strictly implemented the dividend price of the Articles of Association; once the Company has the ability for dividend, the Company may fulfill decision making procedures according to relevant provisions, play the role of independent directors and practically protect the lawful rights of the Company.

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

Applicable  Not Applicable

**(IV) Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital** *(cont'd)***(3) Profit Distribution Plan or pre-arranged plan or Plan or pre-arranged plan to Convert Surplus Reserves into Share Capital in the Previous Three Years (inclusive of the reporting period)**

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus share for every 10 shares (share)	Amount of dividend (Yuan) (tax induced)	Number of shares converted for every 10 shares	Amount of cash dividend (including tax)	Net profit attributable to the shareholders of the listed companies in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the listed companies in the consolidated financial statement (%)
2014	0	0	0	0	21,416,206.70	0
2013	0	0	0	0	-107,597,719.91	0
2012	0	0	0	0	-124,456,883.57	0

**(V) Financial Information****1. Fixed Assets**

Movements in fixed assets for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**2. Construction in Progress**

Particulars and movements in construction-in-progress for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**3. Investments in Subsidiaries**

Particulars of the subsidiaries are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**4. Associated Companies' Interest**

Particulars of the associated companies are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**5. Other Assets**

Particulars of other assets are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**6. Reserves**

Movements in reserves for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**7. Bank Loan**

Details of bank loans as at 31 December 2014 are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

**8. Tax Relief**

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares.

**(VI) The Company's Pension Scheme**

In accordance with the relevant regulations of the "State Council's Decisions Regarding Reform of Employee Retirement Insurance Scheme", the Company is required to pay the PRC government an amount equivalent to 20% of the total amount of salary as the basic contribution to the Employee Retirement Insurance Scheme. In 2014, a total of RMB31,060,000 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

Beijing Tianhai has established enterprise annuities for its employees since January 2011. In August 2014, the enterprise annuities were suspended after approval at the general membership meeting and by the management committee of the enterprise annuity due to the impact from the annuity income and tax rate policy. In 2014, Beijing Tianhai paid enterprise annuities amounting to RMB3,550,000. In addition, the company bore the barber and bath fees and housing allowances for the employees retired before January 2010 at the rates of RMB50 and RMB70 – RMB80 per month respectively, totaling RMB1,480,000 for these two expenditures incurred in 2014.

## SECTION 6 REPORT OF THE DIRECTORS

### (VII) Connected Transactions

- (1) Please refer to the notes to the financial statements prepared according to the PRC Accounting Standards for the particulars of the connected transactions during the year.
- (2) Each independent non-executive director confirmed that all connected transactions were entered on the normal commercial terms in the ordinary and usual course of business of the relevant members of the Company. All the terms were either normal business terms or not less favorable than the preferential treatments offered to the third parties, and were fair and reasonable as far as the Company's shareholders were concerned.

### (VIII) Staff Quarters

The Company did not sell any public housing flats to staff in 2014. In accordance with State policies, the Company contributed to the public housing fund on the basis of 12% of the average monthly salary of the existing employees for the previous year, which did not pose any significant impact on the Company's business performance. In accordance with the spirit of the "(2000) Jing Fang Gai Ban, Zi Document No. 080", Notice in relation to issues of the Increase in Beijing's Public Housing Rentals and Allowances, issued by the Housing Reform Office of Beijing Municipal Government, the Beijing Financial Bureau, the Beijing State Land Resources Bureau and the Housing Administration Bureau, and the Commodity Price Bureau of Beijing, as well as integrating with the Company's actual situation, the Company provided a housing allowance of RMB70 to RMB90 per month to its staff starting from 1 April 2000 onwards.

### (IX) Employees' Basic Medical Insurance

Since October 2001, the Company has been implementing the "Provisions regarding Basic Medical Insurance in Beijing", and implementing employees' basic medical insurance system in accordance with the provisions. The Company is required to pay the basic medical insurance calculated as 9% of employees' total wages, and the large medical expenses mutual fund calculated as 1% of employees' total wages out of the staff welfare fund. The provision of supplementary medical insurance shall be prepared on the basis of 4% of employees' total wages for medical expenses in accordance with supplementary qualifications on reimbursement of medical insurance set out in Provisions regarding Basic Medical Insurance in Beijing. The employee welfare is expensed according to actual situation with the amount in total not exceeding 14% of the total payroll of employees.

### (X) Annual General Meeting

The Board of Directors proposed that the Annual General Meeting for 2014 to be held in 9 June 2015 (Tuesday), specific time of which please refer to the Notice of 2014 Annual General Meeting.

### (XI) Report on Performance of Social Responsibility by the Company

#### (i) Social responsibility works

##### 1. Overview of social responsibility

The Company has been upholding the core value of "combination of technologies and techniques with trust and integrity" and strictly complying with the principle of trustworthy, responsible and lawful operation. While pursuing economic benefits and protecting the interests of its shareholders, the Company has devoted to protecting the legal interests of its creditors and employees. The Company insisted on "use honest to support credit, use loyalty to treat work, use cooperation to achieve harmony" to reach the mutual growth of partners, enterprises and employees.

In 2014, the Company continuously perfected its governance structure as a legal person to regulate the operation of the Company, enhanced its internal control system, strictly complied with the related requirements of CSRC, meticulously performed its corporate responsibilities, and perfectly protected the interests of its shareholders and creditors. The Company strictly complied with the Labor Laws and the Articles of Association of the Company and protected the legal interests of its staff in accordance with the relevant laws. The Company has established a healthy and effective quality control system and focused on the enhancement of product quality. In the meantime, we, together with the party, organized different caring activities to listen to the thoughts of staff and do actual work for staff. The Company proactively participated in the community welfare activities, and made donations to charity in order to actively contribute to the construction of a "harmonious society".



**(XI) Report on Performance of Social Responsibility by the Company** *(cont'd)***(i) Social responsibility works** *(cont'd)***2. Report of performance of social responsibility**

The Company actively responded to the call of China's clean energy policies, actively promoted the adjustment of product structure, accelerate the transformation and upgrading of enterprises, vigorously explored the natural gas storage and transportation equipment market and made positive contributions towards the development of China's energy conservation, emission reduction and environment protection industry.

In order to expand the application of natural gas storage and transportation products, the Company, on the basis of providing relevant products for original truck, sedan and bus customers, accelerated strategic cooperation with heavy truck enterprises and first and second line vehicle assembly plants to jointly explore LNG cylinder market; constantly made technical innovation, improved product quality and created core competitiveness with pioneering courage and precise and practical work style to make various technical performance indicators of the products reach domestic leading, international first-class level.

Along with the deterioration of air pollution in China, especially in the capital Beijing, Beijing took the air quality improvement, which focused on control of PM 2.5 (particular matters), as a significant livelihood project and put it in the first place. As a State-owned enterprise in the capital, the Company actively fulfilled the social responsibilities, and developed deep cooperation with Beijing Public Transportation Group to provide supporting products of LNG cylinders for Beiqi Foton clean energy demonstration buses. At present, what are equipped on the buses with important routes that pass Changan Street and Tiananmen are LNG automobile cylinders. The Company's LNG products are safely served in the buses in Beijing, and play an irreplaceable role in the environment control in the capital and represent a good social image of the Company.

The Company accelerated the implementation of its 12th five-year strategic plan. The construction of the Huo County cryogenic production base in Beijing was completed as scheduled, which created favorable conditions for the massive production of high-end gas storage and transportation products. Centering on the core function of the capital, the Company actively relieve industry and accelerated the transformation and upgrading of enterprises. The Company cooperated with Shandong Yongan Heli Cylinder Co., Ltd., a private enterprise, to jointly establish Shandong Tianhai High Pressure Vessel Co., Ltd., achieving the organic integration of the brand, quality and technology advantages of Tianhai Industrial with the regional and cost strengths of Shandong Heli, which represented that the Company has entered a total new stage in respect of strategic transformation and upgrading as well speeding up its pace of reform. Meanwhile, the relocation of production lines of Beijing Tianhai and its subsidiaries was steadily promoted.

**3. Protection of employees' interests**

- 1) In accordance with laws, regulations and rules, the Company participates in pension and social insurances such as medical, unemployment, work injuries and pregnancy insurances etc and housing fund. The Company pays the social insurance fees on time, fulfils the fees payments obligations on behalf of the employees, discloses the payment of social insurance fees every month and accepts the supervision of the employees.
- 2) The labor union completely fulfils its function to represent the interests of employees. Representatives of the labor union and employees participate in formulating, revising or deciding rules or systems related to work compensation which directly involve the interests of the employees and other important matters; the Company has assiduously implemented the "Rules and regulations of the Labor Contract Law" and signed a "Collective Contract" so as to further clarify the interests and rights of the employees. It widely collected opinions and advices of the employees by adopting reasonable advice and through expression in company newspaper and accept supervision of the employees.
- 3) In the training of employees, the Company has established effective training mechanism, implemented training of the qualities of employees and training of special skills. Since the beginning of the year, the Company has organized another mentorship program, with a total of 16 pairs of master and apprentice formed. Based on the platform of enterprise-school cooperation, the Company continuously provides professional technicians to the front line of production and its technical expert team is increasingly enlarged. The Company has formulated a rewarding system toward the employees who obtained technical grades, which greatly motivated the passion of frontline employees to learn techniques and increase abilities. The Company actively constructed the platform for its employees to realize their own value and organized welder skills contest within the Company and the job exercising and skill competition activities in the affiliated company. In order to meet the innovation and development requirements from the LNG market in which the Company's new products were promoted and do better in identifying, developing and reserve of skillful talents in weld, the Company held the first session "Tianhai Cup" Welder Skill Contest so as to set up a platform for our staffs to display their talents and inspired their enthusiasm of works.

## SECTION 6 REPORT OF THE DIRECTORS

### (XI) Report on Performance of Social Responsibility by the Company *(cont'd)*

#### (i) Social responsibility works *(cont'd)*

##### 3. Protection of employees' interests *(cont'd)*

- 4) The Company has set up the platform for the growth of its young talents. The Company has prepared the 135 Growth Plan for the Youth, being targeted to provide career planning services for the young employees who joined the Company from 1 to 5 years, which has created favorable conditions for expanding personal development.
- 5) The Company has intensified labor protection to safeguard the safety and health of its employees. Under the guideline of "safety first, precaution crucial", the Company has established and improved the life safety-focused safe production responsibility system and material technology support system to protect the interest of the employees. In order to protect the health of its employees, the Company provided physical examination for all the servicing employees and occupational health examination to the employees taking dangerous work, as well as pre-service health examination and off-job health examination to employees who contact occupational hazard factors.

In aspect of improving working environment and minimizing the harm of fumes, noise and heat, the Company has equipped anti-dust device, purification device and anti-scramming device on the work site; installed self-made muffler on cylinder, valve and cryogenic exhaustion system to decrease the noise in work site; and made automatic renovation to the heating and feeding system of necking-in machine, which led to isolated operation and shortened contacting time of noise and heating by operators.

- 6) The Company has been caring about the life of its employees and done actual work for them. According to the demand of employees, new parking area was vacated, to ease parking problem for its employees; fitness equipments were purchased and installed; basketball courts and the small courts for five-a-side football were constructed in the Huo County production base, and the thyroid gland inspection was arranged for all employees; The Company also strived to do better in the heatstroke prevention and cooling in summer and purchased insulation barrels with different size to equip with all front line working lines and groups, which were warmly welcomed by all staffs.
- 7) The Company has been doing well in the work related to the employees' wellbeing mutual help insurance. In 2014, there were a total of 1,400 employees joining the insurance. There were 1,400 employees participating in hospitalization insurance and 218 employees participating in the female employee mutual help insurance. As of the end of 2014, employees of the Company had claimed their insurance for a total of 14 times and were compensated RMB 11,378.
- 8) The Company has been actively protecting the rights and interests of off-farm workers. Most of off-farm workers of the Company have worked for rather long time in the Company and have become key persons in the production posts. All of the workers have signed labor contract with the Company. The Company pays various insurance for them according to regulations. The Company has not delayed any payment for the salaries of the off-farm workers. All salaries are paid on time and in right amount to the personal bank card of the workers every month. The Company does not discriminate against off-farm workers. The off-farm workers can get an allowance of RMB200 on their birthday.
- 9) Active organization of cultural and sport activities strengthens the cultural construction of the company. During the year, the Company organized different cultural and sport activities according to the corporate features and its employees' demands in different time, which mainly include: knowledge contest, Poker contest, table chess contest, tennis contest, football contest, basketball contest, badminton contest, sports meeting and National Day cultural and art performance. Such activities are rich, various and widely-participated. Apart from increasing fund contribution, with the combination of current sites and rented sites, large-scale activities and small-range activities, the Company made innovations in the type and content of activities and spent lots of energy in the novelty, dynamic and variety of activities. Through these activities, the Company better met the increasing spirit demands of employees, built an up-beat environment and the employees were encouraged to accept difficulties and challenges and became more motivated, cohesive and inspired.

**(XI) Report on Performance of Social Responsibility by the Company** *(cont'd)***(i) Social responsibility works** *(cont'd)***4. Interests of suppliers and customers**

The Company looks for a long term strategic cooperation with customers and suppliers and aims to achieve good quality. In 2014, the Company put emphasis on quality and supply of goods target. It has strengthened the construction of mechanism and tightened the control over product quality and goods supply cycle. Through holding seminars with suppliers, site assessment, training and annual evaluation, the Company has innovated demanding-supplying mode and continuously improved product quality to ensure that the products meet the market demand.

1. The Company strengthened management over suppliers and improved the supply quality. Through quality evaluation on arrival and site assessment of suppliers, the Company treated those qualified and faithful enterprises as long-term strategic partners and included them into the list of qualified suppliers as first-chosen purchasing suppliers. Through annual assessment and competitively selection, the supply quality and service level of suppliers were effectively improved. At the same time, the Company adopted competition mechanism and purchased commodity after assessing several suppliers and compared their prices. The Company implemented a classified management over the purchase of outsourced parts based on market price mechanism and product properties so as to realize the monitoring of quality and price of purchased parts. The Company continuously facilitated the improvement of market price comparison system in order to realize mutual benefit and joint development.
2. Based on the principle of "openness, fairness and transparency", the Company vigorously implemented fair and honest purchase, enhanced anti-corruption education toward salesman to ensure "no desire of violating operation", perfected systems and supervision mechanism to ensure "no ability of violating operation", and strengthened punishment to ensure "no courage of violating operation". In addition, the Company positively cooperated with suppliers to defend corruption, in order to achieve effective control over the source and eliminate harmful practice during the procurement.
3. During the procurement, the Company actively led its suppliers to improve their social responsibility awareness, requiring them to enhance environmental protection awareness when manufacturing products, such as adopting measures regarding the recycle and re-use of the package. The Company has added social responsibility into the annual assessment of quality system toward suppliers, to drive them to perform social responsibilities.
4. The Company carried out special rectification for procurement and enhanced prevention and control of risk from clean governance. In 2014, The Company formed a special rectification working team in aspect of material procurement chaired by the person-in-charge of the Company, and a joint steering team comprising of relevant members from the Discipline Inspection Commission, Department of Supervision, Department of Business Administration and Operations, the Audit and Legal Affairs Department and the Finance Department, which had implemented special rectification for procurement of the supply department and every subsidiaries. With the combination of self-checking and supervision, the Company conducted a comprehensive combing by way of on-site inspection, sampling and individual interview, towards 11 items focusing on whether the material purchasing management system and procedures are sound and perfect and their implementation are well-positioned or not, and formulated corresponding rectification measures so as to further strength the management of prevention of risks from clean governance in the field of materials procurement.
5. Through various ways such as mutual visit and communication with key customers, regular customer satisfaction survey, after-sale visit, the Company maintained sales channel, collected customers' opinion and provided premium service to customers on time and respond quickly to the changes in the market. The Company pushed forward its service work with transpositional consideration, and implemented the strategy of joint development of new markets cooperating with main engine plants by adopting "the promotion of sales by service" as the principle of service works. By deepening the service of stable and already occupied sales market and developing new sales market, the Company realized the continuous development of its sales work. Over one year, facing the furious competitive market environment, the Company constantly kept its the high-end services, earnestly done better in pre-sale, sale and after-sale services so as to enhance relations with customers. The Company jointly discussed the market strategies with its agents and key customers, surrendering part of its profits but no share of market, conducting negotiation for every order to capture various opportunities to maintain customers and secure orders as well as protect the market share of products of the Company to the greatest extent.



## SECTION 6 REPORT OF THE DIRECTORS

### (XI) Report on Performance of Social Responsibility by the Company *(cont'd)*

#### (i) Social responsibility works *(cont'd)*

##### 4. Interests of suppliers and customers *(cont'd)*

6. The Company strengthened quality improvement and formulated preventive management measures, realized breakthrough in the reliability of the product. Improve quality improvement process and enhance level of reward. The research and development of new product was based on the principle of "customer demand-driven product research and development, market expansion-led technology innovation", and developed overall advantages over research and development by the combination of technologies, optimization of research and development processes and sharing of resources, shortened the time of product to market, improved the product competitiveness and customers' satisfaction. The Company increased the initiative for the employees to participate in quality improvement; organized targeted market investigation and research, visit, collected and analyzed market feedback about abnormal quality problem, to quickly implement quality improvement and target the change in downstream market to realize a continuous and developmental product market supply system.

7. The Company adapted to market demand and built quality team. The Company insisted on orienting towards market demand and individualized needs of the customers and actively provided quality product and service. In 2014, the Company has offered quality product and service to Zhengzhou Yutong Bus, Xiamen Golden Dragon, Beijing Hyundai, Fukang, Shanxi Zhongqi, Shanxi Dayun and other well-known enterprises and nation-wide automobile repacking companies and received wide recognition from customers.

##### 5. Public welfare and caring

In 2014, in the activity of "Communist party members show love" and through the wide propaganda and organization of various levels of the party organizations, the communist party members, activists and other people made 600 donations which raised RMB30,130.

The Company takes care of staff life and creates a harmonious atmosphere. The Company continued on "heart-warming" activities, personally visited model workers, overseas Chinese, retired executives and employees with difficulties or serious illness. In 2014, the Company made 133 family visits and 119 hardship grants with total amounts of grants provided of RMB126,000. The Company organized "Jingcheng learning-assistance" activity under the call of the superior, and issued RMB7,500 to each of the nine employees who have children entering into university, showing our encouragement to children's education and eased their actual difficulties.

#### (ii) Description on the environment protection of the listed companies and its subsidiaries in the heavy pollution industry as specified under the environment protection authorities of the PRC

Not Applicable

**(I) Material litigation, arbitration and matters commonly questioned by media**

Applicable  Not Applicable

**(II) Embezzlement of funds and repayment of debt during the reporting period**

Applicable  Not Applicable

**(III) Bankruptcy and restructuring related matter**

The Company does not have bankruptcy and restructuring related matter for this year.

**(IV) Exchange of assets and merger of companies matter**

Applicable  Not Applicable

**(V) Company share incentive and its effect**

Applicable  Not Applicable

**(VI) Material connected transaction**

Applicable  Not Applicable

**(1) Connected transaction related to daily operation****1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**

<b>Summary of matter</b>	<b>Index for enquiry</b>
Contract on procurement of materials from Tianjin Steel Pipe and Steel Trading Co., Ltd by Tianjin Tianhai High Pressure Co., Ltd., a subsidiary of the subsidiary of the Company	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
Procurement of raw materials from first branch of Beijing Jingcheng Industry Logistics Co., Ltd. by Beijing Tianhai industry Co., Ltd., a subsidiary of the Company	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
Conducting of financial leasing business between Beijing Jingcheng International Financial Leasing Co., Ltd and Beijing Tianhai industry Co., Ltd., a subsidiary of the Company	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
Lease of plant of Beijing Jingcheng Electric Asset Management Co., Ltd by Beijing Tianhai industry Co., Ltd., a subsidiary of the Company	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
Lease of plants of Beijing Jingcheng Compressor Co., Ltd, a subsidiary of the Company, to Beijing Jingcheng Tianyi Environmental Technology Co., Ltd.	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
Lease of office buildings of Beijing Xihai Trade Co., Ltd to Beijing Jingcheng Compressor Co., Ltd, a subsidiary of the Company	For details, please refer to Shanghai Securities News and Securities Daily dated 4 March 2014; <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;

## SECTION 7 IMPORTANT MATTERS

### (VI) Material connected transaction (cont'd)

#### (2) Related creditor's right and debt transactions

##### 1. Matters not disclosed in the extraordinary announcements

Unit: Yuan Currency: RMB

Related party	Relationship with the 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 period	Balance as of beginning of the period	Occurred amount	Balance as of end of period
Beijing Jingcheng Electric Management Co., Ltd.	Wholly-owned subsidiary of parent company	-	756,603.33	756,603.33	52,889,750.00	-52,889,750.00	0.00
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture				2,853,391.68	2,853,391.68	
Beijing Jingcheng Industrial Logistics Co., Ltd.	Wholly-owned subsidiary of parent company	-			12,562,196.93	-11,359,969.66	1,202,227.27
Jingcheng Holding	Controlling shareholder	-			513,707,077.46	-310,807,077.46	202,900,000.00
Beiren Group Corporation	Wholly-owned subsidiary of parent company	-			9,537,212.51	-8,397,237.30	1,139,975.21
Beijing First General Machinery Plant	Wholly-owned subsidiary of parent company	-			393,359.09	192,000.00	585,359.09
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	Holding subsidiary of parent company	-				515,477.86	515,477.86
Beijing Jingcheng Tianyi Environmental Technology Co., Ltd.	Holding subsidiary of parent company	-			4,500,000.00	-4,500,000.00	0.00
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party	-				29,905,275.77	29,905,275.77
Tianjin TPCO Investment Co., Ltd.	Other related party	-				995,957.08	995,957.08
Total		-	3,609,995.01	3,609,995.01	593,589,595.99	-356,345,323.71	237,244,272.28
Occurred amount of the funding provided to the controlling shareholder and its subsidiaries by the Company during the reporting period							756,603.33
Balance of the funding provided to the controlling shareholder and its subsidiaries by the Company during the reporting period							756,603.33
Reasons for occurrence of related creditor's right and debt transactions		House rent for the period from 1 June 2014 to 31 May 2015 was paid on a lump sum basis as agreed in the house lease contract.					
Repayment of related creditors' rights and debts							None
Commitment in relation to related creditors' rights and debts							None
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company							None



**(VI) Material connected transaction** *(cont'd)***(3) Others**

The Group entered into connected transactions with the following entities which are regarded as connected persons of the Company under the Listing Rules as at 31 December 2014.

1. 天津大無縫投資有限公司 (Tianjin Seamless Investment Co. Ltd.) ("Tianjin Seamless") is the controlling shareholder of 天津天海高壓容器有限責任公司 (Tianjin Tianhai High Pressure Containers Co., Ltd.) ("Tianjin Tianhai"), holding 45% interests of Tianjin Tianhai. Tianjin Seamless and 天津鋼管鋼鐵貿易有限公司 (Tianjin Pipe Steel Trade Co., Ltd.) ("Tianjin Pipe") are both the wholly-owned subsidiaries of 天津鋼管集團股份有限公司 (Tianjin Pipe Group Co., Ltd.). Therefore, Tianjin Seamless is an associate of Tianjin Pipe and a connected person of the Company.
2. 北京京城工業物流有限公司第一分公司 (Beijing Jingcheng Industrial Logistics Co., Ltd, First Branch) ("Jingcheng Logistics") holds 74.8% interests in 北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holdings Co., Ltd.) ("Jingcheng Holding"), and Jingcheng Holding is the controlling shareholder of the Company, holding 47.78% interests in the Company. Therefore, Jingcheng Logistics is an associate of Jingcheng Holding and a connected person of the Company.
3. 北京京城國際融資租賃有限公司 (Beijing Jingcheng International Financial Leasing Co., Ltd.) ("Jingcheng International Financial") is 75% owned by Jingcheng Holding, and Jingcheng Holding is the controlling shareholder of the Company, holding 47.78% interests in the Company. Therefore, Jingcheng International Financial is an associate of Jingcheng Holding and a connected person of the Company.
4. 北京京城機電資產管理有限責任公司 (Beijing Jingcheng Electric Management Co., Ltd.) ("Asset Management Company") is a wholly-owned subsidiary of Jingcheng Holding, and Jingcheng Holding is the controlling shareholder of the Company, holding 47.78% interests in the Company. Therefore, Asset Management Company is an associate of Jingcheng Holding and a connected person of the Company.
5. 北京京城天義環保科技有限公司 (Beijing Jingcheng Tianyi Environmental Technology Co., Ltd.) ("Jingcheng Tianyi") is 80% owned by 北京西海工貿公司 (Beijing Xihai Trade Co., Ltd.) ("Beijing Xihai"), which is a wholly-owned subsidiary of Jingcheng Holding. Jingcheng Holding is the controlling shareholder of the Company, holding 47.78% interests in the Company. Therefore, Jingcheng Tianyi is an associate of Jingcheng Holding and a connected person of the Company.
6. Beijing Xihai is a wholly-owned subsidiary of Jingcheng Holding, and Jingcheng Holding is the controlling shareholder of the Company, holding 47.78% interests in the Company. Therefore, Beijing Xihai is an associate of Jingcheng Holding and a connected person of the Company.

Details of the connected transactions and continuing connected transactions for the year ended 31 December 2014 were as follows:

**Continuing connected transactions**

On 3 March 2014, Tianjin Tianhai, a subsidiary of the Company, signed a framework agreement on purchase and sales of pipes for gas cylinders with Tianjin Steel Pipe, pursuant to which Tianjin Tianhai would purchase pipes for gas cylinders from Tianjin Pipe for a period of one year from 1 January 2014 to 31 December 2014 with a maximum amount of RMB300,000,000. On 27 March 2014, Tianjin Steel Pipe and Tianjin Tianhai signed a supplementary agreement to the framework agreement, to extend the original term to a period of three years till 31 December 2016. On 26 June 2014, the continuing connected transaction in relation to the framework agreement on purchase and sales of pipes for gas cylinders and its supplementary agreement were considered and approved at the general meeting.

On 3 March 2014, Jingcheng Logistics (as the Seller) and 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.) ("Tianhai Industry"), a wholly-owned subsidiary of the Company (as the Buyer) entered a long-term purchase contract on steel billets for gas cylinders for a period of one year from 1 January 2014 to 31 December 2014. The continuing connected transaction under such long-term contract expires on 31 December 2014 with the maximum amount of RMB 26,000,000 for the year.

On 3 March 2014, Tianhai Industry and Jingcheng International Financial entered a finance lease cooperation framework agreement, pursuant to which, Tianhai Industry intended to sell and Jingcheng International Financial intended to purchase such products and Jingcheng International Financial provided finance lease to sales customers. The continuing connected transaction under the cooperation framework agreement expires on 31 December 2014 with an estimated annual limit of RMB29,000,000.

On 3 March 2014, Asset Management Company (as lessor) and Tianhai Industry (as lessee), a wholly-owned subsidiary of the Company, entered into a contract with respect to the lease of plants and equipment of Asset Management Company for certain plants and production facilities for a period of three years from 1 January 2014 to 31 December 2016. The annual rent is RMB 680,000 and the rent for half a year is RMB340,000.

## SECTION 7 IMPORTANT MATTERS

### (VI) Material connected transaction *(cont'd)*

#### (3) Others *(cont'd)*

##### **Continuing connected transactions** *(cont'd)*

On 3 March 2014, Jingcheng Compressor (as lessor) and Jingcheng Tianyi (as lessee), a wholly-owned subsidiary of the Company, entered into Jingcheng Tianyi Plant Lease Contract with respect to certain plant and production facilities for a period of three years from 1 January 2014 to 31 December 2016. The annual rent is RMB924,362.5 and the quarterly rent is RMB231,090.625.

On 3 March 2014, Beijing Xihai (as lessor) and Jingcheng Compressor (as lessee), a wholly-owned subsidiary of the Company, entered into the Xihai Property Lease Contract with respect to certain office property for a period of two years from 1 January 2014 to 31 December 2015. The annual rent is RMB1,202,857.50 and the monthly rent is RMB100,238.13.

On 26 June 2014, Asset Management Company (as lessor) and the Company (as lessee) entered into Asset Management Company Property Lease Contract for a period of one year from 1 June 2014 to 31 May 2014 with an annual rent of RMB 1,815,856.02.

During the Reporting Period, the above continuing connected transactions were processed in accordance with their contractual agreements. The independent non-executive directors have reviewed each continuing connected transaction and confirmed that:

- (1) it was entered into by the Group in the ordinary and usual course of business;
- (2) it was entered into on normal commercial terms;
- (3) it was carried out in accordance with the terms of the relevant transaction agreement, which were fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditors have issued letters without reservation in relation to the disclosed continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules, which contain their findings and conclusions.

Such transactions were entered into in the ordinary and usual course of business of the Group, which were necessary for and continued during the operation of the Company. Also, such transactions would in no way affect the independence of the Company and harm the interests of the Company and shareholders, and in particular, the medium-sized shareholders and the minority shareholders. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

Save as disclosed above, the Directors consider that those related parties transactions disclosed in note X to the financial statements did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

**(VII) Contracts of significance and their execution****(1) Trust, contracting and lease matters**

Applicable  Not Applicable

**(2) Guarantee**

Applicable  Not Applicable

Unit: 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 11,200,000

Total amount of guarantees for its subsidiaries outstanding at the end of the Reporting Period (B) 11,200,000

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

Total amount of guarantees (A+B) 11,200,000

Total amount of guarantees as a percentage of the Company's net assets (%) 0.78

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

Description on outstanding guarantees for which may bear several and joint liability

In the event Tianjin Tianhai fails to perform its payment obligations on time, Huaxia Bank Co., Ltd. Tianjin Branch may require Tianjin Tianhai to bear the responsibility of payment or Beijing Tianhai to bear joint guarantee obligation. Beijing Tianhai can require Tianjin Tianhai to bear counter guarantee responsibility after performing its joint guarantee obligations.

Description on guarantees

It represents the guarantee provided by Beijing Tianhai (a subsidiary of the Company) to its subsidiary Tianjin Tianhai with guarantee amount of RMB11,200,000. Tianjin Tianhai provided counter guarantee for Beijing Tianhai. Beijing Tianhai is entitled to have creditor's rights of RMB11,200,000 against Tianjin Tianhai after performing its guarantee obligations.



## SECTION 7 IMPORTANT MATTERS

### (VIII) FULFILLMENT OF COMMITMENTS

Applicable  Not Applicable

**(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		

## SECTION 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments *(cont'd)*

(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 *(cont'd)***

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 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		
Undertaking related to the Material Asset Reorganisation	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 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments *(cont'd)*

(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 *(cont'd)***

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	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 e 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.	



## SECTION 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments *(cont'd)*

(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 *(cont'd)***

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	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.	
Undertaking related to the Material Asset Reorganisation	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		
Undertaking related to the Material Asset Reorganisation	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		

## SECTION 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments (cont'd)

(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 (cont'd)

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	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 (XYZH/2013TJA2024-4), 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	As at 1 September 2014, the total compensation amounting to RMB100,159,700 has been fully paid by Jingcheng Holding.	
Undertaking related to the Material Asset Reorganisation	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 Beiyong 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. 京城股份 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 京城股份 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 京城股份 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 Beiyong, and it has not committed any act in violation of the undertaking.	

## SECTION 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments *(cont'd)*

(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 *(cont'd)***

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	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.	
Undertaking related to the Material Asset Reorganisation	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		



## SECTION 7 IMPORTANT MATTERS

### (VIII) Fulfillment of commitments *(cont'd)*

(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 *(cont'd)***

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	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.	Upon obtaining the approval at the 2013 annual general meeting of the Company held on 26 June 2014, the Company has completed its disposal of 100% equity interests in Jingcheng Compressor to Beijing Guotong Asset Management Co., Ltd. on 25 September 2014. After that, the Company ceased to hold any equity interests in Jingcheng Compressor.
Undertaking related to the Material Asset Reorganisation	Others	Incoming Asset (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.	Upon obtaining the approval at the 2013 annual general meeting of the Company held on 26 June 2014, the Company has completed its disposal of 100% equity interests in Jingcheng Compressor to Beijing Guotong Asset Management Co., Ltd. on 25 September 2014. After that, the Company ceased to hold any equity interests in Jingcheng Compressor.

**(IX) Appointment and dismissal of accounting firms**

Unit: 0,000 Yuan Currency: RMB

Is it a reappointment of accounting firm: No

	Formerly appointed	Currently appointed
Name of domestic accounting firm		Shinewing Certified Public Accountants LLP
Compensation of domestic accounting firm		105
Audit years of accounting firm		8
	Name	Compensation
Internal control auditor	BDO China Shu Lun Pan Certified Public Accountants LLP	50
Financial adviser	CITIC Securities Co., Ltd.	30

**(X) 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.

**(XI) Information on convertible corporate bonds**

Applicable  Not Applicable

**(XII) Effects on the consolidated financial statements from implementation of new accounting standards**

In 2014, the Ministry of Finance newly issued or revised a series of accounting standards such as Accounting Standards for Business Enterprises No.2-Long-term Equity Investments. The Group, when preparing the annual financial statements of 2014, adopted relevant accounting standards and handle according to relevant rules on liking.

**1 Effect from changes in the accounting standards about employee benefits**

Unit: Yuan Currency: RMB

Employee compensation payable as at 1 January 2014 (+/-)	Equity attributable to the shareholders of parent company as at 1 January 2014 (+/-)
29,840,000.00	-29,840,000.00

**Description on changes in the accounting standards about employee benefits**

Before 2014, the Group did not account relevant expenses of the defined benefit plan on incurrence. Pursuant to the revised Accounting Standards for Business Enterprises No.9 – Employee Benefits, for defined benefit plans, it is supposed to estimate relevant demographic statistical variables and financial variables by using expected accumulative benefit unit method based unbiased and mutually consistent actuarial assumption, measure obligations arising from defined benefit plans and determine the period, to which relevant obligations belong. Enterprises shall discount the obligations arising from defined benefit plans at a discount rate to determine the present value and current service cost of the obligations of defined benefit plans. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The employee compensation payable in the balance sheet of 2013 increased by RMB 29,840,000.00, and the retained profit was adjusted to decrease by RMB 32,310,000.00, and the other comprehensive revenue was adjusted to increase RMB2,470,000.00.

## SECTION 7 IMPORTANT MATTERS

### (XII) Effects on the consolidated financial statements from implementation of new accounting standards *(cont'd)*

#### 2. Effect from changes in other accounting standards

Before 2014, the unrealized gains or losses on internal transactions of sales of assets among subsidiaries of the Group offset in full the net profits attributable to the owners of the parent company. According to the revised Accounting Standards for Business Enterprises No.33-Consolidated Financial statements, unrealized gains or losses from internal transactions of the sales of assets between subsidiaries shall be distributed between and offset “net profit attributable to owners of the parent company” and “minority interest income” in proportion to the ratio the parent company distribute to the subsidiary selling the assets. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The adjusted decrease of the shareholders’ equity in the balance sheet of 2013 was RMB 1,538,378.84 and the adjusted retained profits were RMB 1,538,378.84 and the total liabilities were not affected.

### (XIII) Explanation on other important matters

Applicable  Not Applicable

#### 1. Government subsidies

During the Reporting Period, the Company received RMB 1,548,600 from the grant of Government Office.

#### 2. Changes of the subsidiaries that included in the consolidation scope during the Reporting Period

During the Reporting Period, the Company sold 100% equity interest in Beijing Jingcheng Compressor Co., Ltd.; therefore, the income statement and the statement of cash flows only contained the information of Jingcheng Compressor from January to September. The balance sheet as at the end of the balance sheet did not contain the information of Jingcheng Compressor.

#### 3. During the Reporting Period, the Company’s subsidiaries were subject to an applicable enterprise income tax rate of 25%.

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

The Audit Committee of the Board of the Company has reviewed and confirmed the annual financial report for 2014.

#### 5. Corporate Governance Code

The Company has been in compliance with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange during the Reporting Period, except for the deviations as disclosed in the “Length of Board meeting notices” below.

##### Length of Board meeting notices

According to Code Provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

The Company gives a notice of the board meeting on 15 April 2014 in relation to the board meeting convened on 28 April 2014 which the notice period is less than 14 days as all directors of the Company are available to attend the board meeting on 28 April 2014.

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

During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the 12 months ended 31 December 2014.

#### 7. Share capital

- (1) During the Reporting Period, there was no change in the total number of shares and shareholding structure of the Company.
- (2) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.



## SECTION 8 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	Other	Subtotal	Amount	Proportion (%)
					from reserves				
(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	422,000,000	100						422,000,000	100
1. Renminbi ordinary shares	322,000,000	76.3						322,000,000	76.3
2. Foreign shares listed domestically	0	0						0	0
3. Foreign shares listed overseas	100,000,000	23.7						100,000,000	23.7
4. Others	0	0						0	0
(III) Total shares	422,000,000	100						422,000,000	100

##### 2. Explanation on the changes in shares

On 7 December 2012, Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding without consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder of the Company holding approximately 47.78% of the Company.

##### 3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)

Changes in the shares of the Company do not have any effect on the financial indicators such as earnings per share and net asset per share for the most recent year and the most recent period.

##### 4. Other disclosure deemed necessary by the Company or required by securities regulatory authorities

The Company does not have other disclosures or disclosures required by securities regulatory authorities.

##### 5. Changes in trade-restricted shares

During the Reporting Period, there is no change in trade-restricted shares of the Company.

## SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (II) Issuance and listing of securities

- (1) **Each issuance of securities for the three years ended as at the end of the Reporting Period**  
For the three years ended as at the end of this Reporting Period, the Company has not issued or listed and securities.
- (2) **Changes in the total number of shares of the Company and shareholders' structure and changes in the asset and liability structure of the Company**  
During the Reporting Period, there is no change in the total number of shares and structure of shares of the Company due to bonus shares or allotment of shares.
- (3) **Existing internal employee shares**  
As of the end of the reporting period, the Company does not have internal employee share.

### (III) Share price of the Company during the reporting period

1. **Share prices of H shares in 2014:**  
Opening price as of the beginning of the year: HKD3.10  
Closing price as of the year end: HKD3.00  
Highest price: HKD 5.33  
Lowest price: HKD 2.05
2. **Share prices of A shares in 2014:**  
Opening price as of the beginning of the year: RMB8.22  
Closing price as of the end of the year: RMB6.95  
Highest price: RMB8.53  
Lowest price: RMB5.13

### (IV) Shareholders and beneficial controllers

- (1) **Total numbers of shareholders:**

*Unit: share*

<b>Total number of shareholders during the reporting period</b>	14,351 in which: 14,281 holders of A shares, 70 holders of H shares)
<b>Total number of shareholders as of the end of the fifth trading day before the disclosure date of the annual report</b>	13,541 in which: 13,471 holders of A shares, 70 holders of H shares)

- (ii) **Shareholding of top ten shareholders, ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period**

*Unit: share*

#### Shareholding of top ten shareholders

Name of shareholder	Increase/decrease during the reporting period	Number of shares held at end of the period	Shareholding ratio (%)	shareholdings subject to trading moratorium	Pledged or frozen		Nature of shareholder
					Status	Numbers	
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	0	201,620,000	47.78	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	-52,000	99,033,199	23.47	0	Unknown	-	Unknown
Ningbo Liyuan Import and Export Co., Ltd.	411,100	5,282,100	1.25	0	Unknown	-	Unknown
Rising Securities Co., Ltd.	0	4,305,465	1.02	0	Unknown	-	Unknown
Zeng Youquan (曾佑泉)	163,700	1,636,589	0.39	0	Unknown	-	Unknown
Gao Xueping (高雪萍)	290,050	1,330,050	0.32	0	Unknown	-	Unknown
Li Guanghui (李光惠)	343,281	1,109,868	0.26	0	Unknown	-	Unknown
Han Weisen (韓維森)	1,008,894	1,008,894	0.24	0	Unknown	-	Unknown
Li Aier (李愛兒)	990,000	990,000	0.23	0	Unknown	-	Unknown
Nai Xiaoli (賴小麗)	780,043	780,043	0.18	0	Unknown	-	Unknown

## SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (IV) Shareholders and beneficial controllers *(cont'd)*

(ii) **Shareholding of top ten shareholders, ten ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period *(cont'd)***  
**Particulars of top ten holders of shares not subject to trading moratorium**

Name of shareholder	Number of shares not subject to trading moratorium	Class and number of shares	
		Class	Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	201,620,000	RMB ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	99,033,199	Foreign shares listed overseas	99,033,199
Ningbo Liyuan Import and Export Co., Ltd.	5,282,100	RMB ordinary shares	5,282,100
Rising Securities Co., Ltd.	4,305,465	RMB ordinary shares	4,305,465
Zeng Youquan (曾佑泉)	1,636,589	RMB ordinary shares	1,636,589
Gao Xueping(高雪萍)	1,330,050	RMB ordinary shares	1,330,050
Li Guanghui(李光惠)	1,109,868	RMB ordinary shares	1,109,868
Han Weisen(韓維森)	1,008,894	RMB ordinary shares	1,008,894
Li Aier(李愛兒)	990,000	RMB ordinary shares	990,000
Nai Xiaoli(賴小麗)	780,043	RMB ordinary shares	780,043

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.

Description on preferred shareholder of which voting rights had resumed and its shareholdings

N/A

- ① Among the top ten shareholders of the Company, Jingcheng Holding is the controlling shareholder of the Company.
  - ② HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.
  - ③ None of the shareholders holding 5% or more of the Company's shares are in position where their shares have been pledged or frozen.
  - ④ Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding at nil consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder and beneficial controller of the Company holding approximately 47.78% of the Company.
  - ⑤ Purchase, sale or redemption of the Company's listed securities
- During the reporting period, neither the Company nor any of its subsidiaries had purchased sold or redeemed any of the Company's shares.
- ⑥ Pre-emptive Rights
- There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- ⑦ Convertibles, options, warrants or other similar rights
- As of 31 December 2014, the Company did not issue any convertible securities, options, warrants or any other similar right.



## SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (IV) Shareholders and beneficial controllers *(cont'd)*

- (ii) **Shareholding of top ten shareholders, ten ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period *(cont'd)***  
**Disclosure of substantial shareholders' interests**

As at 31 December 2014, according to the Shareholders' register and related application documents received by the Company, so far as the Directors, and senior management of the Company are aware, each of the following persons, not being a Director, Supervisor or senior management of the Company, had an interest in the Shares which is required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

#### ***Interests in the Company***

<b>Name of Shareholder</b>	<b>Long/short position</b>	<b>Type of interest</b>	<b>Class</b>	<b>Number of Shares in class (Approximate percentage shareholding in class)</b>	<b>Approximate percentage of shareholding in the entire share capital of the Company (A Shares and H Shares)</b>
Jingcheng Holding	Long position	Beneficial owner	A Shares	201,620,000 (62.61%)	47.78%
Segantii Capital Management Limited	Long position	Investment manager	H Shares	8,430,000 (8.43%)	2%
UBS AG	Long position	Beneficial owner	H Shares	94,000 (0.094%)	0.002%
	Long position	Security interest in shares	H Shares	8,500,000 (8.50%)	2.01%
	Short position	Security interest in shares	H Shares	8,000 (0.008%)	0.002%
UBS Group AG	Long position	Security interest in shares	H Shares	8,290,000 (8.29%)	1.96%
	Long position	Interest of controlled corporation	H Shares	112,000(0.11%)	0.03%
	Short position	Interest of controlled corporation	H Shares	26,000 (0.026%)	0.006%

Save as disclosed above and so far as the Directors, Supervisors and senior management of the Company are aware, as at 31 December 2014, no substantial Shareholder of the Company or other person held any interest or short position in the Shares or underlying Shares (as the case may be) which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

## SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (V) Controlling shareholders and beneficial controller

#### (1) Controlling shareholder

##### 1. Legal person

Unit: Yuan Currency: RMB

Name	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
The person in charge of the unit or legal representative	Ren Ya Guang
Date of establishment	8 September 1997
Code of the organization	63368621-7
Registered capital	1,905,587,082.96
Principal businesses	Within the scope of authorization, management of state-owned assets; management of equities; external fundraising and investment. The company has six major business sectors including numerical control machine, engineering machine, storage and transportation of gas, environment protection industry, new energy and thermal power generation. It has six business units including logistics industry, hydraulic industry, switch industry, printing machine, electrical machine industry and electric wires and cables. It combines engineering design, product development, manufacture of equipment and technical service together, provides high quality professional integrated mechanics and electric equipments and services to industrial fields such as electricity, metallurgy, shipping, transportation, engineering construction, manufacture of machines and aerospace.
Future development strategies	The company will use "lead by target, lead by model, lead by value and lead by product" as the guiding principle for the development strategy of the 12th five year plan. It will make its mission to produce superior machines to equip the world. It will uphold good in techniques and serve with sincerity as the core value, base on the operating philosophy of rewarding shareholders and benefiting employees and the society, try its best to become a company which equips with leading technology and application ability, create value for customers in the core market and become a leading equipment manufacturer and service provider in the world.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and joint-stocks	Nil
Other matters	Nil

##### 2. Whether there is special description concerning the controlling shareholder of the Company

During the reporting period, there was no special description concerning the controlling shareholder of the Company

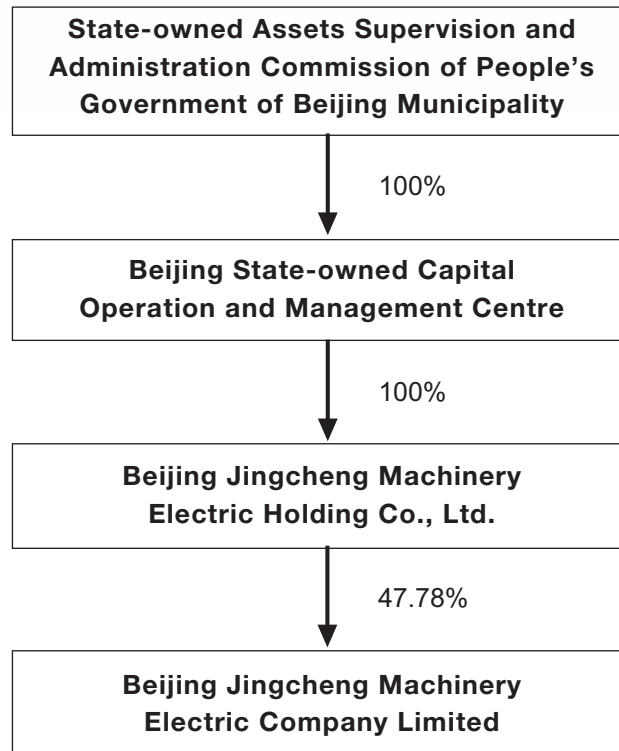
## SECTION 8 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (V) Controlling shareholders and beneficial controller *(cont'd)*

#### (1) Controlling shareholder *(cont'd)*

3. **Index and date of changes of controlling shareholder of the Company during the reporting period**  
During the reporting period, there was no change in controlling shareholders or beneficial controller of the Company.

**Property right and controlling relationship between the Company and beneficial controller**





## SECTION 9 INFORMATION ABOUT PREFERENCE SHARE

Not Applicable



## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period

Unit: share

Name	Position (note)	Sex	Age	Appointment date	End date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change in the amount of shareholdings in the year	Reason for change	Total remuneration before tax received from the Company during the reporting Period (RMB0'000)	Total remuneration received from other shareholder entities during the Reporting Period
Hu Chuanzhong	Chairman	Male	45	2014-06-26	2017-06-25	0	0	0	-	130.94	0
Li Junjie	Director, General Manager	Male	36	2014-06-26	2017-06-25	0	0	0	-	78.63	0
Zhou Yongjun	Non-executive director	Male	48	2014-06-26	2017-06-25	0	0	0	-	0	18.48
Chang Yun	Non-executive director	Female	40	2014-06-26	2017-06-25	0	0	0	-	0	11.31
Xia Zhonghua	Non-executive director	Male	50	2014-06-26	2017-06-25	0	0	0	-	0	14.11
Wu Yanzhang	Director, Deputy General Manager	Male	50	2014-06-26	2014-12-08	0	0	0	-	46.82	0
Jiang Chi	Director, Chief Accountant and Secretary to the Board	Female	39	2014-06-26	2017-06-25	0	0	0	-	68.00	0
Wu Yan	Independent non-executive director	Female	67	2014-06-26	2017-06-25	57,301	57,301	0	-	0	0
Liu Ning	Independent non-executive director	Male	56	2014-06-26	2017-06-25	0	0	0	-	0	0
Yang Xiaohui	Independent non-executive director	Male	46	2014-06-26	2017-06-25	0	0	0	-	0	0
Fan Yong	Independent non-executive director	Male	42	2014-06-26	2017-06-25	0	0	0	-	0	0
Liu Zhe	Chairman of the Supervisory Committee	Female	36	2014-06-26	2017-06-25	0	0	0	-	68	0
Han Bingkui	Supervisor	Male	59	2014-06-26	2017-06-25	0	0	0	-	72.25	0
Ruan Aihua	Supervisor	Female	52	2014-06-26	2015-01-06	0	0	0	-	19.57	0
Xie Yuemei	Chief Engineer	Female	56	2014-06-26	2017-06-25	0	0	0	-	72.25	0
Jiang Zili	Former Chairman	Male	46	2013-12-16	2014-06-26	0	0	0	-		19.15
Wang Pingsheng	Former vice chairman	Male	65	2014-12-16	2014-06-26	0	0	0	-	63.61	0
Wu Dongbo	Former non-executive director	Female	42	2012-05-29	2014-06-26	0	0	0	-	0	11.71
Zhang Shuangru	Former independent non-executive director	Male	71	2012-05-29	2014-06-26	0	0	0	-	6	0
Wang Hui	Former independent non-executive director	Female	53	2011-05-18	2014-06-26	0	0	0	-	6	0
Xie Bingguang	Former independent non-executive director	Male	59	2011-05-18	2014-06-26	0	0	0	-	6	0
Wang Deyu	Former independent non-executive director	Male	40	2011-05-18	2014-06-26	0	0	0	-	6	0
Jiao Ruifang	Former secretary to the Board	Female	37	2011-05-18	2014-06-26	0	0	0	-	45.13	0
Total	/	/	/	/	/	57,301	57,301	0	/	689.20	74.76

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

Name	Main work experiences during past five years
Hu Chuanzhong	Chinese, male, aged 45, Chairman of the Board. He obtained a bachelor degree in mechanical engineering from Tsinghua University and an EMBA from the University of Texas at Arlington, US. He is a senior engineer. Mr. Wu was a technician, assistant engineer, deputy director, director, vice president of engineering, deputy manager of technical quality department, deputy general manager and general manager of Tianhai Industry Co., Ltd. He was also the chairman of Tianjin Tianhai High Pressure Containers Co., Ltd. He was the general manager of the Company. He is currently the chairman and party secretary of Beijing Tianhai Industry Co., Ltd, director of Jingcheng Holding (Hong Kong) Company Limited as well as the director of Tianjin Tianhai High Pressure Containers Co., Ltd. and Langfang Tianhai High Pressure Containers Co., Ltd. He has been appointed as the Executive Director of the Company since 16 December 2013 and has served as the chairman of the Company since 26 June 2014.
Li Junjie	Chinese, male, aged 36, executive director and general manager of the Company. He obtained a bachelor degree in economics from Taiyuan Heavy Machinery Institute and an EMBA degree from Guanghua School of Management of Peking University. He was an accountant of finance department, salesman of marketing department, deputy manager of human resources department and deputy general manager in Beijing Tianhai Industry Co., Ltd. He is currently the deputy party secretary and general manager of Beijing Tianhai Industry Co., Ltd. He has been served as an executive director of the Company since 16 December 2013 till now and has been appointed as general manager of the Company since 26 June 2014.
Zhou Yongjun	Chinese, male, aged 48, non-executive director. He obtained a bachelor's degree of Engineering from Xi'an Jiaotong University and Master's Degree from Cheung Kong Graduate School of Business. He is a senior engineer. Mr. Zhou was deputy director, director, deputy chief engineer, and deputy general manager of the Technology Department of Beijing BEIZHONG Steam Turbine Generator Co., Ltd. He is currently the head of the Strategic and Investment Department of Beijing Jingcheng Machinery Electric Holding Co., Ltd, director of Beijing Jingcheng Heavy Industry Co., Ltd., Beijing Jingcheng Industrial Logistics Co. Ltd., Beijing Huade Hydraulic Industrial Group Co., Ltd, GD Jingcheng Handan Thermal Energy Co., Ltd.(國電京城邯鄲熱電有限公司)and Beijing Jingcheng Nagano Engineering Machinery Co., Ltd. He has been served as a non-executive director of the Company since 26 June 2014.
Chang Yun	Chinese, female, aged 40, non-executive director. She obtained a bachelor's degree in economics from China Coal Economic College(中國煤炭經濟學院), Master of Business Administration of China Europe International Business School. She is a senior accountant, certified public accountant and certified tax agent. Ms. Chang was the cost accounting supervisor, deputy director of the finance department of Beijing Research Institute of Mechanical & Electrical Technology, finance manager of BMEI Co., Ltd. and chief financial officer of Beijing Jingcheng Heavy Industry Co., Ltd. She is currently the head of the Audit Department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. (the headquarter). He has been served as a non-executive director of the Company since 26 June 2014.
Xia Zhonghua	Chinese, male, aged 50, non-executive director. He obtained a bachelor's degree in Engineering from Hefei University of Technology. He is a senior engineer. Mr. Xia was designer of construction of Beijing Metal Structure Factory (new factory) of Beijing Machinery Industrial Engineering Contract Corporation(北京機械工業建設工程承發包公司)and its technical director, project assistant manager and project manager, director in basic construction of Beijing Jingcheng Machinery Electric Holding Co. Ltd (hereinafter referred to as "Jingcheng Holding"), director of the construction project planning department of Beijing Jianji Real Estate Co., Ltd. (北京建機房地產公司)(Part-time), head of Resource Allocation and Restructuring of Beijing Jingcheng Machinery Electric Holding Co., Ltd., head of project investment of Beijing Jingcheng Machinery Electric Holding Co., Ltd., vice-president of Party School of Beijing Machinery Industry Administrative Bureau (北京機械工業管理局黨校) and deputy minister of the asset management department of Beijing Jingcheng Holding. He is currently the vice minister of the Ministry of the Securities and Reform of Beijing Jingcheng Holding, director of Beijing Xihai Industrial and Trading Company and Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. He has been served as a non-executive director of the Company since 26 June 2014.

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

Name	Main work experiences during past five years
Jiang Chi	Chinese, female, aged 39, executive director, chief accountant and secretary to the Board, graduated from Beijing Technology and Business University with a degree in economics. Ms. Jiang is a senior account and worked in Beijing DoubleCrane Pharmaceutical Co., Ltd. as the Accountant, Century Industry Investment Co., Ltd. as financial officer, China National Pharmaceutical Group Corporation as assistant to financial manager, Huayi Pharmaceutical Co. Ltd. as financial manager, Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. as budget financial officer and Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. as deputy head of financial planning department. Ms. Jiang has served as the chief accountant of Beiren Printing Machinery Holdings Limited (currently called Beijing Jingcheng Machinery Electric Company Limited) since October 2011. She was appointed as the secretary to the Board on 26 June 2014. At present, Ms Jiang is the director, deputy general manager and chief legal counsel of Beijing Tianhai Industry Co., Ltd., and the director and financial controller of Jingcheng Holding (Hong Kong) Company Limited. She has been an executive director of the Company from 29 May 2012 till now.
Wu Yan	Chinese, female, aged 67, independent non-executive director, graduated from Xi'an Jiaotong University majoring in boiler design and manufacturing. Ms. Wu was the technician of the First Research & Design Institute of Nuclear Industry (核工業第一設計研究院), technician of Tianjin Bureau of Labor, deputy director and director in the Boiler and Pressure Vessel Detection & Research Center under the Ministry of Labour, director and assistant inspector of Boiler and Pressure Vessel Safety Supervision Bureau under the State Bureau of Quality Technical Supervision, assistant inspector of Special Equipment Safety Supervision Bureau under the State Administration for Quality Supervision and Inspection and Quarantine, deputy secretary general and secretary general of China Gas Cylinders Standardization Technical Committee, and currently serves as the consultant of the committee. She has been a non-executive director of the Company from 26 June 2014 till now.
Liu Ning	Chinese, male, aged 56, independent non-executive director. He obtained a bachelor of laws from China University of Political Science and Law. He was the postgraduate in international economic law of Institute for International Economics of Nankai University and a lawyer. Mr. Liu obtained his qualification of lawyer in 1984 and have been practicing as a lawyer for over thirty years, during which he had dealt with various representative cases and legal affairs, and participated in legislation and other work. Mr. Liu served as director of Tianjin Dongfang Law Office and Beijing New Era Law Firm. He is currently the director and senior partner of B.J.H & New Era Law Firm(北京市公元博景泓律師事務所), member of the Economics Committee of All-China Lawyers Association, member of the Legislative Committee of the Central Committee of China Democratic League, researcher of Food and Drug Industry Development and Regulatory Research Center of Chinese Academy of Social Sciences, legislative consultant of Beijing Municipal People's Congress, member of the Eighth Committee of Chinese People's Political Consultative Conference of Haidian District of Beijing, member of Beijing Municipal Committee of China Democratic League, deputy director of the Social and Legal Affairs Committee of Beijing Municipal Committee of China Democratic League and executive member of Beijing Federation of Industry & Commerce. He has been a non-executive director of the Company from 26 June 2014 till now.
Yang Xiaohui	Chinese, male, aged 46, independent non-executive director. He has a bachelor's degree and is a certified public accountant, certified tax agent, certified public valuer (non-practicing member) and senior accountant in China. Mr. Yang was a teacher of North China University of Technology, department manager, deputy general manager and partner of Zhonghengxin, China Rightson Certified Public Accountants and RSM China Certified Public Accountants, and also served as the member of the technical committee of Beijing Institute of Certified Public Accountants. He is currently the senior partner of Ruihua Certified Public Accountants. He has been a non-executive director of the Company from 26 June 2014 till now.



## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

Name	Main work experiences during past five years
Fan Yong	Chinese, male, aged 42, independent non-executive director. He obtained a master degree from Tsinghua University. Mr. Fan worked as the head of Investment Banking Division in Qinghai Securities, deputy director of general office of Shengli Oil Field Dynamic Group Co., Ltd. (Dynamic), deputy general manager of Felsted (Beijing) Investment Co., Ltd. (佛爾斯特(北京)投資有限責任公司), general manager of Capital Investment Department of Rising Securities Co., Ltd., business director of Investment Bank Headquarters of Qilu Securities Co., Ltd., director of Investment Banking of Zhong De Securities Co., Ltd. He is currently a founding partner of Beijing Yi Hui Jin Tong Asset Management Co., Ltd. (北京易匯金通資產管理有限責任公司). He has been a non-executive director of the Company from 26 June 2014 till now.
Liu Zhe	Chinese, female, aged 36, Chairman of the Supervisory Committee, is a lecturer with a bachelor's degree in engineering. Ms. Liu was a teacher, group leader of teaching and research, Youth League secretary, secretary of student party branch of Light Industry Branch of Beijing Industry and Trade Technicians College, Youth League secretary and director of publicity department of the party/company of Beijing Jingcheng Machinery Electric Holding Co., Ltd. Currently, she is deputy party secretary, secretary of discipline inspection commission and chairman of labour union of Beijing Tianhai Industry Co., Ltd. She has been served as the Chairman of the Supervisory Committee of the Company from 16 December 2013 till now.
Han Bingkui	Chinese, male, aged 59, supervisor, graduate of economics and management and is a senior accountant. Mr. Han was chief of finance division and accountant of Beijing High Pressure Gas Cylinder Factory (北京高壓氣瓶廠) and currently is department head of finance department of this company, Currently, he is the director, chief accountant and department head of finance department of Beijing Tianhai Industry Co., Ltd. She has been served as a supervisor of the Company from 16 December 2013 till now.
Xie Yuemei	Chinese, female, aged 56, chief engineer. She graduated with a bachelor's degree in engineering (with specialization in mechanical engineering). She served as a senior engineer of professor grade. Ms. Xie served as a technician responsible for institutional product design at Beijing High Pressure Gas Cylinder Factory (北京高壓氣瓶廠), the deputy head of Technology Section, the head of Technology Department of Beijing Tianhai Industry Co., Ltd. as well as the chief engineer, the head of Technology and Quality Department and the quality assurance engineer of Containers Company (容器公司). She is now the chief engineer of Beijing Tianhai Industry Co., Ltd. She was appointed as the Chief Engineer of the Company since 5 November 2013.
Jiang Zili	Chinese, male, aged 46, former chairman. He obtained a Ph.D. and is a senior engineer of professor grade. Mr. Jiang served as the director of Environmental Protection Institute, Beijing Research Institute of Mechanical and Electrical Technology; vice-president and the president of Beijing Research Institute of Mechanical and Electrical Technology; party committee, director and general manager of Beijing Machinery and Electricity Institute Co., Ltd.; chairman of Beier Machine Tool Works Co., Ltd.; chairman of Zhejiang Jingcheng Renewable Resources Co., Ltd. and chairman of Hohhot Solid Waste Disposal and Treatment Co., Ltd. (呼和浩特固廢處置有限公司). In 2009, Mr. Jiang received on-job training in Taizhou government in Zhejiang province as the deputy secretary general. He is currently the deputy general manager of Beijing Jingcheng Machinery Electric Holding Co., Ltd. He has been served as the chairman of the Board of the Company from 16 December 2013 to 26 June 2014.
Wang Pingsheng	Chinese, male, aged 65, former vice chairman. He obtained a bachelor's degree and is a senior engineer. Mr. Wang worked at Beijing Metal Structures Factory (北京金屬結構廠) as a technician and the deputy director of the workshop. He served as the deputy factory director and factory director of the Beijing High Pressure Gas Cylinders Factory (北京高壓氣瓶廠). He was also the general manager of Beijing Tianhai Industry Co., Ltd, chairman of Beijing Tianhai Industry Co., Ltd and Beijing Jingcheng Compressor Co., Ltd. Currently, he is a director of Beijing Tianhai and chairman of Jingcheng Holding (Hong Kong) Company Limited. He has been served as the vice chairman of the Board of the Company from 16 December 2013 to 26 June 2014.



## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

Name	Main work experiences during past five years
Wu Yanzhang	Chinese, male, aged 50, director and deputy general manager of the Company. He obtained a bachelor's degree in machinery manufacturing management at Hefei University of Technology and EMBA at China Europe International Business School. Mr. Wu served as the dispatcher of the production department, the deputy department head, assistant to factory head and the director of office of Beijing No. 1 Machine Tool Plant (北京第一機床廠), the sino general manager of OKUMA-BYJC (Beijing) Machine Tool Co. Ltd (北一大隈公司), the director of communications office, the director of office, the head of legal department, the head of non-financial corporate management department and the head of asset management department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. He is currently the director and the general manager of Jingcheng Compressor Co., Ltd. He has been served as the deputy general manager and director of the Company from 5 November 2013 to 8 December 2014 and from 16 December 2013 to 8 December 2014 respectively.
Wu Dongbo	Chinese, female, aged 42, former director. She is a postgraduate and a senior accountant. Ms. Wu worked as an accountant in Beijing Xidan Commercial District Construction and Development Company (北京西單商業區建設開發公司), the manager of the advisory department of Beijing Fangyuan Huazxin Certified Public Accountants Company Limited, the auditing head and the head of the audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. She has been served as the director of the Company from 29 May 2012 to 26 June 2014.
Zhang Shuangru	Chinese, male, aged 71, former independent non-executive director, senior economist, graduated from archeology, department of history, Peking University. Mr. Zhang has served as deputy director of personnel department and deputy manager in China Printing Corporation (中國印刷公司). He was appointed as the chairman of China Printing Corporation, the deputy general manager of China Printing Group Corporation (中國印刷集團) and the chairman of C&C Joint Printing Co., (Beijing) Ltd. (北京華聯印刷有限公司), and presently the vice officer of the National Technical Committee on Printing of Standardization of Administration of China (全國印刷標準化技術委員會) and managing vice-chairman of Printing Technology Association of China (中國印刷技術協會). Mr. Zhang received special subsidy from the State Council in 1994 and The Bisheng Printing Outstanding Achievement Award in 2009.
Wang Hui	Chinese, female, aged 53, former independent non-executive director, a post doctorate, a deputy researcher. Ms. Wang was a technician and engineer of Tianjin Engineering Mechanics Institute of Department of Mechanics; chief of quality control section, chief of technology department of Guangdong Shunde Zhenhua Automotive Rearview Mirror Limited of China Auto Corporation; Chief of Technology Innovation and Development and Research Center of Economic and Management College of Tsinghua University; senior manager of China Huarong Asset Management Corporation; senior business director of debenture business department, general manager of M&A business and management department, senior manager of institutional enterprise M&A and development strategy department of China Securities Co., Ltd. and chairman and general manager of Zhonghai Kaitian (Beijing) Asset Management Co., Ltd..
Xie Bingguang	Chinese, male, aged 59, former independent non-executive director, LLM, a solicitor. Mr. Xie is now the head and a senior solicitor of Beijing Hualian Law Firm, and interceder of China International Trade Arbitration Commission and International Chamber of Commerce of China; arbitrator of Beijing Arbitration Commission; member of Criminal Committee of All China Lawyers Association; member of Civil Law Affairs Committee of Beijing Municipal Lawyers Association; member of Real Estate Affairs Committee of Beijing Municipal Lawyers Association; and director of Beijing Law Society and Economic Society.

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

Name	Main work experiences during past five years
Wang Deyu	Chinese, male, aged 40, former independent non-executive director, MBA, a Certified Public Accountant. Mr. Wang was a loan officer of Yantai branch of Bank of China; auditor of Zeng Fu Cheng Accounting Firm in (曾福成會計公司) Singapore; special assistant to general manager of Yantai Wanhua Polyurethanes Co., Ltd.; senior consultant of BearingPoint (Shanghai) Limited; and manager of PricewaterhouseCoopers (Beijing) Company and financial director of Sichuan Lessin Department Store Ltd.
Jiao Ruifang	Chinese, female, aged 37, former secretary to the board of Directors, MBA from The Chinese University of Hong Kong, and a senior project manager. She was head of corporate planning of Beijing Beizhong Steam Turbine Generator Company Limited; consultative manager and project manager of Beijing Jinhaitai Capital Market Research Centre (北京金海泰資本市場研究中心); and head of strategic planning and head of asset investment of Beijing Jingcheng Machinery Electric Holding Co, Ltd.. Ms. Jiao has been served as the secretary to the Board of the Company from October 2006 to 26 June 2014.
Ruan Aihua	Chinese, female, aged 52, is a supervisor and engineer of political work. Ms. Ruan was the production director responsible for production management of the Four Factory and the head of organisation department of Beijing First General Machinery Plant (北京第一通用機械廠). Also, she was the secretary of discipline inspection commission, chairman of labour union and employee director of Beijing Jingcheng Environmental Protection Development Co., Ltd. Currently she is the deputy party secretary of Beijing Jingcheng Compressor Co., Ltd. She has been served as a supervisor of the Company from 16 December 2013 to 6 January 2015.

#### Disclosure of directors' interests

As at 31 December 2014, so far as was known to the directors, the supervisors and chief executive of the Company or their respective associates had the following interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:-

#### Long position in shares

Name of director	Capacity	Number of shares held	Approximate percentage of the shareholding in the entire share capital of the Company (A Shares and H Shares)
Wu Yan	Beneficial owner	57,301 A Shares	0.02%

Save as disclosed above, as at 31 December 2014, none of the directors, the supervisors and chief executive of the Company or their respective associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 1. Change of shareholding and remuneration *(cont'd)*

#### (I) Change in shareholding and remuneration of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period *(cont'd)*

##### *Descriptions*

- (1) The remuneration of Jiang Zili, Wang Pingsheng, Wu Dongbo and Jiao Ruifang are the sum amounts from January to June, and the remuneration of Zhou Yongjun, Chang Yun and Xia Zhonghua are the sum amounts from July to December. The total remuneration of Wang Pingsheng and Hu Chuanzhong included the performance payment of RMB461,100 and RMB459,400 respectively which were paid to them before completion of the major assets restructuring by Jingcheng Holding according to its internal control system.
- (2) The remuneration of other directors, supervisors and senior management officers are the total amounts from January to December.
- (3) None of the directors, supervisors and senior management officers had been granted with any equity interest as an incentive by the Company during the reporting period.
- (4) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers or any of their associates, as at 31 December 2014, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 were granted with any right to acquire the securities of the Company or had exercised any such right.
- (5) Save as those set out in the register required to be maintained by directors and supervisors under SFO, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors have any interest required to be recorded in the register under the SFO.
- (6) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers of the Company, as at 31 December 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 would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
- (7) Save as disclosed hereinabove, none of any other directors, supervisors and senior management officers of the Company or their respective associates were granted by the Company or its subsidiaries with any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2014.

#### (II) Information on incentive share option granted to directors, supervisors and senior management during the period

Applicable     Not Applicable

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 2. Positions of current and the resigned Directors, Supervisors and Senior Management Officers during the Reporting Period

#### (1) Positions in Shareholder Entities

Applicable  Not Applicable

Name	Name of shareholder entity	Position(s) in Shareholder Entities	Date of appointment	End of appointment
Zhou Yongjun	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	head of the Strategic and Investment Department	16 September 2011	
Chang Yun	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	head of the Audit Department	1 April 2014	
Xia Zhonghua	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Vice minister of the ministry of the securities and reform	1 December 2013	
Jiang Zili	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Deputy General Manager	1 September 2010	
Wu Dongbo	Beijing Jingcheng International Financing Lease Co., Ltd.	Deputy General Manager	1 April 2014	
Description of the positions in shareholder entities	N/A			

#### (2) Positions in Other Entities

Applicable  Not Applicable

### 3. Remunerations of Directors, Supervisors and Senior Management Officers

Decision making process of remuneration of Directors, Supervisors and Senior Management

Resolution is made by Remuneration and Monitoring Committee of the Board, considered and approved by the Board and reported to the general meeting through the Board for consideration and approval.

Basis for determination of remuneration of Directors, Supervisors and Senior Management

It is determined in accordance with the annual average salary of respective directors, supervisors and senior management, including the three levels of high, medium and low in the same industry, and the annual salary standard of the listed companies overseas, together with responsibilities, working hours, working missions and outstanding contributions of related persons of the Company.

Actual payment to the remuneration of Directors, Supervisors and Senior Management Officers

“Change in the shareholding and remuneration of the Directors, Supervisors and Senior Management” (see chart).

Total actual remuneration of all Directors, Supervisors and Senior Management Officers at the end of the Reporting Period

RMB6.892 million



#### 4. Changes in Directors, Supervisors and Senior Management Officers

Name	Position	Changes	Reason for change
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
Jiang Zili	Former Chairman	Resigned	Retired as director of the Company upon change of the term of office of the Board
Wang Pingsheng	Former vice chairman	Resigned	Retired as director of the Company upon change of the term of office of the Board
Wu Dongbo	Former non-executive director	Resigned	Retired as director of the Company upon change of the term of office of the Board
Zhang Shuangru	Former independent non-executive director	Resigned	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	Resigned	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	Resigned	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	Resigned	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	Resigned	Retired as secretary to the Board upon change of the term of office of the Board
Wu Yanzhang	Former director, deputy general manager	Resigned	Changes of career
Ruan Aihua	Former supervisor	Resigned	Changes of career, resignation with effect from 6 January 2015
Wang Yiqing	Supervisor	Election	Elected as employee supervisor upon resignation of Ruan Aihua

## SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

### 5. The core Technical Team or key Technical Staff of the Company

The Company possess an integrated development in gas cylinder, energy accumulator, pressure vessel and the associated equipment, cylinder for gas vehicle, hoop-wrapped gas cylinders, gas-storage special container, bundle device, cryogenic gas cylinder, LNG cylinder, aluminum cylinder, composite cylinder (vehicular natural gas storage cylinder, gas cylinder for respirator and water treatment container), testing equipment of composite cylinders, low temperature storage and transportation containers, piston compressor, membrane compressor and nuclear-level membrane compressor by its own research and development team. The Company has the core technical team and key technical staff in the aspects of gas storage and transportation and the field of compressor. During the Reporting Period, the core technical team and key technical staff of the Company are stable and thus the technical research and development projects can be proceeded gradually as planned.

### 6. Details of Staff of the Parent Company and major subsidiaries

#### (1) Details of Staff

Number of existing employees of the Parent Company	52
Number of existing employees of major subsidiaries	2,627
Total number of existing employees	2,679
Number of retired staff who incurred expenses of the Parent Company and major subsidiaries	465

#### Profession

Professional type	Number of person
Production staff	1,770
Sales staff	145
Technical staff	230
Financial staff	32
Administrative staff	152
Others	350
Total	2,679

#### Educational Background

Education level	Number of persons
University graduates or above	431
Associate degree	280
Secondary technical graduates	722
Senior high school graduates and below	1,246
Total	2,679

#### (2) 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 policy is to be implemented subject to 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 wage system for production workers and annual salary system for the senior management.

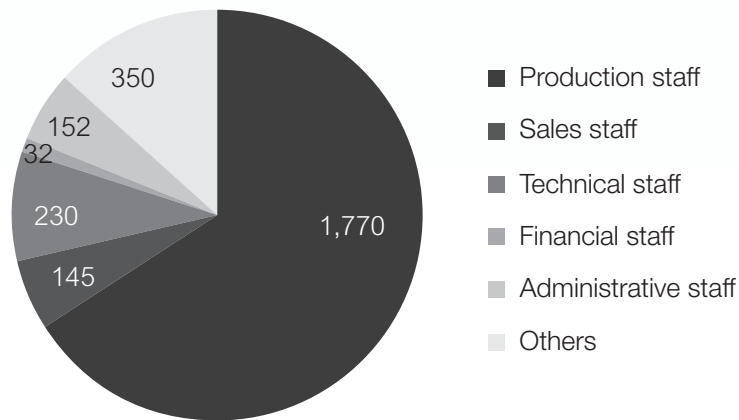
#### (3) Training Plan

In 2015, total 225 trainings covering 8379 persons were organized according to the annual training program, and the number of training hours per staff reached 18.9 hours. The Company organized orientation programs for new staffs. The professionals & technical staff were organized to join the welder training. In 2014, two batches of welders totaling 37 joined the training tests for welder certificate of pressure vessel, all of which obtained operation qualification. The Company also organized production staff to join training about key positions, which enhanced their post responsibility consciousness; the new mid-level and above management personnel had joined the training of Role Transformation and the marketing staff had joined the training concerning Marketing Skills and Communication.

6. Details of Staff of the Parent Company and major subsidiaries (cont'd)

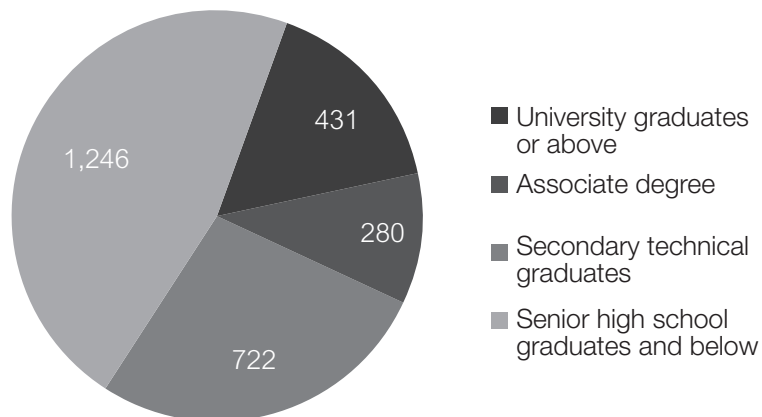
(4) Chart of Professions

Professions of Staff



(5) Chart of Education level

Education level of Staff



(6) Labour outsourcing

Total working hours for labour outsourcing (hour)  
 Total remuneration paid for labour outsourcing (RMB yuan)

61,696  
 912,819

### (I) Corporate Governance and Insiders Registration and Management System

During the Reporting Period, in order to carry out the governance better and guarantee the Company's operations in compliance with laws and regulations, the Company sorted out relevant systems of the Company in accordance with laws and regulations such as the Company Law, the Securities Law and the requirements of regulatory authority as well as the provisions of the Corporate Internal Control Standard System, and made revisions to 38 systems such as the Management System for External Security and the Administrative Measures for Proceeds, which were considered and passed at 2013 Annual General Meeting and the 16th Special Meeting of the 7th Session of the Board.

During the Reporting Period, the general meeting, the Board, the supervisory committee and managers of the Company well defined power and responsibilities, allowing them to maintain checks and balances and coordinate with each other. The Board of the Company and its strategic committee, the audit committee, the nomination committee and the remuneration and monitoring committee carried out their work according to their responsibilities. The information of the Company was disclosed on a true, accurate, complete and timely basis. The actual situation of the Company's governance complied with the Company Law and the requirements of China Securities Regulatory Commission.

During the Reporting Period, the major aspects of corporate governance are as follows:

#### 1. Shareholders and general meetings

The Company was able to treat all Shareholders equally with due respect and to safeguard their interests. In particular, medium-sized and minority Shareholders were entitled to their status and to fully exercise their rights with their legal interests being protected. The Company ensured that shareholders were entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. In accordance with the relevant requirements set out in the Rules of Procedure for the General Meeting, it could be ensured that general meetings were convened and held in a legal, regulated and orderly manner and, in respect of voting for connected transactions, the relevant persons were arranged to abstain from voting pursuant to the relevant requirements in such manner that connected transactions are open, equal and fair.

#### 2. Directors and the Board

The Board of Directors of the Company comprised 11 directors, of whom 4 were independent non-executive directors. The Board set up the strategic committee, the audit committee, the nomination committee and the remuneration and monitoring committee. During the Reporting Period, all directors were able to strictly perform their duties of good faith and due diligence. The Board exercised its power and authority in strict compliance with the requirements of laws and regulations and the Articles of Association to ensure the regulated operation of the Company. Resolutions put forward at the Board meetings were sufficiently discussed and resolved in a scientific, prompt and cautious manner. Directors of the Company were selected and appointed in strict compliance with the required procedures set out in the Articles of Association. According to the requirements of the Standard of Corporate Governance for PRC Listed Companies, the Company gave full play to the functions of the Special Committees of the Board and the four independent non-executive directors pursuant to the relevant requirements of the Rules of Procedure for the Board of Directors, Detailed Implementation Rules for the Special Committees of the Board of Directors and Working System for Independent Directors.

#### 3. Supervisors and the Supervisory Committee

The Supervisory Committee of the Company comprised 3 supervisors, of whom two were supervisors for shareholder representatives and one was supervisor for staff representative. The supervisory committee of the Company was committed to being accountable to all shareholders. Taking the financial controller as the core, the supervisory committee supervised the Directors, general managers and senior management officers of the Company to protect the safety of the assets of the Company, reduced financial risks and safeguarded the legal interests of the Company and the shareholders. The supervisory committee had the capacity to carry out extensive communication with shareholders, staff and other stakeholders so as to ensure the launch of the supervisory work. The Rules of Procedure for the supervisory committee formulated by the Company facilitated the exercising of power of all supervisors. The supervisory committee convened regular meetings and extraordinary meetings in strict compliance with the rules and procedures.

#### 4. Stakeholders

The Company can fully respect and protect the legal interests of stakeholders so as to achieve a coordinated balance among the interests of various parties including shareholders, staff and the community for purposes of jointly facilitating the continuous and healthy development of the Company.

#### 5. Information disclosure and investor relations

The secretary to the Board of Directors was designated by the Company for being responsible for handling information disclosure, and receiving shareholders' visits and enquiries. The Company disclosed the relevant information in a true, accurate, complete and timely manner in accordance with the Listing Rules of the SSE and the Stock Exchange to practicably ensure that investors will be able to obtain the relevant information equally.

#### 6. During the Reporting Period, the Company did not need to make any rectification regarding governance.

**Is there any difference between the corporate governance and the requirements specified in the Company Law and by China Securities Regulatory Commission; if there is, indicate the reasons for such differences.**

There is no difference between the corporate governance and the requirements specified in the Company Law and by China Securities Regulatory Commission.



## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (II) Introduction to the General Meetings

Meeting	Date	Name of Resolutions at the Meeting	Resolution	Index for enquiry of websites designated for publishing resolutions	Date of Disclosure
2013 Annual General Meeting	26 June 2014	Ordinary resolutions: 1. to consider the 2013 annual report of the Company; 2. To consider the 2013 work report of the board of directors of the Company; 3. to consider the 2013 work report of the Supervisory Committee of the Company; 4. to consider the 2013 financial reports of the Company audited by ShineWing Certified Public Accountants LLP; 5. To consider the 2013 internal control report of the Company audited by Shu Lun Pan Certified Public Accountants LLP; 6. to consider the resolution of the Company not to distribute any profit for the year 2013; 7. to consider re-appointment of SHINEWING Certified Public Accountants LLP for the Company's 2014 financial reports, and to authorise the Board to enter into a service contract with it and determine its remuneration; 8. to consider re-appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2014 internal control auditor, and authorizing the Board to enter into a service contract with it and determine its remuneration; 9. to consider the report of the independent non-executive Directors of the Company for 2013; 10. to consider the management measures on the efficiency assessment of senior management; 11. to consider the fund raising management measures; 12. to consider the continuing connected transactions in relation to Gas Cylinder Pipe Sale and Purchase Framework Agreement and the Supplemental Agreement between Tianjin Tianhai High Pressure Co., Ltd., the Company's subsidiary, and Tianjin Pipe Steel Trade Co., Ltd.; 13. to consider the resolution on the proposed disposal of the 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of public tender; 14. to consider the resolution on the preliminary asset transaction agreement to be entered into between the Company and Jingcheng Holding on 16 May 2014, subject to terms and conditions, and the connected transaction contemplated thereunder. 15. this resolution on the election of directors of eighth Board of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2013 Annual General Meeting till the conclusion of the 2016 Annual General Meeting; 16. to consider the resolution on the remuneration of and the service contracts to be entered into with directors of the eighth session of the Board of the Company; 17. this resolution on the election of the eighth session of the supervisory committee of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2013 Annual General Meeting and till the conclusion of the 2016 Annual General Meeting; 18. to consider the resolution on the remuneration of and the service contracts to be entered into with supervisors of the eighth session of the supervisory committee of the Company; and 19. to consider the resolution in relation to the amendments to the Articles of Association.	All resolutions were considered and approved	Website of Shanghai Stock Exchange <a href="http://www.sse.com.cn">www.sse.com.cn</a> and HKExnews website of Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>	27 June 2014

#### Shareholders' General Meetings

During the Reporting Period, the Company convened one shareholders' general meeting, at which all resolutions were passed by the way of poll. The directors, supervisors, senior management officers, members of the Board's committees, attorneys and auditors of the Company were present at the meeting. The directors and senior management officers answered all questions raised by investors at the meeting.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (III) Performance of Duties by Directors

#### 1. Attendance of directors at the Board meetings and the general meetings

Name of director	Independent or not	Attendance at the Board meetings				Attendance at general meetings	
		Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence from two consecutive meetings or not	Attendance at general meetings
Hu Chuanzhong	No	9	9	0	0	No	1
Li Junjie	No	9	9	0	0	No	1
Zhou Yongjun	No	4	3	0	1	No	1
Chang Yun	No	4	3	0	1	No	1
Xia Zhonghua	No	4	4	0	0	No	1
Jiang Chi	No	9	9	0	0	No	1
Wu Yan	Yes	4	4	0	0	No	1
Liu Ning	Yes	4	4	0	0	No	1
Yang Xiaohui	Yes	4	4	0	0	No	1
Fan Yong	Yes	4	4	0	0	No	1
Jiang Zili	No	5	4	0	1	No	0
Wang Pingsheng	No	5	5	0	0	No	0
Wu Dongbo	No	5	4	0	1	No	0
Zhang Shuangru	Yes	5	5	0	0	No	0
Wang Hui	Yes	5	4	0	1	No	0
Xie Binguang	Yes	5	4	0	1	No	0
Wang Deyu	Yes	5	4	0	1	No	0
Wu Yanzhang	No	9	9	0	0	No	1

#### Description on absence from two consecutive Board meetings in person

There was no absence from two consecutive Board meetings in person.

Number of board meetings convened during the year	9
Among which: number of meetings convened on-site	5
Number of meetings convened by communication equipment	4
Number of meetings by combining the above two ways	0

Description:

#### Appointment or dismissal of the Company's directors, supervisors and senior management during the Reporting Period

- (1) The Company convened 2013 Annual General Meeting as at 26 June 2014, at which the appointment 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 of the Company; Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as the non-executive directors of the eighth session of the Board of the Company; 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 considered and approved. The terms of office of the new directors started from approved date of the 2013 Annual General Meeting till the conclusion of the 2016 Annual General Meeting. Mr. Jiang Zili, Mr. Wang Pingsheng, Ms. Wu Dongbo, Mr. Zhuang Shuangru, Ms. Wang Hui, Mr. Xie Binguang and Mr. Wang Deyu ceased to be the directors of the Company.
- (2) The Company convened the first meeting of the eighth session of the Board as at 26 June 2014, at which the election of Mr. Hu Chuanzhong as the 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 voted 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 voted 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 voted 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 voted as the members of remuneration and monitoring committee, with Ms. Wu Yan as the convener. Mr. Li Junjie was appointed as general manager, and Ms. Jiang Chi was appointed as the secretary to the Board of the Company. Mr. Wu Yanzhang was appointed as deputy general managers of the Company, and Ms. Jiang Chi as chief accountant of the Company and Ms. Xie Yuemei as the chief engineer. The term of office of the personnel above was three years from 26 June 2014 to the closing of 2016 Annual General Meeting. Ms. Jiao Ruifang ceased to be the secretary to the Board of the Company.

### (III) Performance of Duties by Directors *(cont'd)*

#### 1. Attendance of directors at the Board meetings and the general meetings *(cont'd)*

- (3) Due to changes in work, Mr. Wu Yanzhang submitted his resignation report to the Board of the Company and proposed to resign from the director of the Company as well as the deputy general manager of the Company. The Board of the Company fully respected the decision made by Mr. Wu Yanzhang, accepted his application for resignation, which came into effect as at 8 December 2014. The alternate director was proposed to be elected at the next general meeting.
- (4) Due to changes in work, Ms. Ruan Aihua submitted her resignation report to the Supervisory Committee of the Company as at 8 December 2014 and proposed to resign from the employee supervisor of the Company. According to relevant provisions of the Company Law, the Articles of Association and the Rules of Procedures of the supervisory committee, the Company convened the general employees' meeting as at 4 January 2014 to supplement Mr. Wang Yiqing as the employee supervisor of the eighth session of the supervisory committee of the Company with the term of office till the expiry of the session of the committee.

#### 2. Objection of Independent Non-executive Directors to the Relevant Matters of the Company

##### Notes on objection raised by independent non-executive directors to relevant matters of the Company

During the Reporting Period, the independent non-executive directors did not object to the resolutions put forward at the Company's Board meetings.

#### 3. Others

##### (i) The establishment and completeness, major details of the relevant working system of independent directors and the performance of duties by the independent directors

- (1) The relevant working system of independent non-executive directors: In accordance with the relevant requirements of the CSRC and the Company, the Company has established the Working system of Independent Non-executive Directors and the Working System of Annual Report for Independent Directors.
- (2) The major content of the working system of independent non-executive directors: The working system of independent non-executive directors of the Company mainly provides for the relevant work of independent non-executive directors in respect of the general requirements, qualifications for appointment, independence, the nomination, election and change of independent non-executive directors, obligations and rights. The Working System of Annual Report for Independent Directors mainly requires the independent non-executive directors to understand the operation of the Company, maintain communication with and supervise and monitor the annual audit accountant during the course of preparing and disclosing the annual report.
- (3) Performance of duties by the independent non-executive directors: independent non-executive directors of the Company include the experts in respect of accounting, legal, management and technical aspects, forming reasonable structures of personnel and professionals. Being accountable to all shareholders and in compliance with laws and regulations, the independent non-executive directors diligently fulfilled their duties and participated in the general meetings and board meetings of the Company actively and earnestly, proposed plans and strategies for the long-term development and management of the Company, and made professional independent opinions regarding the significant matters of the Company including the election of directors, connected transactions, appropriation of capital by substantial shareholders and external guarantees, producing constructive effects on the scientific decision-making by the Board of Directors, the governed operation and development of the Company and practically safeguarding and maintaining the interests of the medium-sized shareholders and the minority shareholders. During the Reporting Period, the independent non-executive directors have issued independent opinions in respect of election of directors of the Company, appointment of senior management officers, and ordinary connected transactions. Subsequent to the end of the accounting year, the independent non-executive directors have listened to the report of the management level of the Company on the operation and the progress of significant events, and conducted on-site investigation. Prior to the commencement of the audit conducted by the CPA for annual audit, the independent non-executive directors communicated with the financial controller in respect of the annual audit arrangements. During the audit of the annual report, the independent non-executive directors focused on the continuous communications with the annual audit CPA for annual audit, proposed amendments to the audit plan submitted by the annual audit accountant, convened meetings with CPA for annual audit and communicated on the issues identified during the audit process.

### (III) Performance of Duties by Directors *(cont'd)*

#### 3. Others *(cont'd)*

##### (ii) **Chairman and General Manager**

The chairman and the general manager of the Company are assumed by different persons, and their respective duties are clearly divided.

The chairman, the legal representative of the Company, is elected by more than half of all directors of the Board. The chairman is responsible for corporate planning and strategic decision-makings and chairing the Board, and ensuring that the Board will examine and adopt all involved matters in an appropriate manner for facilitating the effective operation of the Board.

The chairman is entitled to preside over the general meetings, to convene and chair the Board meetings, to examine and check the implementation of the resolutions of the Board, and to sign the securities issued by the Company and other important documents. Upon authorised by the Board, the chairman can also convene the general meetings and provide guidance to the Company's important business activities during the adjournment of the Board meetings.

The general manager is appointed by the Board and is accountable to the Board. The general manager leads the management to take charge of daily production, operation and management of the Company, and organization and implementation of all resolutions of the Board. As required by the Board or the supervisory committee, the general manager will report to the Board or the supervisory committee, on a regular basis, regarding the execution and performance of major contracts, and the utilisation of funds, as well as the profit and loss.

##### (iii) **Executive Directors, Non-executive Directors and Independent Non-executive Directors**

Like the other directors, the existing non-executive directors and independent non-executive directors of the Company have the term of office being three years, commencing from 26 June 2014 to the conclusion of 2016 Annual General Meeting.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

##### (iv) **Authority and Power of the Board of Directors**

(1) The Board of Directors exercised the authority and power conferred by laws and regulations and the Articles of Association. Such power mainly includes:

To convene general meetings and implement such resolutions of the general meetings;

To decide upon the annual operating plan and material investment plan of the Company;

To formulate and prepare the financial budget, profit distribution plan, basic management mechanism and material acquisition or disposal plan of the Company;

To appoint or dismiss the Company's general manager and to appoint or dismiss the Company's senior management officers including the deputy general manager(s) and the financial controller based on such nominations made by the general manager;

To propose to the general meeting to re-appoint or replace the Company's accounting firms being responsible for the Company's audit work;

To examine and adopt the report of the Company's manager(s);

To exercise the financing and borrowing rights of the Company and decide upon such matters concerning the mortgage, lease and transfer of the Company's material assets.



### (IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period

The Board has set up four special committees, namely, the strategic committee, audit committee, remuneration and monitoring committee and nomination committee. Each committee has formulated its own implementation rules, which were approved by the Board.

#### **Performance of duties by the Strategic Committee under the Board of Directors**

The main duties of the strategic committee are to formulate the strategic rules of the Company, to supervise the implementation of strategies and to timely adjust the strategies and the governance structure of the Company.

The strategic committee formulates the policies regarding corporate governance with its main scope of authority and power including:

- (1) To formulate and review the policies and normal practice regarding corporate governance, and make recommendations to the Board;
- (2) To review and monitor the training and continuous professional development of the directors and senior management officers;
- (3) To review and monitor the Company's policies and normal practice regarding its observance of legal and regulatory requirements;
- (4) To formulate, review and monitor the code of conduct and compliance manual of employees and directors;
- (5) To review the company's observance of the "Code" and the disclosure in the "Corporate Governance Report".

The strategic committee comprises five directors. During the Reporting Period, the strategic committee convened three meetings. Details of such meetings are as follows:

- (1) On 26 February 2014, the resolution regarding the Investment Management System of Beijing Jingcheng Machinery Electric Company Limited was considered and approved.
- (2) On 14 May 2014, the resolutions regarding the Establishment of Shandong Tianhai High Pressure Containers Co., Ltd. by Beijing Tianhai Industry Co., Ltd. and Shandong Yongan Hel Steel Cylinder Co., Ltd. in Hedong District Industrial Zone in Linxi City, Capital Increase in Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. by Beijing Bashi Media Co., Ltd. and Sales of 100% Equity Interests in Beijing Jingcheng Compressor Co., Ltd. by way of public tender were considered and passed.
- (3) On 7 August 2014, the resolution regarding the Project of Capital Increase in Shandong Tianhai High Pressure Co., Ltd. was considered and approved.

**(IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period** *(cont'd)*

The members of the Strategic Committee and their attendance at the meetings are as follows:

Name	Description	Required Attendance in 2014	Actual Attendance
Hu Chuanzhong (Chairman of the Board)	Chairman of the Committee	3	3
Li Junjie (Director and General Manager)	Member of the Committee	1	1
Zhou Yongjun (Non-executive director)	Member of the Committee	1	1
Xia Zhonghua (Non-executive director)	Member of the Committee	1	1
Wu Yan (Independent non-executive director)	Member of the Committee	1	1
Jiang Zili (Former chairman of the Board)	Former chairman of the Committee	2	2
Wang Pingsheng (Former vice chairman of the Board)	Former member of the Committee	2	2
Wu Yanzhang (Former executive director)	Former member of the Committee	2	2
Zhang Shuangru (Former independent non-executive director)	Former member of the Committee	2	2

**Performance of duties by the Audit Committee under the Board of Directors**

The authority and power of the Audit Committee was formulated in accordance with advice provided in “A Guide for Effective Audit Committees” issued by Hong Kong Institute of Certified Public Accountants, Corporate Governance Codes as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) and the “Code of Corporate Governance for Listed Companies in China” issued by the CSRC. Its major duties include: to review and monitor the quality and procedure of the financial reporting of the Group, to review the completeness and effectiveness of the internal control system of the Company, to appoint independent auditors, to coordinate their work and review the quality and efficiency of their work, and, lastly, to review all written reports issued by internal auditors and the management’s feedback on such reports.

The audit committee of the Board of Directors was serious and responsible and worked diligently and honestly in performing the obligations to be assumed. During the Reporting Period, seven meetings of the audit committee of the Board were convened, details of which are as follows:

- (1) On 24 January 2014, the report submitted by the management on the operations of the Company in 2013 was considered and approved.
- (2) On 7 February 2014, the auditing firms of financial report and internal control report communicated with the audit committee and the independent directors of the Company in respect of the issues identified the auditing work of the annual report and the internal control for 2013 respectively. The audit committee enquired about the issues they concerned one by one. The independent directors and the management level of the Company communicated with the auditors of the financial report and internal control regarding the preparation of the annual report and internal control report for 2013 respectively.

### (IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period *(cont'd)*

#### **Performance of duties by the Audit Committee under the Board of Directors *(cont'd)***

- (3) On 27 March 2014, the audit committee under the Board and the independent directors of the Company reviewed and verified the audit reports issued respectively by ShineWing Certified Public Accountant and BDO China Shu Lun Pan Certified Public Accounts LLP. Upon review and verification, the audit committee believed that: 1) the audit report on internal control issued by BDO China Shu Lun Pan Certified Public Accounts LLP was examined and reviewed by the audit committee. Upon examination and review, the audit committee believed that the audit report on internal control for 2013 issued by BDO China Shu Lun Pan Certified Public Accounts LLP was true and reliable. The report, prepared in compliance with the relevant regulations and policies, objectively and fairly reflected the internal control of the Company as at 31 December 2013 as well as the result of internal control for 2013. 2) The audit report issued by ShineWing Certified Public Accountant was examined and reviewed by the audit committee. Upon examined and reviewed, the audit committee believed that the 2013 financial report audited by the ShineWing Certified Public Accountant was true and reliable. The financial report fairly and accurately reflected the Company's financial position on 31 December 2013 and the operating results for 2013. The preparation of the financial report was in compliance with the relevant regulations and financial policies. 3) According to the audit work undertaken by ShineWing Certified Public Accountant and its performance in 2013, the audit committee agreed upon the resolution concerning the proposed payment of 2013 audit fee totally amounted to RMB1,050,000 to ShineWing Certified Public Accountant. 4) According to the audit work undertaken by BDO China Shu Lun Pan Certified Public Accounts LLP and its performance in 2013, the audit committee agreed upon the resolution concerning proposed payment of 2013 audit fee totally amounted to RMB500,000 to BDO China Shu Lun Pan Certified Public Accounts LLP. 5) Based on the performance of ShineWing Certified Public Accountant in providing auditing services in 2013, the audit committee decided to re-appoint ShineWing Certified Public Accountant as the financial auditing firm regarding the Company's 2014 financial report. 6) Based on the performance of BDO China Shu Lun Pan Certified Public Accounts LLP in providing auditing services for the Company in 2013, the audit committee decided to re-appoint BDO China Shu Lun Pan Certified Public Accounts LLP as the auditing firm regarding the Company's internal control for 2014. 7) The resolution regarding the provision for impairment of assets of the Company for 2013 was examined and passed. 8) The resolution regarding no profit distribution plan for the year 2013 of the Company was examined and passed. 9) The resolution of write-off of bad debts of the Company was examined and adopted. 10) The resolution regarding the self-assessment report on the internal control of the Company for 2013 was examined and passed. 11) The resolution regarding the performance duties of the audit committee in 2013 was examined and passed. 12) The resolution regarding the provision of guarantee for Tianjin Tianhai High Pressure Containers Co., Ltd. through Beijing Tianhai Industry Co., Ltd, was examined and passed. 13) The resolution regarding the execution of the supplementary agreement for the daily connected transaction with Tianjin Steel Pipe and Steel Trading Co., Ltd. through Tianjin Tianhai High Pressure Container Co., Ltd. was examined and passed. 14) The plan of audit work for 2014 was reviewed and passed. 15) The plan of internal control work for 2014 was reviewed and passed. 16) The operation plan of the Company for 2014 was reviewed and passed. The resolutions above were submitted to the Board for consideration and approval.
- (4) On 28 April 2014, the audit committee examined and adopted the 2014 First Quarterly Report of the Company, which was submitted to the board for examination and approval.
- (5) On 7 August 2014, the audit committee reviewed and approved the 2014 Interim Financial Report of the Company. The audit committee of the Board reviewed and audited the financial statements of the 2014 Interim Financial Report. Upon review and verification, the audit committee believed that: 1) the contents of the reports were true and reliable and fairly and accurately reflected the operating results of the Company for the first half of 2014. The preparation of the report was in compliance with the relevant regulations and financial policies. 2) The audit committee decided to submit the financial statements and the report summary of the 2014 Interim Report to the Board for examination and adoption. Meanwhile the audit committee also reviewed and adopted the resolution regarding the effects of changes in accounting estimates on the interim report of the Company, the resolution regarding provision for impairment for the first half of 2014, the resolution regarding the project of capital increase in Shandong Tianhai High Pressure Container Co., Ltd., the resolution regarding transfer of equipment to Shandong Tianhai High Pressure Container Co., Ltd. through Tianjin Tianhai High Pressure Container Co., Ltd., the subsidiary of the Company, the resolution regarding acquisition of equipment from Linxi Hedong Yong'an Metal Welding and Cutting Factory through Shandong Tianhai High Pressure Container Co., Ltd., the resolution regarding transfer of two steel cylinder production lines to Tianjin Tianhai High Pressure Co., Ltd through Beijing Tianhai Industry Co., Ltd., the subsidiary of the Company. The resolutions above were submitted to the Board for review and approval.
- (6) On 29 October 2014, the audit committee reviewed and approved the text and summary of 2014 Third Quarterly Report of the Company, the resolution on implementation of the newly revised Accounting Standards for Business Enterprises of the Ministry of Finance and the resolution regarding provision for impairment from July to September 2014. The resolutions above were submitted to the Board for review and approval.

### (IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period *(cont'd)*

#### **Work on 2014 Annual Report and communication with accounting firm**

- (1) On 15 January 2015, the audit committee reviewed and passed the resolution regarding the connected transaction in relation to the acquisition of large cryogenic tank technology of Beijing Kerui Nike Science Trading Co., Ltd. by Beijing Tianhai Cryogenic Equipment Co., Ltd., the subsidiary of Beijing Tianhai Industry Co., Ltd., the signing of daily continuing connected transaction between Beijing Tianhai Industry Co., Ltd., and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of Beijing Jingcheng Machinery Electric Holding Co., Ltd., our substantial shareholder, the resolution on application for credit facilities and loans by the Company to the banks in 2015, the resolution on budgets of the Company for 2015 and listened to the report of the management on the operations of the Company in 2014. The resolutions above were submitted to the Board for review and approval.
  
- (2) On 6 March 2015, the auditing firms of financial report and internal control report communicated with the audit committee and the independent directors of the Company in respect of the issues identified, the auditing work of the annual report and the internal control for 2014 respectively. The audit committee enquired about the issues they concerned one by one. The independent directors and the management level of the Company communicated with the auditors of the financial report and internal control regarding the preparation of the annual report and internal control report for 2014 respectively.
  
- (3) On 17 March 2015, the audit committee under the Board and the independent directors of the Company reviewed and verified the audit reports issued respectively by ShineWing Certified Public Accountant and BDO China Shu Lun Pan Certified Public Accounts LLP. Upon review and verification, the audit committee believed that: 1) the audit report on internal control issued by BDO China Shu Lun Pan Certified Public Accounts LLP was examined and reviewed by the Audit Committee under the Board. Upon examination and review, the audit committee believed that the audit report on internal control for 2014 issued by BDO China Shu Lun Pan Certified Public Accounts LLP was true and reliable. The report, prepared in compliance with the relevant regulations and policies, objectively and fairly reflected the internal control of the Company as at 31 December 2014 as well as the result of internal control for 2015. 2) The audit report issued by ShineWing Certified Public Accountant was examined and reviewed by the audit committee. Upon examined and reviewed, the audit committee believed that the 2014 financial report audited by the ShineWing Certified Public Accountant was true and reliable. The financial report fairly and accurately reflected the Company's financial position on 31 December 2014 and the operating results for 2014. The preparation of the financial report was in compliance with the relevant regulations and financial policies. 3) According to the audit work undertaken by ShineWing Certified Public Accountant and its performance in 2014, the audit committee agreed upon the resolution concerning the proposed payment of 2014 audit fee totally amounted to RMB1,050,000 to ShineWing Certified Public Accountant. 4) According to the audit work undertaken by BDO China Shu Lun Pan Certified Public Accounts LLP and its performance in 2014, the audit committee agreed upon the resolution concerning proposed payment of 2014 audit fee totally amounted to RMB500,000 to BDO China Shu Lun Pan Certified Public Accounts LLP. 5) Based on the performance of ShineWing Certified Public Accountant in providing auditing services in 2014, the audit committee decided to re-appoint ShineWing Certified Public Accountant as the financial auditing firm regarding the Company's 2015 financial report. 6) Based on the performance of BDO China Shu Lun Pan Certified Public Accounts LLP in providing auditing services for the Company in 2014, the audit committee decided to re-appoint BDO China Shu Lun Pan Certified Public Accounts LLP as the auditing firm regarding the Company's internal control for 2015. 7) The resolution regarding the provision for impairment of assets of the Company for 2014 was examined and passed. 8) The resolution regarding no profit distribution plan for the year 2014 of the Company was examined and passed. 9) The resolution regarding the self-assessment report on the internal control of the Company for 2014 was examined and passed. 10) The resolution regarding the performance duties of the audit committee in 2014 was examined and passed. 11) The plan of audit work for 2015 was reviewed and passed. 12) The plan of internal control work for 2015 was reviewed and passed. 13) The operation plan of the Company for 2015 was reviewed and passed. 14) The resolution regarding the implementation of the new or revised accounting standards for business enterprises in 2014 was reviewed and passed. 15) The resolution regarding the effects of changes in accounting estimates on 2014 financial statements. The resolutions above were submitted to the Board for consideration and approval.



## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period *(cont'd)*

The members of the Audit Committee and their attendance at the meetings are as follows:

Name	Description	Required Attendance in 2014	Actual Attendance
Yang Xiaohui (Independent non-executive director)	Chairman of the Committee	3	3
Fan Yong (Independent non-executive director)	Member of the Committee	3	3
Chang Yun (Non-executive director)	Member of the Committee	3	3
Wang Deyu (Former independent non-executive director)	Former chairman of the Committee	4	4
Xie Binguang (Former independent non-executive director)	Former member of the Committee	4	4
Wu Dongbo (Former executive director)	Former member of the Committee	4	4

#### Performance of duties by the Remuneration and Monitoring Committee under the Board of Directors

The major duties of the remuneration and monitoring committee are to study and review the Company's remuneration policy and incentive mechanism, to determine; with responsibility delegated by the Board, the remuneration packages of the Company's executive directors and senior management officers; to formulate the appraisal standard for directors and senior management officers of the Company and to assess them; and to submit the results of assessment to the Board for review and approval.

The remuneration and monitoring committee comprises of three Directors. During the Reporting Period, the remuneration and monitoring committee convened one meeting. Details of such meeting are as follows:

On 24 March 2014, the resolutions regarding the Administrative Measures on Remuneration and Performance Assessment for Senior Management Officer of the Company, the standard annual salary of the general manager, the position factors of the senior management officers (other than the general manager) of the Company and the 2014 Performance Contract of Senior Management Officers were considered can passed, and were submitted to the Board for consideration and approval.

In 2014, the remuneration and monitoring committee of the Board continued to strengthen their work and further intensify the assessment regarding the senior management officers of the Company so as to help the Company formulate a better remuneration and assessment system.

The members of the remuneration and monitoring committee and their attendance at the meetings are as follows:

Name	Description	Required Attendance in 2014	Actual Attendance
Wu Yan (Independent non-executive director)	Chairman of the Committee	0	0
Liu Ning (Independent non-executive director)	Member of the Committee	0	0
Hu Chuanzhong (Chairman of the Board)	Member of the Committee	0	0
Wang Hui (Former independent non-executive director)	Former chairman of the Committee	1	1
Wang Deyu (Former independent non-executive director)	Former member of the Committee	1	1
Wang Pingsheng (Former vice chairman)	Former member of the Committee	1	1

**(IV) Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period** *(cont'd)*

**Performance of duties by the Nomination Committee under the Board of Directors**

The major duties of the nomination committee are to study and suggest on the candidates and election standard and procedures for directors and the senior management officers.

The nomination committee comprises three directors. During the Reporting Period, the nomination committee convened one meeting. Details of such meeting are as follows:

In consideration of the expiration of the terms of office of the seventh session of the Board of the Company, as at 15 May 2014, according to relevant provisions of the Articles of Association of the Company, with the full understanding of the occupation, education background, professional titles, details of working experience and all part-time jobs of the nominees, examined and passed the nomination of Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua nominated by Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder, and nomination of Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong nominated by the nomination committee of the Board the candidates of directors of the eighth session of the Board, which was submitted to the Board for consideration and approval.

The nomination process, recommendation procedure and the qualifications and basic requirements for directors are set out in the Articles of Association and by-laws of the Company. During the Reporting Period, the nomination committee supervised and guided addition of directors of the Company's Board of Directors and replacement of the candidates of directors and supervisors of subsidiaries, and successfully completed such task.

The members of the nomination committee and their attendance at the meetings are as follows:

Name	Description	Required Attendance in 2014	Actual Attendance
Liu Ning (Independent non-executive director)	Chairman of the Committee	0	0
Fan Yong (Independent non-executive director)	Member of the Committee	0	0
Li Junjie (Director and General Manager)	Member of the Committee	0	0
Zhang Shuangru (Former independent non-executive directors)	Former chairman of the Committee	1	1
Wang Hui (Former independent non-executive directors)	Former member of the Committee	1	1
Hu Chuanzhong (Former director and general manager)	Former member of the Committee	1	1

**(V) Supervisory Committee's description on risks identified in the Company**

During the Reporting Period, the supervisory committee had no objection to any supervisory matters.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VI) Statements of the Company on inability to maintain the independence or the ability of independent operations between the Company and the controlling shareholders with respect to business, personnel, assets, organization and finance

There is no such circumstance, in which the maintenance of independence or the ability of independent operations between the Company and the controlling shareholders with respect to business, personnel, assets, organization and finance cannot be guaranteed.

	<b>Being Independent and complete or not</b>	<b>Description</b>
Business	Yes	The Company has complete business structure with capability of carrying out its business independently. There exists no competition within the same industry between the Company and controlling shareholders. The controlling shareholders do not directly or indirectly interfere with the operation of the Company.
Personnel	Yes	The Company is independent of the controlling shareholder with respect to labour, personnel and wage management. Senior management officers including the general manager, deputy general managers, the secretary to the Board of directors and the chief accountant receive their remunerations in the Company.
Assets	Yes	The Company has independent and complete systems for production, supply and sales, and the ancillary facilities.
Organization	Yes	The Company has different production, marketing and sales and office sites from those of the controlling shareholders. The Company has an independent management organization and a complete management and organization system entirely separated from the substantial shareholders.
Finance	Yes	The Company has established an independent finance department and an independent finance, accounting and audit system. The Company has established a complete financial management system with a separate bank account.

#### **Corresponding solutions, working progress and subsequent working plans of the Company in case of horizontal competition attributable to shareholding reform, industry features, national policies, merger and acquisition**

The Company has no horizontal competition attributable to shareholding reform, industry features, national policies, merger and acquisition.

### (VII) Establishment and implementation of appraisal and incentive mechanism for senior management officers during the Reporting Period

During the Reporting Period, the Board of the Company and the senior management officers entered into and executed the Performance Assessment Contract for Senior Management Officers. The Board assessed the performance of the senior management officers every year. After the remuneration and monitoring committee of the Board has completed the appraisal of the senior management officers based on the said contract for confirmation, such appraisal may be submitted to the Board for its examination and approval.

### (VIII) Others

#### **Corporate Governance Report**

The Directors of the Company believe that corporate governance is crucial to the success of the Company. Therefore, the Company adopts various measures to maintain corporate governance of high standard.

The documents related to corporate governance of the Company include the Articles of Association, Rules of Procedure for the General Meeting, and Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Implementation Rules of the Special Committees of the Board of Directors, Code of Practice of General Managers and Code of Practice of the Secretary to the Board of Directors. To achieve the highest level of corporate governance, the Board of the Company has set up four special committees, namely, the strategic development committee, the audit committee, the remuneration and monitoring committee and the nomination committee.

During the Reporting Period, the Company was in compliance with the code provisions stipulated in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

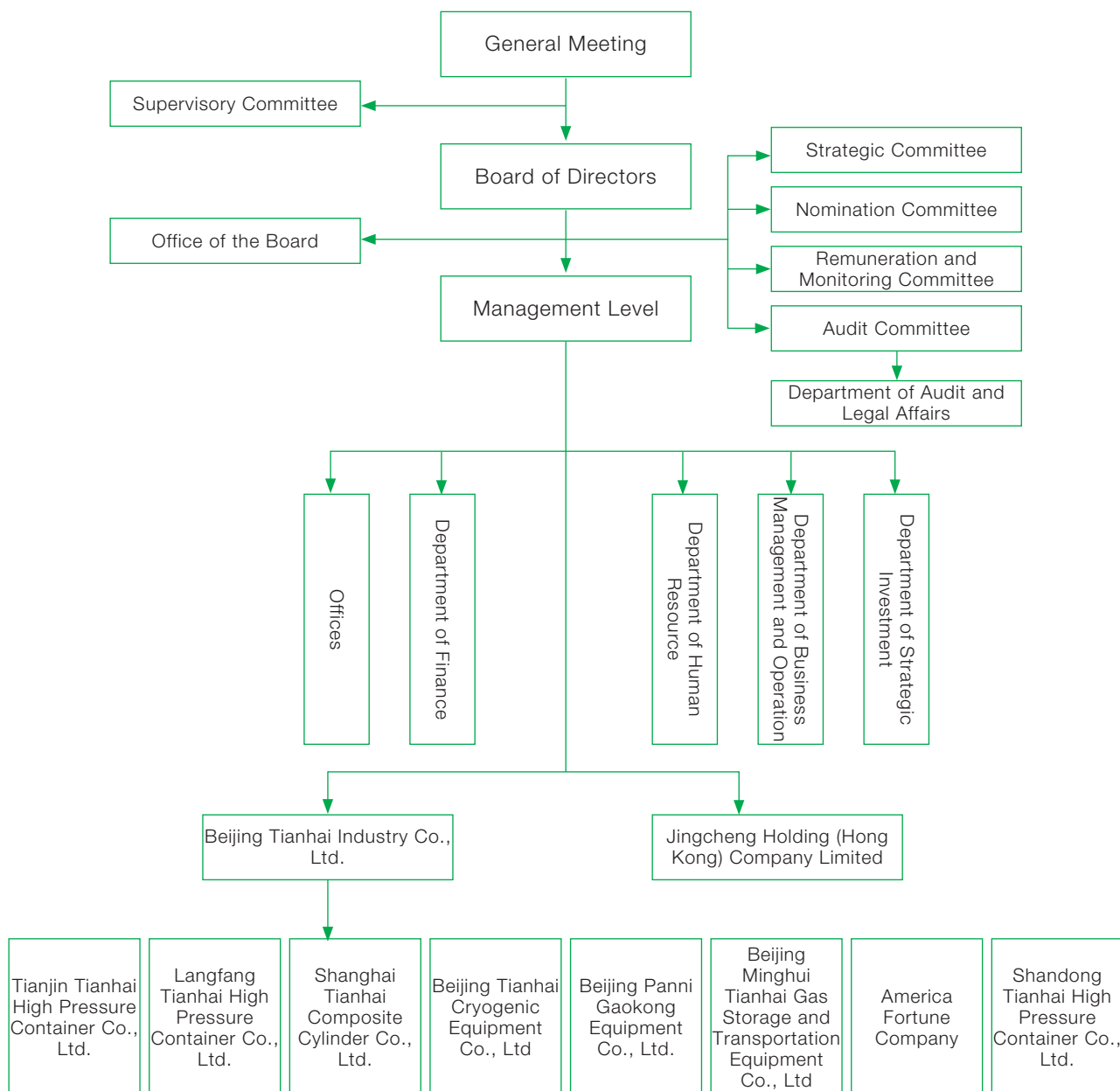
### (VIII) Others (cont'd)

#### Corporate Governance Report (cont'd)

During the Reporting Period, the Company has adopted the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. For the purposes of this Report, the Company has enquired all the Directors specifically and all of them have confirmed with the Company that they have completely complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

The Company has received the Statement Regarding the Confirmation of Independence submitted by the four independent non-executive Directors namely, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong pursuant to the requirements of Rule 3.13 of the Listing Rules, and the Board considers that the said four independent non-executive Directors are independent.

The structural chart for the corporate governance of the Company is as follows:





## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) Others *(cont'd)*

#### Corporate Governance Report *(cont'd)*

##### 1. Directors and Composition of the Board of Directors

The Board of the Company consists of eleven directors, including four executive directors, three non-executive directors, and four independent non-executive directors and the independent non-executive directors account for more than one third of the total members of the Board. One of the executive directors of the Company has resigned and the remaining ten directors continue to perform their duties. The alternate director is proposed to be elected at the next general meeting. The members in the Board of Directors are as follows:

##### **Executive directors**

Hu Chuanzhong	Chairman
Li Junjie	Director and General Manager
Jiang Chi	Director and Chief Accountant

##### **Non-executive directors**

Zhou Yongjun	Director
Chang Yun	Director
Xia Zhonghua	Director

##### **Independent non-executive directors**

Wu Yan	Director
Liu Ning	Director
Yang Xiaohui	Director
Fan Yong	Director

##### *Description:*

The executive directors and non-executive directors of the Company have rich experience in production, operation and management and make reasonable decisions in respect of the matters proposed by the Board. Among the four independent non-executive directors, one is a fellow member in pressure container industry with rich experience in gas storage transportation equipment industry; one is a PRC solicitor with accomplishments in law; one is a PRC registered accountant with many years of experience in respect of corporate management advisory and accounting practice; and one is a researcher in securities industry with rich experience in corporate merger and acquisition as well as fining. Such independent non-executive directors have full capability of assessing internal control and reviewing financial report. The composition of the Board was in full compliance with the requirements of the relevant domestic and overseas laws and regulations and standardized documents.

During the Reporting Period, to the best of the knowledge of the Board, there exists no relationship between and among the directors of the Board (including the chairman and the general manager) with respect to finance, business, family and relatives or other material/relevant relationship required to be disclosed.

The Company is in strict compliance with the relevant binding terms for securities transactions by directors as set out by the domestic and Hong Kong regulatory authorities and is always adhering to the principle of being in strict compliance with terms.

### (VIII) Others *(cont'd)*

#### Corporate Governance Report *(cont'd)*

##### 1. Directors and Composition of the Board of Directors *(cont'd)*

###### 1. Chairman and General Manager

The chairman and the general manager of the Company are assumed by different persons, and their respective duties are clearly divided.

The chairman, the legal representative of the Company, is elected by more than half of all directors of the Board. The Chairman is responsible for corporate planning and strategic decision-makings and chairing the Board, and ensuring that the Board will examine and adopt all involved matters in an appropriate manner for facilitating the effective operation of the Board.

The chairman is entitled to preside over the general meetings, to convene and chair the Board meetings, to examine and check the implementation of the resolutions of the Board, and to sign the securities issued by the Company and other important documents. Upon authorised by the Board, the Chairman can also convene the general meetings and provide guidance to the Company's important business activities during the adjournment of the Board meetings.

The general manager is appointed by the Board and is accountable to the Board. The general manager leads the management to take charge of daily production, operation and management of the Company, and organization and implementation of all resolutions of the Board. As required by the Board or the supervisory committee, the general manager will report to the Board or the supervisory committee, on a regular basis, regarding the execution and performance of major contracts, and the utilisation of funds, as well as the profit and loss.

###### 2. Executive Directors, Non-executive Directors and Independent Non-executive Directors

Like the other directors, the existing non-executive directors and independent non-executive directors of the Company have the term of office being three years, commencing from 26 June 2014 to the conclusion of 2016 Annual General Meeting.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

###### 3. Authority and Power of the Board of Directors

(1) The Board of Directors exercised the authority and power conferred by laws and regulations and the Articles of Association. Such power mainly includes:

To convene general meetings and implement such resolutions of the general meetings;

To decide upon the annual operating plan and material investment plan of the Company;

To formulate and prepare the financial budget, profit distribution plan, basic management mechanism and material acquisition or disposal plan of the Company;

To appoint or dismiss the Company's general manager and to appoint or dismiss the Company's senior management officers including the deputy general manager(s) and the financial controller based on such nominations made by the general manager;

To propose to the general meeting to re-appoint or replace the Company's accounting firms being responsible for the Company's audit work;

To examine and adopt the report of the Company's manager(s);

To exercise the financing and borrowing rights of the Company and decide upon such matters concerning the mortgage, lease and transfer of the Company's material assets.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) Others *(cont'd)*

#### Corporate Governance Report *(cont'd)*

#### 1. Directors and Composition of the Board of Directors *(cont'd)*

#### 4. Remunerations of Directors and Senior Management Officers and Assessment of the Board

- (1) *Service contracts of directors and supervisors*  
The directors and supervisors have entered into written contracts with the Company wherein the main contents thereof are as follows:
- ① Each contract for the directors of the eighth session of the Board of Directors and Supervisors of the eighth session of the Supervisory Committee shall commence from 26 June 2014 to and until the conclusion of 2016 Annual General Meeting.
  - ② The annual salary of executive directors serving as the senior management officer of the Company is divided into three parts, i.e. basic annual salary, regular performance annual salary and special contribution income. Each executive director is entitled to a basic annual salary ranging between RMB200,000 and RMB550,000. Depending on the results of the assessment on the performance of each executive director, the regular performance annual salary ranged between RMB120,000 and RMB850,000. The special contribution income is income that can be paid to executive directors when they have made outstanding contributions for the implementation of the Company's strategy or major innovation in management or technology. The special contribution income will be reviewed by the remuneration and monitoring committee of the Board and be reported to the Board for review and approval. The amount of such income shall not exceed RMB100,000. Each new non-executive director will be entitled to an annual fee not exceeding RMB60,000. The annual fee of each new supervisor of the Company does not exceed RMB40,000.
- (2) *Assessment and Motivation Mechanism for Senior Management Officers*  
During the Reporting Period, the Board of the Company entered into the Performance Assessment Contract for Senior Management with the senior management officers and would assess their performance semi-annually. The remuneration and monitoring committee of the Board would propose the appraisal of the senior management officers to the Board for examination and approval in accordance with the completion of the performance contracts by the senior management officers.
- (3) None of the directors, supervisors and senior management officers had been granted with any equity interest as an incentive by the Company during the Reporting Period.
- (4) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers or any of their associates, as at 31 December 2014, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 were granted with any right to acquire the securities of the Company or had exercised any such right.
- (5) As at the balance sheet date or at any time during the year, other than the service contracts mentioned hereinafter, the Company has not entered into any contracts of significance in which any of its directors and supervisors had a direct or indirect material interest.
- (6) Save as those set out in the register required to be maintained by directors and supervisors under SFO, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors have any interest required to be recorded in the register under the SFO.
- (7) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers of the Company, as at 31 December 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 would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) Others (cont'd)

#### Corporate Governance Report (cont'd)

#### 1. Directors and Composition of the Board of Directors (cont'd)

#### 4. Remunerations of Directors and Senior Management Officers and Assessment of the Board (cont'd)

(8) Save as disclosed hereinabove, none of any other directors, supervisors and senior management officers of the Company or their respective associates were granted by the Company or its subsidiaries with any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2014.

(9) The directors of the Company perform their duties in an honest, trustworthy and diligent manner, and for the best interests of the Company and all shareholders. The supervisors of the Company seriously execute their duties as supervisors and strictly perform their obligations as supervisors and exercise their power as supervisors.

#### 5. Pursuant to the authority and power conferred by the Articles of Association, the management level of the Company undertakes the major duties as follows:

To be responsible for organizing and implementing the Company's annual operating plan and investment plan;

To propose the establishment of internal management institution for the Company;

To propose the basic management mechanism for the Company;

To appoint or dismiss such management members whose appointment and dismissal are not subject to the Board of Directors;

To formulate the basic regulations for the Company.

#### 6. Remunerations of auditors

At the 2013 Annual General Meeting convened on 26 June 2014, the Company re-appointed ShineWing Certified Public Accountants as the domestic and overseas auditors of the Company for 2013 Financial Report and appointed BDO China Shu Lun Pan Certified Public Accounts LLP as the accountant for 2014 internal control report and authorized the Board to determine the remunerations of these two auditing firms.

During the Reporting Period, ShineWing Certified Public Accountants reviewed the attached financial report prepared under the PRC Accounting Standards and BDO China Shu Lun Pan Certified Public Accounts LLP reviewed the internal control report of the Company.

During the Reporting Period, none of the analysis on the remuneration of the auditor for the provision of non-audit services to the Company was provided by ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Public Accounts LLP.

During the Reporting Period, the audit fee payable to ShineWing Certified Public Accountants amounted to RMB1,050,000. The audit fee includes all fees related to audit services provided to the Company by the auditors, including audit fee and review fee. The audit fee payable to BDO China Shu Lun Pan Certified Public Accounts LLP amounted to RMB500,000. The audit fee includes the review fee paid to auditor for reviewing the effectiveness of the design and implementation of the internal control contained in the Company's financial report.

As at 31 December 2014, ShineWing Certified Public Accountants has provided auditing services for the Company for 8 years, and BDO China Shu Lun Pan Certified Public Accounts LLP has provided auditing services for the Company for 4 years

A resolution regarding whether ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Accounts LLP are to be re-appointed as the Company's auditors for the year 2015 will be submitted to the 2014 Annual General Meeting.

During the Reporting Period, directors are separately assuming the responsibilities of preparing the financial report and internal control report. Please refer to "Auditor's Report and Financial Statements" as set out in Section 12 and "Internal Control" as set out in Section 11 of this Annual Report, for the particulars of the opinions on the financial report and internal control report issued by ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Public Accounts LLP respectively.



## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) Others (cont'd)

#### Corporate Governance Report (cont'd)

#### 1. Directors and Composition of the Board of Directors (cont'd)

##### 7. Internal control

Details on the internal control of the Company implemented by the Board of Directors are set out in the section headed "Internal Control" as set out in Section 11 of this Annual Report.

##### 8. Delegation of authority by the Board of Directors

During the Reporting Period, any implementation of delegation of authority by the Board of Directors to the operation management level shall be subject to the approval of the Board of Directors. Such delegation also requires the operation management level to regularly report the implementation results regarding such matters under such delegation. The Board has not delegated any authority with respect to managerial or administrative functions to its committees thereunder.

##### 9. Corporate governance functions

During the Reporting Period, the Board of Directors performed its duties regarding corporate governance: (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of directors and senior management; (3) to review and monitor the Company's policies and practices on the compliance with legal and regulatory requirements; (4) to develop, review and examine the staff's manual applicable to employees and directors; and (5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report. Details on the implementation of the foregoing matters are set out in the section headed "Internal Control" as set out in section 11 of this Annual Report.

##### 10. Annual General Meeting and communications with Shareholders

The 2013 Annual General Meeting was held on 26 June 2014, at which the following resolutions were examined and reviewed:

Ordinary resolutions: 1. to consider and approve the 2013 annual report of the Company; 2. to consider and approve the 2013 work report of the board of directors of the Company; 3. To consider and approve the 2013 work report of the Supervisory Committee of the Company; 4. to consider and approve the 2013 financial reports of the Company audited by ShineWing Certified Public Accountants LLP; 5. to consider and approve the 2013 internal control report of the Company audited by Shu Lun Pan Certified Public Accountants LLP; 6. to consider and approve the resolution of the Company not to distribute any profit for the year 2013; 7. to consider and approve re-appointment of SHINEWING Certified Public Accountants LLP for the Company's 2014 financial reports, and to authorise the Board to enter into a service contract with it and determine its remuneration; 8. to consider and approve re-appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2014 internal control auditor, and authorizing the Board to enter into a service contract with it and determine its remuneration; 9. to consider and approve the report of the independent non-executive Directors of the Company for 2013; 10. to consider and approve the management measures on the performance assessment of senior management officers; 11. to consider and approve the fund raising management measures; 12. to consider and approve the continuing connected transactions in relation to Gas Cylinder Pipe Sale and Purchase Framework Agreement and the Supplemental Agreement between Tianjin Tianhai High Pressure Co., Ltd., the Company's subsidiary, and Tianjin Pipe Steel Trade Co., Ltd; 13. to consider and approve the resolution on the proposed disposal of the 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of public tender; 14. to consider and approve the resolution on the preliminary asset transaction agreement to be entered into between the Company and Jingcheng Holding on 16 May 2014, subject to the effective conditions, and the connected transaction contemplated thereunder; 15. this resolution on the election of directors of eighth Board of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2013 Annual General Meeting till the conclusion of the 2016 Annual General Meeting; 16. to consider and approve the resolution on the remuneration of and the service contracts to be entered into with directors of the eighth session of the Board of the Company; 17. this resolution on the election of the eighth supervisory committee of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2013 Annual General Meeting till the conclusion of the 2016 Annual General Meeting; 18. to consider and approve the resolution on the remuneration of and the service contracts to be entered into with supervisors of the eighth supervisory committee of the Company; 19. to consider and approve the resolution in relation to the amendments to the Articles of Association. The results of the poll of the foregoing resolutions were published on the websites of SSE at [www.sse.com.cn](http://www.sse.com.cn) and HKEx at [www.hkexnews.hk](http://www.hkexnews.hk) on 26 June 2014.

During the Reporting Period, the Company convened one shareholders' general meeting, at which all resolutions were passed by the way of poll. The directors, supervisors, senior management officers, members of the Board's committees, attorneys and auditors of the Company were present at the meeting. The directors and senior management officers answered all questions raised by investors at the meeting.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII)Others (cont'd)

#### Corporate Governance Report (cont'd)

#### 1. Directors and Composition of the Board of Directors (cont'd)

##### 11. Secretary to the Board

- (1) The secretary to the Board is a senior management officer of the Company.
- (2) The secretary to the Board is appointed by the Board of Directors of the Company and reports duty to the Chairman.
- (3) The main duties of the secretary to the Board include: to assist the directors with their handling of the day-to-day business of the Board; to continuously provide the directors with, remind the directors of, and ensure that the directors are aware of, the domestic and foreign regulators' regulations, policies and requirements in respect of the operation of the Company; to assist the directors and managers in proper compliance with domestic and foreign laws, regulations, the Articles of Associations and other relevant rules in exercising their power and performing their functions; to be responsible for organizing and preparing the documents of the Board and of the shareholders' general meetings; to duly keep meeting minutes; to ensure that decisions made at meetings are made in accordance with statutory procedure and to know well of the implementation of the resolutions of the Board of Directors; to be responsible for arranging and coordinating the disclosure of information, coordinating the relationship with investors and enhancing the transparency of the Company; to participate in arranging for capital market financing; to handle the relationship with intermediary organisations, regulators and the media, and to promote good public relations.

##### 12. Participation in trainings by directors, supervisors and senior management officers

To further develop and update the knowledge and skills of the directors, supervisors and senior management officers such that they can better serve the Company, all directors, including Hu Chuanzhong, Li Junjie and Jiang Chi, the executive directors, Zhou Yongjun, Chang Yun and Xia Zhonghua, the non-executive directors, and Wu Yan, Liu Ning, Yang Xiaohui and Fan Yong, the independent non-executive directors, supervisors and senior management officers of the Company, during the Reporting Period, participated in trainings in relation to the Listing Rules, Corporate Governance, Corporate Internal Control, Prevention of Insider Trading, Information Disclosure, and Responsibilities of the Directors. During the Reporting Period, the Secretary to the Board participated in professional trainings for no less than 15 learning hours and all directors and supervisors participated in professional trainings for no less than 8 learning hours, and all directors have provided the training record to the Company.

##### 13. Statement regarding Responsibility financial statements by the Board of Directors

This statement is made for Shareholders to differentiate the respective responsibilities of the Directors and the auditors in connection with service reports which should be read in conjunction with the statement regarding responsibility by auditors contained in the auditors' report set out in the financial statements.

The Board of Directors is of the opinion that as the Company's resources are sufficient for its operation in the foreseeable future, the financial statements have been prepared based on the going concern principle, and that in preparation of such financial statements, applicable accounting policies were completely implemented, supporting by reasonable and prudent judgment and valuation, and that the preparation of the statements is in compliance with all accounting standards the Board of Directors considers applicable.

The Directors are responsible for ensuring that the accounts record prepared by the Company reasonably and accurately reflects the Company's financial position, and that the financial statements are in compliance with relating accounting requirements in the PRC and Hong Kong.

##### 14. Statement of the Company: the Company maintained sufficient public float during the Reporting Period.

##### 15. Shareholders' Right

- (a) To convene an extraordinary general meeting

Where Shareholders request to convene an extraordinary general meeting or class meeting, the following procedures shall be followed:

- (i) Two or more Shareholders who collectively hold more than 10% (10% inclusive) of the voting shares at the proposed meeting may make a resolution to the Board on holding an extraordinary general meeting or class meeting by signing one or several written requests with same content in same format and may define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request(s). The aforesaid number of shares held shall be calculated as of the date when the written request(s) was put forward by the shareholders.

## SECTION 11 CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) Others *(cont'd)*

#### Corporate Governance Report *(cont'd)*

#### 1. Directors and Composition of the Board of Directors *(cont'd)*

##### 15. Shareholders' Right *(cont'd)*

- (a) To convene an extraordinary general meeting *(cont'd)*
  - (ii) In the event that the Board fails to give a notice of convening such meeting within thirty days upon receipt of the aforesaid written request(s), the shareholders who put forward the request(s) may convene such meeting of their own accord within four months upon receipt of the request by the Board, and the procedures for convening such meeting shall be the same as those for convening a general meeting by the Board where possible.

The expenses reasonably incurred by shareholders in convening and holding such a meeting because of the Board's failure to hold such meeting at the aforesaid request shall be borne out by the Company and shall be deducted from any payment due by the Company to directors of misconduct.

Where the shareholders decide to convene a general meeting of their own accord, it/they shall give a written notice to the Board and shall simultaneously file the case with the local office of the CSRC and the stock exchange in the locality where the Company operates for record.

Prior to the announcement of the resolution of the general meeting, the shareholding by the convening Shareholders shall be not less than 10%. When the convening shareholders deliver a notice of general meeting and make the announcement of the resolution of the general meetings, the convening shareholders shall submit the relevant evidencing materials to the local office of the CSRC and the stock exchange in the locality where the Company operates.

- (b) The content of such resolution to be submitted to the general meeting shall fall in the scope of the authority and power of the locality shall have definite topics to be discussed and specific matters for resolution and shall be in compliance with the relevant provisions of the laws, administrative regulations and the Company's Articles of Association.

Shareholders that independently or collectively hold 3% or more of the shares in the Company may make a temporary resolution and submit it to the convener(s) in written form ten days prior to the convening of the general meeting. The convener(s) shall deliver a supplementary notice of the general meeting to announce the content of the temporary resolution within two days upon receipt of the resolution.

Except as provided in the preceding paragraph, after delivering a notice of general meeting, the convener(s) may not make any amendments to the resolutions included in the notice or add any new resolutions. Where the election of directors or supervisors is proposed to be discussed at a general meeting, the detailed information about the candidates for directors or supervisors shall be sufficiently disclosed in the notice of the general meeting, including:

- (i) Personal information regarding educational background, working experience and concurrent positions;
- (ii) Whether he/she has any related relationship with the Company or its controlling shareholders or actual controllers;
- (iii) The number of shares held in the Company to be disclosed; and
- (iv) Whether he/she has been punished by the CSRC and other authorities and penalised by the stock exchange.

A single resolution shall be made for each candidate for a director or a supervisor, except for directors or supervisors elected by way of cumulative voting system.

- (c) Shareholders may send their enquires requiring the Board's attention to the Secretary to the Board at the registered address of the Company. The contact details are set out in the "Company Profile" section of the annual report. Questions about the procedures for convening or putting forward resolutions at an AGM or extraordinary general meeting may also be put forward to the secretary to the Board in the same manner.

##### 16. Significant changes in the Company's constitutional documents during the year ended 31 December 2014

On 16 December 2013, the resolution on the change in company name and amendments to the Articles of Association was considered and approved at the First Extraordinary General Meeting of 2013 of the Company. Upon the approval from Beijing Municipality State Administration of Industry and Commerce obtained, the Company completed the procedures for registration of changes in registered company name, business address and scope of business and obtained the business license after such changes. The Company completed the necessary filing procedures with the Hong Kong Companies Registry upon its approval and received the certificate of change of name of a non-Hong Kong company issued by the Hong Kong Companies Registry.



## I. Responsibility statement and development of internal control system

According to the requirements of Corporate Internal Control Standard System, Board of Directors of the Company is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report truly. The supervisory committee shall supervise the internal control established and implemented by the Board of Directors. The Management is responsible for organizing and leading the routine operation of the internal control of the Company. The Internal Control Manual of the Company was amended and improved by the Company pursuant to the changes of development scale after completion of the major assets restructuring in a timely manner, and relevant internal control procedures have been developed aiming to the businesses and matters included in the scope of assessment, which have been implemented effectively and satisfied the standards of the Company's internal control. In view of the development direction and industry characteristics, the Board of Directors, in accordance with the requirements for material, major and general deficiencies as specified in the enterprise internal control standard system, differentiated financial reporting related and non-financial reporting related and formulated specific standards for recognition of deficiencies that is applicable to the Company. According to the standards for recognition of deficiencies in the internal control of the Company, the Company had no material or important deficiencies in internal control concerning the financial reporting of the Company, and not identified any material or important deficiencies in the internal control over non-financial reporting of the Company.

### Beijing Jingcheng Machinery Electric Company Limited 2014 Internal Control Evaluation Report

To all shareholders of Beijing Jingcheng Machinery Electric Company Limited:

According to the provisions of the The Basic Standard for Enterprise Internal Control, the internal control and its supporting guidance as well as the other the internal control regulation requirements (hereinafter referred to as "Corporate Internal Control Standard System"), combining with the internal control system and evaluation methods of the Company, based on the routine supervision and special supervision over the internal control, we have evaluated the effectiveness of the internal control of the Company as of 31 December 2014 (being the benchmark date of the internal control evaluation report).

#### 1 Important statements

According to the requirements of Corporate Internal Control Standard System, Board of Directors of the Company is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report truly. The supervisory committee shall supervise the internal control established and implemented by the Board of Directors. The Management is responsible for organizing and leading the routine operation of the internal control of the Company. The Board, the supervisory committee and the Directors, supervisors and senior management officers of the Company confirm that information contained in this report is true, accurate, and complete without any false and misleading statements or material omissions, and assume several and joint liability for the above.

The objectives of the Company's internal control are to reasonably guarantee the authenticity and completeness of information of the compliance, asset security, financial report and relevant information of operation and management of the Company, improve the operating efficiency and results, and promote the realization of development strategies. Owing to the inherent limitations of the internal control, reasonable guarantees shall only be provided for realizing the above objectives. In addition, changes in situation may result in that the internal control becomes inappropriate or the extent to which the compliance with policies and process is lessened. There may be certain risks in presuming the effectiveness of future internal control according to the evaluation results of the internal control.

#### 2 Conclusion of the internal control evaluation

According to the recognition of material deficiencies in the internal control over the Company's financial reporting, on the benchmark date of the internal control evaluation report, there are no material deficiencies in the financial reporting. The Board is of the opinion that, the Company has maintained, in all material respects, effective internal control over financial reporting in accordance with the requirements of Corporate Internal Control Standard System and the relevant provisions.

According to the recognition of material deficiencies in the internal control over the Company's non-financial reporting, on the benchmark date of the internal control evaluation report, the Company has not identified any material deficiencies in the internal control over non-financial reporting.

From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there are no factors that may impose any impacts on the result of the effectiveness of the internal control.



## SECTION 12 INTERNAL CONTROL

### I. Responsibility statement and development of internal control system

(cont'd)

#### 3 Internal control evaluation (cont'd)

##### (1) Scope of the internal control evaluation

The Company determines the main units, business and events and high-risk areas that are included in the scope of the internal control evaluation based on the risk-oriented principle. Main entities included in the scope of the evaluation include: Beijing Jingcheng Machinery Electric Company Limited' headquarters, Beijing Tianhai Industry Co., Ltd. The subordinate units of Beijing Tianhai Industry Co., Ltd. includes: Beijing Minghui Tianhai Gas Storage and Transportation Equipment Co., Ltd ("Minghui Tianhai"), Beijing Tianhai Cryogenic Equipment Co., Ltd. ("Tianhai Cryogenic"), Langfang Tianhai High Pressure Container Co., Ltd. ("Langfang Tianhai") and Tianjin Tianhai High Pressure Container Co., Ltd. ("Tianjin Tianhai"). The total assets included in the evaluation scope accounts for 94% of the total assets of the Company, and the total operating income accounts for 91% of the total operating income of the consolidated financial statements of the Company; main business and events included in the evaluation scope include: fund activities, procurement business, asset management, sales, research and development, guarantee business, financial reporting, comprehensive budget, information systems and human resources. Fund activities mainly include financing activities (namely, preparation and approval of financing scheme, formulation and implementation of financing plan, assessment and accountability of financing activities, repayment of funds raised), investing activities (namely, preparation and approval of investment scheme, formulation and implementation of investment plan, disposal of investment assets), collection, payment and custody of monetary funds (approval, re-check, balance point, bookkeeping, reconciliation, bank account management, bills and seal management), Operating of funds (namely, the links in monetary funds, reserves, production funds, new reserves, new monetary fund) and other matters; procurement businesses mainly included preparation of demand and supply plan, application for procurement, selection of suppliers, pricing, entering into framework agreement or purchase contract, management of supply process, acceptance, payment and vendor information management, etc.; asset management mainly included inventories (namely acceptance warehousing, warehousing and deposition, acquiring and sending out, stock-tacking, disposal of inventories and accounting treatment), fixed assets(acceptance, registration, insurance, maintenance, technical improvement, check, mortgage, lease, elimination, sell, lease and accounting treatment), intangible assets (acceptance, use, disposal, accounting treatment) and other matters; sales business mainly included sales program management, customer development and credit management, sales pricing, entering into sales contract, delivery of goods, receiving payment, customer service, customer information management and other matters; research and development mainly included project initialization, R&D process management, conclusion and acceptance, core R&D personnel management, development and protection of results of R&D, evaluation of R&D activities. The high-risk areas to which required to pay great attention mainly included preparation and approval of financing scheme, formulation and implementation of financing plan, assessment and accountability of financing activities, repayment of funds raised under financing activities, and preparation and approval of investment scheme, formulation and implementation of investment plan and disposal of investment assets under investment activities; preparation of demand and supply plan, application for procurement, selection of suppliers, pricing, entering into framework agreement or purchase contract, management of supply process, acceptance, payment and vendor information management under procurement businesses; sales program management, customer development and credit management, sales pricing, entering into sales contract, delivery of goods, receiving payment, customer service, customer information management and other matters under sales businesses.

The entities, businesses and events and high-risk areas that are included in the above-mentioned evaluation scope cover the main aspects of the Company's operation and management without material omission.

## I. Responsibility statement and development of internal control system

(cont'd)

### 3 Internal control evaluation (cont'd)

#### (2) Working basis of internal control evaluation and recognition standards for deficiencies

The Company organized and conducted its internal control evaluation in accordance with the Basic Standards for Corporate Internal Control.

In view of the size of the company, industry characteristics, risk preference and tolerance, the Board of Directors, in accordance with the requirements for material, major and general deficiencies as specified in the enterprise internal control standard system, differentiated financial reporting related and non-financial reporting related and formulated specific standards for recognition of deficiencies that is applicable to the Company, which are in consistent with those of past years. The recognition standards of internal control deficiencies defined by the Company are as follows:

#### (1) The recognition standards of financial reporting related internal control deficiencies

Quantitative standards for evaluation of financial reporting related internal control deficiencies defined by the Company are as follows:

Material deficiencies: potential misstatement of operating income: misstatement  $\geq 0.5\%$  of the total operating income; potential misstatement of total profit: misstatement  $\geq 5\%$  of the total profit; potential misstatement of total assets: misstatement  $\geq 0.5\%$  of the total assets; potential misstatement of equity: misstatement  $\geq 0.5\%$  of the total equity.

Major deficiencies:  $0.2\%$  of the total operating income  $\leq$  misstatement  $< 0.5\%$  of the total operating income;  $2\%$  of the total profit  $\leq$  misstatement  $< 5\%$  of the total profit;  $0.2\%$  of the total assets  $\leq$  misstatement  $< 0.5\%$  of the total assets;  $0.2\%$  of the total equity  $\leq$  misstatement  $< 0.5\%$  of the total equity.

General deficiencies: misstatement  $< 0.2\%$  of the total operating income; misstatement  $< 2\%$  of the total profit; misstatement  $< 0.2\%$  of the total assets; misstatement  $< 0.2\%$  of the total equity.

Qualitative standards for evaluation of financial reporting related internal control deficiencies defined by the Company are as follows:

Material deficiencies: Separate deficiency or together with other deficiencies lead to the failure to avoid, identify or correct the material misstatement in the financial reporting on a timely basis. In case of the occurrence of the following situations, material deficiencies are recognised:

Ineffective control environment;

The misconduct committed by directors, supervisors and members of senior management officers;

The external audit identifies material misstatement in the current financial report which has not been identified by the Company during its operation;

Material deficiencies identified and reported to the management have not been rectified after a reasonable period of time;

The supervision of the Company's audit committee and department of audit and legal affairs over the internal control is proved to be ineffective;

Other deficiencies which may affect the correct judgment of the statement users.

Major deficiencies: Separate deficiency or together with other deficiencies lead to the failure to avoid, identify or correct the misstatement in the financial reporting on a timely basis, which does not reach or exceed the level of importance but is still worth the attention of the management.

General deficiencies: Other internal control deficiencies that do not constitute material or major deficiencies.

## SECTION 12 INTERNAL CONTROL

### I. Responsibility statement and development of internal control system

(cont'd)

#### 3 Internal control evaluation (cont'd)

##### (2) Working basis of internal control evaluation and recognition standards for deficiencies (cont'd) (2). **The recognition standards of non-financial reporting related internal control deficiencies**

Quantitative standards for evaluation of non-financial reporting related internal control deficiencies defined by the Company are as follows:

Recognition of material deficiency: Direct property losses amount was more than RMB10.00 million and have material adverse effects on the Company and are disclosed by way of announcement.

Recognition of major deficiency: Direct property losses amount of between RMB1.00 million and RMB10.00 million (inclusive) or the imposition of punishment by national government authority which does not adversely affect the Company;

Recognition of general deficiency: Direct property losses amount of less than RMB1.00 million (inclusive) or the imposition of punishment by government authority at or below provincial level which does not adversely affect the Company.

Qualitative standards for evaluation of non-financial reporting related internal control deficiencies defined by the Company are as follows:

In case of the occurrence of the following situations, material deficiencies are recognised. Other situations are recognised as major deficiencies or general deficiencies by its effect respectively.

Violation of the State's laws, regulations or regulatory documents;

Unscientific material decision-making process;

Lack of systems are likely to result in systemic failures;

Material or major deficiencies are not rectified;

Other situations that materially affect the Company.

##### (3) **Recognition of internal control deficiencies and rectifications**

###### (1) **Recognition of internal control deficiencies in financial reporting and rectifications**

According to the standards for recognition of internal control deficiencies in financial reporting, during the Reporting Period, the Company has no material and major deficiencies in the internal control over financial reporting.

###### (2) **Recognition of internal control deficiencies in non-financial reporting and rectifications**

According to the above-mentioned standards for recognition of internal control deficiencies in non-financial reporting, during the reporting period, the Company has no material or major deficiency in the internal control over non-financial reporting.

#### 4. **Explanation on other significant matters concerning internal control**

Nil

Board of Directors of  
**Beijing Jingcheng Machinery Electric Company Limited**  
17 March 2015

For details of the 2014 Internal Control Evaluation Report issued by the Company, please refer to the website of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn).

Whether disclose internal control self-assessment report: Yes

## II. Auditors' Report on Internal Control Over Financial Reporting

Xin Kuai Shi Bao Zi [2015] No. 210166

### Internal Control Over Financial Reporting

To all shareholders of Beijing Jingcheng Machinery Electric Company Limited:

We have audited the effectiveness of internal control over financial reporting of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as "the Company") as of December 31, 2014 based on criteria established in Audit Guidelines for Enterprise Internal Control and related standards established in the Professional Standards for Certified Public Accountants of China.

#### 1. The Company's responsibilities regarding the internal control

According to Basic Standards for Enterprise Internal Control, Implementation Guidelines for Enterprise Internal Control and Guidelines for Evaluation and Assessment on Effectiveness of Enterprise Internal Control, the Company's board of directors is responsible for maintaining effective internal control over financial reporting and assessment of the effectiveness of internal control over financial reporting.

#### 2. Responsibilities of Certified Public Accountants

Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting and to disclose any material weaknesses of internal control over non-financial reporting matters we noticed based on our audit.

#### 3. Inherent Limitations of Internal Control

Because of its inherent limitations, internal control over financial reporting may not prevent and detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk wherein controls may become inadequate because of changes in conditions, or wherein the degree of compliance with the policies or procedures may deteriorate.

#### 4. Opinion on Audit regarding the internal control over financial reporting

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on Basic Standards for Enterprise Internal Control and the relevant provisions.

**BDO China Shu Lun Pan**  
Certified Public Accountants LLP

Shanghai, China  
March 27, 2015

Certified Public Accountant of China: **Yan Yanfei**  
Certified Public Accountant of China: **Jiang Gui Cheng**

Auditors' Report on Internal Control disclosed? Yes

## III. Investigation System of Responsibility for Significant Errors in the Annual Report and its Implementation

The Company has established the Investigation System of Responsibility for Significant Errors of Information Disclosure in the Annual Report, which will stringently investigate in accordance with the system, the responsibility of related staff who have caused significant errors of information disclosures in annual reports due to the failure to perform or correctly perform their duties and obligations in the course of information disclosure in annual reports.

During the Reporting Period, there were no incidents of significant information disclosure error in the annual report for the Company.



## SECTION 13 AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### Auditor's Report

XYZH/2014TJA2002

#### To Shareholders of Beijing Jingcheng Machinery Electric Co., Ltd.:

We have audited the accompanying consolidated financial statements of Beijing Jingcheng Machinery Electric Co., Ltd ('the Company'), which comprise the consolidated and the Company's balance sheet as at 31 December 2014, consolidated and the Company's income statement and the consolidated and the Company's statement of changes in owners' equity, the consolidated and the Company's cash flow statement for the year then ended 2014 and notes to the consolidated financial statements.

#### Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements. This responsibility includes: (1) preparing these consolidated financial statements in accordance with Accounting Standards for Business Enterprises, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to ensure that the consolidated financial statements are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2014 and the consolidated and the Company's financial performance; the consolidated and the Company's cash flows for the year then ended 2014, in accordance with the requirements of the Accounting Standards for Business Enterprises.

**ShineWing**  
Certified Public Accountants

17 March 2015

Chinese Certified Public Accountants: **Huang Ying**  
Chinese Certified Public Accountants: **Pang Rongzhi**

## CONSOLIDATED BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.  
As at 31 December 2014

Unit: RMB

Item	Note	Ending balance	Beginning balance
<b>Current assets</b>			
Cash and cash equivalents	VI.1	<b>163,962,823.33</b>	337,743,216.12
Transaction settlement funds			
Loans to other banks			
Financial assets at fair value through profit and loss			
Financial assets derivatives			
Notes receivable	VI.2	<b>13,148,883.12</b>	28,387,575.12
Accounts receivable	VI.3	<b>404,135,634.03</b>	407,991,348.42
Advances to suppliers	VI.4	<b>78,985,528.99</b>	41,013,304.21
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Interests receivable			
Dividends receivable			
Other receivables	VI.5	<b>6,435,698.19</b>	5,686,434.58
Financial assets purchased with agreement to re-sale			
Inventories	VI.6	<b>572,992,423.57</b>	734,199,271.84
Held-to-sale assets	VI.7		15,685,687.13
Non-current assets due within one year			
Other current assets			32,997.34
<b>Total current assets</b>		<b>1,239,660,991.23</b>	1,570,739,834.76
<b>Non-current assets</b>			
Loans and advances to customers			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI.8	<b>55,004,776.68</b>	63,231,444.54
Investment properties	VI.9		9,519,696.39
Fixed assets	VI.10	<b>1,016,720,860.27</b>	714,960,989.70
Construction in progress	VI.11	<b>22,888,621.63</b>	278,770,258.89
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.12	<b>160,501,145.59</b>	173,810,162.12
Research and development expenses			
Goodwill	VI.13	<b>6,562,344.06</b>	6,562,344.06
Long-term prepayments	VI.14	<b>1,493,671.24</b>	2,634,697.21
Deferred tax assets	VI.15	<b>5,050,938.96</b>	9,131,448.40
Other non-current assets			
<b>Total non-current assets</b>		<b>1,268,222,358.43</b>	1,258,621,041.31
<b>Total assets</b>		<b>2,507,883,349.66</b>	2,829,360,876.07

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## CONSOLIDATED BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.  
As at 31 December 2014

Unit: RMB

Item	Note	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans	VI.16	<b>318,051,050.00</b>	482,613,152.34
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Financial liabilities at fair value through profit and loss			
Financial liability derivatives			
Notes payable	VI.17	<b>105,000,000.00</b>	80,000,000.00
Accounts payable	VI.18	<b>371,989,158.86</b>	395,472,131.25
Advance from customers	VI.19	<b>29,715,136.98</b>	135,006,560.18
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee benefits payable	VI.20	<b>17,397,862.19</b>	22,005,882.88
Taxes payable	VI.21	<b>-34,274,412.01</b>	2,260,951.16
Interests payable	VI.22	<b>76,666.67</b>	305,666.69
Dividends payable	VI.23		1,551,900.00
Other payables	VI.24	<b>109,898,562.61</b>	416,598,343.16
Reinsured accounts payable			
Reserves for insurance contract			
Funds from securities trading agency			
Funds from underwriting securities agency			
Held-to-sale liabilities			
Non-current liabilities due within one year	VI.25	<b>11,000,000.00</b>	
Other current liabilities			
<b>Total current liabilities</b>		<b>928,854,025.30</b>	1,535,814,587.66
<b>Non-current liabilities</b>			
Long-term loans			
Bonds payable			
Including: preferred shares			
perpetual bonds			
Long-term payables			
Long-term employee benefits payable	VI.26	<b>30,370,000.00</b>	28,280,000.00
Special payables	VI.27	<b>103,900,000.00</b>	131,468,000.00
Contingent liabilities			
Deferred revenue			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>134,270,000.00</b>	159,748,000.00
<b>Total liabilities</b>		<b>1,063,124,025.30</b>	1,695,562,587.66
<b>Shareholders' Equity</b>			
Share capital	VI.28	<b>422,000,000.00</b>	422,000,000.00
Other equity instruments			
Including: preferred shares			
perpetual bonds			
Capital reserves	VI.29	<b>683,803,181.69</b>	558,698,626.70
Less: Treasury shares			
Other comprehensive income	VI.30	<b>118,733.00</b>	2,380,550.24
Specific reserves			
Surplus reserves	VI.31	<b>45,665,647.68</b>	45,665,647.68
General risk reserves			
Retained earnings	VI.32	<b>-232,056,930.86</b>	-253,473,137.56
<b>Total equity attributable to shareholders of the Company</b>		<b>919,530,631.51</b>	775,271,687.06
Non-controlling interest		<b>525,228,692.85</b>	358,526,601.35
<b>Total shareholder's equity</b>		<b>1,444,759,324.36</b>	1,133,798,288.41
<b>Total liabilities and shareholder's equity</b>		<b>2,507,883,349.66</b>	2,829,360,876.07

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## BALANCE SHEET

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
As at 31 December 2014

Unit: RMB

Item	Note	Ending balance	Beginning balance
<b>Current assets</b>			
Cash and cash equivalents	XVI.1	<b>11,915,900.48</b>	9,537,212.51
Financial assets at fair value through profit and loss			
Financial assets derivatives			
Notes receivable			
Accounts receivable			
Advances to suppliers	XVI.2	<b>756,603.33</b>	
Interest receivables	XVI.3	<b>6,595,555.56</b>	
Dividend receivables			
Other receivables	XVI.4	<b>340,000,000.00</b>	5,522,900.00
Inventories			
Held-to-sale assets			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>359,268,059.37</b>	15,060,112.51
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI.5	<b>694,842,724.41</b>	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 deferred expenses			
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>694,842,724.41</b>	859,685,667.59
<b>Total assets</b>		<b>1,054,110,783.78</b>	874,745,780.10

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**



## BALANCE SHEET

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
As at 31 December 2014

Unit: RMB

Item	Note	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans			
Financial liabilities at fair value through profit and loss			
Financial liability derivatives			
Notes payable			
Accounts payable			
Advance from customers			
Employee benefits payable			
Taxes payable	XVI.6	434,320.76	
Interests payable			
Dividends payables			
Other payables	XVI.7	4,545,647.21	13,774,136.35
Held-to-sale liabilities			
Non-current liabilities repayable within one year			
Othercurrent liabilities			
<b>Total current liabilities</b>		<b>4,979,967.97</b>	13,774,136.35
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Including: preferred shares			
perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special Payables			
Contingent liabilities			
Deferred revenue			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>4,979,967.97</b>	13,774,136.35
<b>Shareholders' Equity</b>			
Share capital	XVI.8	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred shares			
perpetual bonds			
Capital reserves	XVI.9	666,639,987.85	566,480,197.56
Less: Treasury shares			
Other comprehensive income			
Specific reserves			
Surplus reserves	XVI.10	38,071,282.24	38,071,282.24
Retained earnings	XVI.11	-77,580,454.28	-165,579,836.05
<b>Total shareholder's equity</b>		<b>1,049,130,815.81</b>	860,971,643.75
<b>Total liabilities and shareholder's equity</b>		<b>1,054,110,783.78</b>	874,745,780.10

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## CONSOLIDATED INCOME STATEMENT

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the year of 2014

Unit: RMB

Item	Note	Current Year	Prior Year
<b>1. Total operating income</b>		<b>1,806,333,093.44</b>	2,828,194,349.87
Including: Operating income	VI.36	<b>1,806,333,093.44</b>	2,828,194,349.87
Interest income			
Earned insurance premiums			
Fees and commission income			
<b>2. Total operating cost</b>		<b>1,970,942,677.43</b>	2,940,995,400.58
Including: Cost of operation	VI.36	<b>1,621,482,256.01</b>	2,402,264,930.73
Interest expenses			
Fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsured expenses			
Business taxes and surcharges	VI.37	<b>21,226,908.28</b>	8,782,371.08
Selling and distribution expenses	VI.38	<b>102,661,594.08</b>	158,783,476.97
Administrative expenses	VI.39	<b>182,887,041.22</b>	281,480,648.76
Financial expenses	VI.40	<b>41,825,014.86</b>	59,834,213.01
Loss on impairment of assets	VI.41	<b>859,862.98</b>	29,849,760.03
Add: Gain arising from the changes in fair value (loss listed with "-")		-	-
Investment income (Loss listed with "-")	VI.42	<b>100,696,436.75</b>	4,924,368.24
Including: Income from investments in associates and joint ventures (Loss listed with "-")		<b>1,503,307.97</b>	5,566,006.23
Exchange gain (Loss listed with "-")			
<b>3. Operating profit (Loss listed with "-")</b>		<b>-63,913,147.24</b>	-107,876,682.47
Add: Non-operating income	VI.43	<b>83,939,078.84</b>	5,906,019.82
Including: Gain from disposal of non-current assets		<b>81,823,602.10</b>	792,153.14
Less: Non-operating expenses	VI.44	<b>1,979,704.84</b>	2,653,716.06
Including: Loss on disposal of non-current assets		<b>283,136.75</b>	1,979,207.13
<b>4. Total profit (Loss listed with "-")</b>		<b>18,046,226.76</b>	-104,624,378.71
Less: Income tax expenses	VI.45	<b>5,034,208.62</b>	4,547,816.57
<b>5. Net profit (Net loss listed with "-")</b>		<b>13,012,018.14</b>	-109,172,195.28
Net profit attributable to the parent		<b>21,416,206.70</b>	-107,597,719.91
Non-controlling profit		<b>-8,404,188.56</b>	-1,574,475.37
<b>6. After-tax net other comprehensive income after tax</b>	VI.51	<b>-2,210,772.47</b>	1,985,517.19
Total after-tax net comprehensive income attributable to shareholders of the Company		<b>-2,261,817.24</b>	2,380,550.24
1). Other comprehensive income not reclassified to profit and loss in the future		<b>-2,310,000.00</b>	2,470,000.00
1. Net liability or net asset movement due to recalculation on defined benefit plan		<b>-2,310,000.00</b>	2,470,000.00
2. Other comprehensive income not classified to profit and loss in the future shared by investee accounted under equity method			
2). Other comprehensive income reclassified to profit and loss in the future		<b>48,182.76</b>	-89,449.76
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method			
2. Gain/loss on fair value movement for available-for-sale financial assets			
3. Gain/loss on held-till-maturity investment reclassified to financial assets available-for-sale			
4. Effective Gain/loss on cashflow hedge			
5. Translation difference on foreign currencies		<b>48,182.76</b>	-89,449.76
6. Others			
After-tax net comprehensive income attributable to non-controlling interest		<b>51,044.76</b>	-395,033.05
<b>7. Total comprehensive income</b>		<b>10,801,245.66</b>	-107,186,678.09
Comprehensive income attributable to the parent		<b>19,154,389.46</b>	-105,217,169.67
Comprehensive income attributable to non-controlling interest		<b>-8,353,143.80</b>	-1,969,508.42
<b>8. Earnings per share</b>			
Basic earnings per share	VI.50	<b>0.05</b>	-0.25
Diluted earnings per share		<b>0.05</b>	-0.25

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## INCOME STATEMENT

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Note	Current Year	Prior Year
<b>1. Total operating income</b>	XVI.12	<b>11,373,529.44</b>	315,202,762.22
Less: Total operating cost	XVI.12		263,977,557.86
Business taxes and surcharges	XVI.13	<b>376,312.14</b>	2,686,669.91
Selling and distribution expenses	XVI.14		27,009,214.73
Administrative expenses	XVI.15	<b>8,185,027.10</b>	60,817,421.09
Financial expenses	XVI.16	<b>-107,334.75</b>	10,180,550.51
Loss on impairment of assets	XVI.17		8,169,439.77
Add: Gain arising from the changes in fair value (Loss listed with "-")			
Investment income (Loss listed with "-")	XVI.18	<b>85,079,856.82</b>	-942,017.83
Including: income from investments in associates and joint ventures (Loss listed with "-")			-300,379.84
<b>2. Operating profit (Loss listed with "-")</b>		<b>87,999,381.77</b>	-58,580,109.48
Add: Non-operating income	XVI.19		202,443,672.77
Including: Gain from disposal of non-current assets			202,351,702.97
Less: Non-operating expenses	XVI.20		67,564.35
Including: Gain from disposal of non-current assets	XVI.12		67,540.81
<b>3. Total profit (Total loss listed with "-")</b>		<b>87,999,381.77</b>	143,795,998.94
Less: Income tax expenses			
<b>4. Net profit (Net loss listed with "-")</b>		<b>87,999,381.77</b>	143,795,998.94
<b>5. After-tax net other comprehensive income after tax</b>			
1) Other comprehensive income not reclassified to profit and loss in the future			
1. Net liability or net asset movement due to recalculation on defined benefit plan			
2. Other comprehensive income not classified to profit and loss in the future shared by investee accounted under equity method			
2) Other comprehensive income reclassified to profit and loss in the future			
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method			
2. Gain/loss on fair value movement for available-for-sale financial assets			
3. Gain/loss on held-till-maturity investment reclassified to financial assets available-for-sale			
4. Effective Gain/loss on cashflow hedge			
5. Translation difference on foreign currencies			
6. Others			
<b>6. Total comprehensive income</b>		<b>87,999,381.77</b>	143,795,998.94
<b>7. Earnings per share:</b>			
1) Basic earnings per share			
2) Diluted earnings per share			

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Note	Current Year	Prior Year
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		<b>1,238,879,958.53</b>	1,952,682,191.03
Net increase in deposits from customers and deposits from other banks			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash receipts of premium of direct insurance contracts			
Net cash received from reinsurance contracts			
Net increase in deposits from insurance policy holders and investment			
Net increase in disposal of financial assets held for trading			
Cash receipts of interest, fees and commission			
Net increase in placement from banks and other financial institution			
Net increase in sales and repurchase operations			
Cash received from taxes refund		<b>17,585,532.73</b>	38,794,498.94
Cash received from other operating activities	VI.52	<b>14,582,285.81</b>	15,797,357.06
<b>Sub-total of cash inflows from operating activities</b>		<b>1,271,047,777.07</b>	2,007,274,047.03
<b>Cash paid for goods and services</b>		<b>828,024,734.64</b>	1,480,601,163.08
Net increase in loans and disbursement to customers			
Net increase in deposit with central bank and inter-banks			
Cash paid for claims of direct insurance contracts			
Cash paid for interest, fee and commission			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		<b>309,327,037.10</b>	490,313,983.94
Payments of taxes and surcharges		<b>105,881,115.98</b>	104,664,304.62
Cash paid to other operating activities	VI.52	<b>135,712,263.03</b>	158,297,083.87
<b>Sub-total of cash outflows from operating activities</b>		<b>1,378,945,150.75</b>	2,233,876,535.51
<b>Net cash flows from operating activities</b>		<b>-107,897,373.68</b>	-226,602,488.48
<b>2. Cash flows from investment activities:</b>			
Cash received from investment			
Cash received from investments income		<b>7,864,263.33</b>	11,008,727.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>63,602,651.15</b>	53,744,084.18
Net cash received from disposal of subsidiaries and other business units		<b>232,123,306.01</b>	11,716,300.00
Cash received from other investing activities	VI.52		11,716,300.00
<b>Sub-total of cash inflows from investing activities</b>		<b>303,590,220.49</b>	76,469,111.46
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>149,164,109.60</b>	290,351,030.46
Cash paid for investments		<b>58,420,500.00</b>	
Net increase in pledged deposits			
Net cash paid to acquire subsidiaries and other business units			
Cash paid to other investing activities	VI.52	<b>8,351,822.34</b>	292,580,707.25
<b>Sub-total of cash outflow from investing activities</b>		<b>215,936,431.94</b>	582,931,737.71
<b>Net cash flows from investing activities</b>		<b>87,653,788.55</b>	-506,462,626.25



## CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Note	Current Year	Prior Year
<b>3. Cash flows from financing activities</b>			
Cash received from investment		<b>200,000,000.00</b>	200,000,000.00
Including: Cash received by subsidiaries from investment absorption of non-controlling interest		<b>200,000,000.00</b>	200,000,000.00
Cash received from borrowings		<b>308,182,440.13</b>	1,006,618,001.12
Cash received from issuing of bonds			
Cash received from other financing activities	VI.52	<b>189,659,790.29</b>	548,000,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>697,842,230.42</b>	1,754,618,001.12
Cash paid for loan repayments		<b>468,800,000.00</b>	660,300,000.00
Cash paid for dividends, profits appropriation or payments of interest		<b>43,055,376.65</b>	52,964,630.12
Including: Dividends and profits paid to non-controlling interest			
Cash paid to other financing activities	VI.52	<b>346,800,000.00</b>	489,410,000.00
<b>Sub-total of cash outflows from financing activities</b>		<b>858,655,376.65</b>	1,202,674,630.12
<b>Net cash flows from financing activities</b>		<b>-160,813,146.23</b>	551,943,371.00
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>622,529.20</b>	-3,514,665.97
<b>5. Net increase in cash and cash equivalents</b>		<b>-180,434,202.16</b>	-184,636,409.70
Add: Cash and cash equivalents at the beginning of the year		<b>305,897,025.49</b>	490,533,435.19
<b>6. Cash and cash equivalents at the end of the year</b>		<b>125,462,823.33</b>	305,897,025.49

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## CASHFLOW STATEMENT

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Note	Current Year	Prior Year
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>5,076,550.20</b>	244,687,705.45
Cash received from taxes refund			1,074,492.07
Cash received from other operating activities	XVI.21	<b>3,051,724.66</b>	10,266,019.53
<b>Sub-total of cash inflows from operating activities</b>		<b>8,128,274.86</b>	256,028,217.05
Cash paid for goods and services			130,997,203.56
Cash paid to and on behalf of employees			112,190,153.17
Payments of taxes and surcharges		<b>2,605,061.43</b>	19,917,634.11
Cash paid to other operating activities	XVI.21	<b>10,398,193.41</b>	45,534,846.32
<b>Sub-total of cash outflows from operating activities</b>		<b>13,003,254.84</b>	308,639,837.16
<b>Net cash flows from operating activities</b>		<b>-4,874,979.98</b>	-52,611,620.11
<b>2. Cash flows from investing activities</b>			
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			1,136,530.00
Net cash received from disposal of subsidiaries and other business units		<b>249,922,800.00</b>	
Cash received from other investing activities	XVI.21		4,388,874.43
<b>Sub-total of cash inflows from investing activities</b>		<b>249,922,800.00</b>	95,525,404.43
Cash paid to acquire fixed assets, intangible assets and other long-term assets			2,486,970.10
Cash paid for investments			91,000,000.00
Net cash paid to acquire subsidiaries or other business units			
Cash paid to other investing activities	XVI.21	<b>348,351,822.34</b>	267,852,514.97
<b>Sub-total of cash outflows from investing activities</b>		<b>348,351,822.34</b>	361,339,485.07
<b>Net cash flows from investing activities</b>		<b>-98,429,022.34</b>	-265,814,080.64
<b>3. Cash flows from financing activities</b>			
Cash received from investment			398,681,300.00
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities	XVI.21	<b>105,682,690.29</b>	
<b>Sub-total of cash inflows from financing activities</b>		<b>105,682,690.29</b>	398,681,300.00
Cash paid for loan repayments			210,000,000.00
Cash paid for dividends, profits appropriation or payments of interests			10,843,467.22
Cash paid to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>			220,843,467.22
<b>Net cash flows from financing activities</b>		<b>105,682,690.29</b>	177,837,832.78
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			-67,102.33
<b>5. Net increase in cash and cash equivalents</b>	XVI.21	<b>2,378,687.97</b>	-140,654,970.30
Add: Cash and cash equivalents at the beginning of the year	XVI.21	<b>9,537,212.51</b>	150,192,182.81
<b>6. Cash and cash equivalents at the end of the year</b>		<b>11,915,900.48</b>	9,537,212.51

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Current year											Total shareholders' equity	
	Equity attributable to the shareholders of the Company										Non-controlling interest		
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	General risk reserve			Retained earnings
Preferred shares		Perpetual bonds	Others										
1. Closing balance of last year	422,000,000.00				558,698,626.70		-89,449.76		45,665,647.68		-222,701,516.40	360,064,980.19	1,163,638,288.41
Add: Changes in accounting policies							2,470,000.00				-30,771,621.16	-1,538,378.84	-29,840,000.00
Correction of prior periods errors													
Business combination under common control													
Others													
2. Beginning balance of this year	422,000,000.00				558,698,626.70		2,380,550.24		45,665,647.68		-253,473,137.56	358,526,601.35	1,133,798,288.41
3. Increase/Decrease for the year (Decrease listed with "-")					125,104,554.99		-2,261,817.24				21,416,206.70	166,702,091.50	310,961,035.95
(1) Total comprehensive income							-2,261,817.24				21,416,206.70	-8,353,143.80	10,801,245.66
(2) Capital contribution and reduction					125,104,554.99							175,055,235.30	300,159,790.29
1. Ordinary shares contributed by shareholders					24,944,764.70							175,055,235.30	200,000,000.00
2. Contributions by other equity instrument holders													
3. Share-based payment in shareholders' equity													
4. Others					100,159,790.29								100,159,790.29
(3) Profit distribution													
1. Surplus reserves													
2. Reserve for ordinary risk													
3. Distribution to owners (shareholders)													
4. Others													
(4) 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													
(5) Specific reserves													
1. Provision for current year													
2. Utilization for current year													
(6) Others													
4. Closing balance of this year	422,000,000.00				683,803,181.69		118,733.00		45,665,647.68		-232,056,930.86	525,228,692.85	1,444,759,924.36

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Last year											
	Equity attributable to the shareholders of the Company											Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	General risk reserve	Retained earnings	
Preferred shares		Perpetual bonds	Others									
<b>1. Closing balance of last year</b>	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
Add: Changes in accounting policies										-31,412,919.69	-1,277,080.31	-32,690,000.00
Correction of prior periods errors												
Business combination under common control												
Others												
<b>2. Beginning balance of this year</b>	422,000,000.00			1,182,742,879.03				43,172,707.88		-242,578,424.98	173,821,032.00	1,579,158,193.93
<b>3. Increase/Decrease for the year (Decrease listed with "-")</b>				-624,044,252.33		2,380,550.24		2,482,939.80		-10,894,712.58	184,705,589.95	-445,359,905.52
(1) Total comprehensive income						2,380,550.24				-107,597,719.91	-1,969,508.42	-107,186,678.09
(2) Capital contribution and reduction				-624,044,252.33				2,482,939.80		96,703,007.33	186,675,077.77	-338,173,227.43
1. Ordinary shares contributed by shareholders											200,000,000.00	200,000,000.00
2. Contributions by other equity instrument holders												
3. Share-based payment in shareholders' equity												
4. Others				-624,044,252.33				2,482,939.80		96,703,007.33	-13,324,922.23	-538,173,227.43
(3) Profit distribution												
1. Surplus reserves												
2. Reserve for ordinary risk												
3. Distribution to owners (shareholders)												
4. Others												
(4) 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												
(5) Specific reserves												
1. Provision for current year												
2. Utilization for current year												
(6) Others												
<b>4. Closing balance of this year</b>	422,000,000.00			558,698,626.70		2,380,550.24		45,665,647.68		-253,473,137.56	358,526,801.35	1,133,798,288.41

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**



## STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Current year							Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments Others	Capital reserves	Less: Treasury shares	Other comprehensive income		Specific reserves	Surplus reserves	Retained earnings
1. Closing balance 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. Beginning balance of this 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 "-")					100,159,790.29					87,999,381.77	188,159,172.06
(1) Total comprehensive income										87,999,381.77	87,999,381.77
(2) Capital contribution and reduction					100,159,790.29						100,159,790.29
1. Ordinary shares contributed by shareholders											
2. Contributions by other equity instrument holders											
3. Share-based payment in shareholders' equity											
4. Others					100,159,790.29						100,159,790.29
(3) Profit distribution											
1. Surplus reserves											
2. Distribution to owners (shareholders)											
3. Others											
(4) 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											
(5) Specific reserves											
1. Provision for current year											
2. Utilization for current year											
(6) Others											
4. Closing balance of this year	422,000,000.00				666,639,987.85				38,071,282.24	-77,580,454.28	1,049,130,815.81

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Beijing Jingcheng Machinery Electric Company Limited  
For the Year of 2014

Unit: RMB

Item	Other equity instruments				Current year							Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings		
<b>1. Closing balance of last year</b>	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												
<b>2. Beginning balance of this year</b>	422,000,000.00				518,165,762.89				38,071,282.24	-309,375,834.99	668,861,210.14	
<b>3. Increase/Decrease for the year (Decrease listed with "-")</b>					48,314,434.67					143,795,998.94	192,110,433.61	
(1) Total comprehensive income										143,795,998.94	143,795,998.94	
(2) Capital contribution and reduction					48,314,434.67						48,314,434.67	
1. Ordinary shares contributed by shareholders												
2. Contributions by other equity instrument holders												
3. Share-based payment in shareholders' equity												
4. Others					48,314,434.67						48,314,434.67	
(3) Profit distribution												
1. Surplus reserves												
2. Distribution to owners (shareholders)												
3. Others												
(4) 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												
(5) Specific reserves												
1. Provision for current year												
2. Utilization for current year												
(6) Others												
<b>4. Closing balance of this year</b>	422,000,000.00				566,480,197.56				38,071,282.24	-165,579,836.05	860,971,643.75	

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

## NOTES TO THE FINANCIAL STATEMENT

### 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.

### I. General Information *(cont'd)*

On 23 December 2013, the Company's name changed from Beiren Printing Machinery Holding Company Limited to Beijing Jingcheng Machinery Electric Co., Ltd.

The Company's registered address is room No. 901, No.59 building, Dongsanhuan Middle Road, Chaoyang District, Beijing. The General Manager is Hu Chuazhong. Operating address is No. 9 Tinyingbei Road, Chaoyang, District Beijing.

The business scope of the Company includes developing, designing, selling and installing low temperature storage-transport vessel, compressor (piston compressor, diaphragm compressor, nuclear membrane compressor) and related parts, mechanic equipment, electrical equipments; technique consultation and service; import and export of goods and techniques and agent; general freight and freight agent. Its main products are seamless steel gas cylinders, winding cylinders, low temperature cylinders and low temperature storage and transportation equipment.

Jingcheng Holding is the Company's controlling shareholder and actual controller.

### II. Consolidation and Consolidated Financial Statements

The Company's consolidated financial statements include Beijing Tianhai Industry Co., Ltd., Jingcheng Holding (Hong Kong) Company Limited, Langfang Tianhai High Pressure Cylinder Co., Ltd., Tianjin Tianhai High Pressure Containers Co., Ltd., Shanghai Tianhai Gas Cylinder Co., Ltd., Beijing Tianhai Cryogenic Equipment Co., Ltd., Beijing Panni Aerial Equipment Co., Ltd., Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd., America Fortune Company. Comparing to last year, the consolidation scope has changed due to sale of 100% shareholding in Beijing Jingcheng Compressor Co., Ltd.. Refer to VII Changes of Consolidation Scope and VIII Equity in Other Entities of this Note for more details.

### III. Basis of Preparation of Financial Statement

#### 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 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Exchange and Companies Ordinance, and IV Significant Accounting Policies and Accounting Estimates of this Notes.

#### 2. Going Concern

It is believed reasonable that the Group's financial statement is prepared based on going concern for recent profit-making history and sourced financial support.

### IV. Significant Accounting Policies and Accounting Estimates

#### 1. 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 31 December 2014 and of the operating results and cash flows for the period then ended.

#### 2. Accounting period

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

#### 3. Reporting currency

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

Financial Statement is presented in RMB for the Group's consolidation reporting.



## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 4. Business combination under common and un-common control

The Group, as the acquirer, recognises acquired assets and liabilities under common control at their carrying amounts in consolidated financial statements of the ultimate shareholder on the acquisition date. Combination or acquisition date is the date when the control over the acquiree is obtained. 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.

Identifiable assets and liabilities and contingencies acquired through business combination under un-common control are recognised at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, fair value of non-cash assets, issued or responsible liabilities, issued equity securities on the date of acquisition, and other direct expenses incurred in order to obtain the control over acquiree. When the purchase price exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised 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 recognise the remaining difference as non-operating income in the current profit or loss.

#### 5. Preparation of consolidated financial statements

The Group's consolidation scope includes all subsidiaries and structured entities.

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 when preparing consolidated financial statements.

All significant intragroup balances, transactions and unrealized profits in the consolidation are eliminated when consolidation statements are prepared. Shareholders' equity of subsidiary, net profit and loss, other comprehensive income in total comprehensive income that are not belong to the Company shall be disclosed as non-controlling shareholders' equity, non-controlling shareholders' profit or loss, other comprehensive income attributable to non-controlling shareholders and total comprehensive income attributable to non-controlling shareholders in consolidation income statements.

For subsidiaries acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the period that the Group acquires its control. Adjustments to prior period shall be made when preparing comparatives. This is to consider the consolidated financial statement to be existed since commencement of ultimate control.

For subsidiaries acquired through business combination under un-common control, its operating results and cash flow shall be consolidated from the date that the Group acquires its control. Adjustments to subsidiary shall be made based on fair value of identifiable assets, liabilities and contingent liabilities on acquisition date when preparing consolidated financial statements.

#### 6. Category on joint venture arrangement and joint operations

The Group's joint venture arrangement includes joint operations and joint venture entities. For joint operations the Group, as the joint operator, recognises assets and liabilities solely held and owed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on agreements. Only profit or loss attributable to other joint operators shall be recognised in transactions which purchase and sale occurred with joint operator but not classified as trading transactions.

#### 7. 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 held less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

**IV. Significant Accounting Policies and Accounting Estimates** (cont'd)

**8. 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 recognised 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 recognised is applied and the exchange difference is accounted into current profit and loss as a result of fair value change, or recognised 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 for 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 other comprehensive income. 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.

**9. Financial assets and liabilities**

The Group recognises a financial asset or liability when it enters a financial instrument contract.

**(1) Financial assets**

**1) The classification, recognition and measurement of financial assets**

Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables and available-for-sale financial assets, according to the purposes of investments and their economic substance.

Financial assets at fair value through profit or loss include trading financial assets and other financial assets measured at fair value and its movement recorded through profit and loss.

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.

**2) Transfer of financial assets**

A financial asset is derecognised 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 recognises such financial asset to the extent of its continuous involvement and recognises 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.

## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates (cont'd)

#### 9. Financial assets and liabilities (cont'd)

##### (1) Financial assets (cont'd)

##### 2) **Transfer of financial assets** (cont'd)

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 derecognised and the portion that continued to be recognised 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.

##### 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 recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised 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 recognised as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognised, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previous recognised 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 recognised, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

##### (2) Financial liabilities

##### 1) **The classification, recognition and measurement of financial liability**

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 residual cost using the effective interest rate method.

##### 2) **De-recognition of financial liability**

A financial liability is derecognised when the underlying present obligations (or part of those obligations) are discharged. Existing financial liability is derecognised and new financial liability is recognised when the Company enters an agreement with its debtor to replace existing liability with a new financial liability and the contractual terms on new financial liability are different with the existing one. An existing financial liability is fully or partially de-recognised and a new financial liability is recognised when the Company significantly amends all or part of contractual terms on existing financial liability. The difference between consideration paid and the carrying amount of de-recognised financial liability is recorded as current profit or loss.

**IV. Significant Accounting Policies and Accounting Estimates** (cont'd)

**9. Financial assets and liabilities** (cont'd)

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

Fair values on financial assets and liabilities are determined by prices existed in major markets. Where there is no major market the most beneficial market prices together with then available and sufficient data and other evaluation technology supporting information are used to determine fair values of financial assets and liabilities.

Input data for determining fair values has three layers, the first layer is the available unadjusted price for a same asset or liability on the date of evaluation in an active market; the second layer is the direct or indirect visible input data related to the same asset or liability apart from data in the first layer; the third layer is the invisible input data related to the same asset or liability.

Input data in the first layer has the first priority and the third layer is the last to consider by the Group. The lowest layer that has significant impact on the overall fair value evaluation determines which layer this fair value evaluation result shall belong to.

**10. Bad debts of account receivables**

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

The Group recognises bad debts when the following conditions are met: the debtors are dissolved, bankrupt, insolvent, in significant difficulty in cash flows or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or debtors are defaulted for repayment more than three years; or there are conclusive evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the balance sheet date, receivables are assessed for impairment on individual or portfolio basis. Provision for bad debts is recognised in the profit or loss for the period. When there are objective evidences indicating the receivable are considered not recoverable, it is written off against the allowance account in accordance with the approval procedures of the Group.

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 amount
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 that are provided for bad debts on portfolio basis**

**Provision for bad debts on group basis (Aging analysis)**

Aged group	The group of credit risk characteristics is determined by the aging of the receivables
------------	--

**1) 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



## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates (cont'd)

#### 10. Bad debts of account receivables (cont'd)

##### (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

#### 11. Inventories

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

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase. Cost is calculated using weighted average method when the inventories are issued or consumed. Low value consumables and packaging material are amortised by one-time write off.

Net realisable value of finished goods, work in progress or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realisable value for raw material held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

#### 12. Held-for-sale assets

Held-for-sale asset is recognised when this asset is available for sale in general and conventional conditions, the Group has reached a decision on disposing that asset and an uncancellable transfer agreement has been signed with the buyer for the transfer to be completed within one year.

#### 13. Long-term equity investments

Long-term equity investments mainly include investment to subsidiaries, joint ventures and associates.

The Group judges a joint control exists when all parties or groups of parties control that arrangement unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

The Group holds, directly or through subsidiaries, more than 20 per cent but less than 50% of the voting power of the investee, it is presumed that the Group has significant influence. When the Group holds less than 20% of the voting power of the investee, significant influence shall be considered under actual fact and circumstances such as there is a delegate of the investor in the investee's the Board of Directors and other similar power bodies, the investor gets involved in investee's financial and operating policies decision-making process, there are significant transactions occurred between the investor and the investee, the investor assigns management personnel in the investee and the investor provides key technical support to the investee.

When control exists the investee becomes a subsidiary of the Group. The investment cost for long-term equity investment acquired through business combination under common control is the carrying value of the share of equity at the combination date in the acquired company. The investment cost is recorded as zero when the carrying amount of the share of equity at the combination date in the acquired company is in deficit.

The investment cost for long-term equity investment acquired through business combination not under common control is the cost of business combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the Group by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

Investments in subsidiaries are accounted for by the Group using cost method and equity method is used for investment in joint ventures and associates.

**IV. Significant Accounting Policies and Accounting Estimates** (cont'd)

**13. Long-term equity investments** (cont'd)

Additional investments to long-term equity investments subsequently accounted on the cost method are measured to increase its carrying amount on the fair value of the additional cost and other transaction related expenses occurred. Dividends declared or profit distributed by the investee shall be recognised as investment income in the current period.

The carrying amount of long-term investment subsequently accounted on the equity method shall be adjusted to increase or decrease according to the movement of owner's equity of the investee. In determining the share of net profit from the investee, according to the Group's accounting policies and accounting period, adjustments shall be made towards the net profit based on fair values of all identifiable assets at the time of acquisition after eliminating proportioned profit or loss attributable to the investor resulted from intragroup transactions between joint venture and associates, before recognising net profit from the investee.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

**14. Investment properties**

The investment properties of the Group include land use rights leased out, land use rights held for sale after appreciation and leased buildings.

Investment properties of the Group are subsequently measured using cost model.

Investment properties are depreciated and amortised on straight line method. The estimated useful life, residual percentage and annual depreciation (amortization) rate of investment properties 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

**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 asset is recognised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Fixed assets consist of buildings, machinery, transportation equipment, office equipment and others.

Apart from those fixed assets that are fully depreciated but still in use, as well as land separately recognised, the Group depreciates all fixed assets on a straight-line basis. Useful life, estimated residual value, depreciation rate of incoming in assets and fixed assets are as the following:

Classification	Useful life (year)	The rate of estimated residual value (%)	Depreciation rate (%)
Building	40	5	2.375
Machinery	10	5-10	9-9.5
Electric equipment	5-10	5-10	9-19
Transportation equipment	5	5-10	18-19
Office equipment and others	5	5-10	18-19

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.

## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 15. Fixed assets *(cont'd)*

Fixed assets obtained through financial lease are measured at the lower of the fair value on leased asset and the present value of minimum leasing repayment. The difference between cost of leased fixed asset and the minimum leasing repayment shall be recognised as unrecognised leasing cost.

Leased fixed assets apply the same depreciation method with other owned fixed assets. Leased fixed assets are depreciated within the expected useful life if the ownership can be determined reasonably at the end of the lease; the shorter of expected useful life and leasing terms applies otherwise.

#### 16. Construction in progress

Construction in progress is transferred to the fixed assets on the date the asset is ready for its intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The estimated cost of the asset is adjusted to reflect its actual cost when the construction settlement procedure is completed. Previous depreciation or amortisation expenses shall not be adjusted accordingly.

#### 17. Borrowing cost

Borrowing costs directly attributed to purchasing or constructing fixed assets, investment properties and inventories that are ready for use or sale for the period of more than one year shall be capitalised when expenditures and borrowing cost have occurred and purchasing or constructing activities making assets available for use or sale already commenced. When assets that are eligible for capitalisation reach the condition of ready for use or sale, the capitalisation of borrowing cost ceases. Subsequent borrowing costs are accounted in current period profit or loss. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of an eligible 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.

For specific borrowings obtained for the acquisition of eligible assets, the amount of borrowing costs to be capitalised is the interest expenses actually incurred during the period of capitalisation 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 eligible assets, the amount of borrowing cost to be capitalised is determined by applying the weighted average of the excess amount of cumulative capital expenditures on the assets over the amount of specific borrowings times capitalisation ratio on general borrowings that has been reached. Capitalisation ratio is calculated based on the weighted average interest rate on general borrowings.

#### 18. Intangible assets

The intangible assets of the Group include the land use right, patent technology and non-patent technology. Intangible assets are measured at their actual cost when acquired. The cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

Land-use rights are amortised evenly over the lease terms from the date of transferred. Patents, technologies and other intangible assets are amortised over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization is charged to relevant asset cost and current profit and loss according to beneficial parties. Assessment on useful life and amortisation for those assets that have limited useful lives takes place at the end of each year. In case of changes on method exists, adjustment to accounting estimates shall be made accordingly.

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

Research and development expenditures of the Group is classified into expenditure on the research phase and expenditure on the development phase depends on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

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

**IV. Significant Accounting Policies and Accounting Estimates** (cont'd)

**18. Intangible assets** (cont'd)

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

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) The management has the intention to complete the intangible asset for use or sale;
- (3) In terms of bringing economic benefits, there is evidence showing that the products produced using the intangible asset has a market or the intangible asset itself has a market; intangible assets used internally show signs of useable.
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase are stated in the balance sheet as development expenditure and transfer to intangible assets when they are ready for intended use.

**19. Impairment of long-term non-financial assets**

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the difference is accounted as provision for impairment and recognised as an impairment loss. The recoverable amount of an asset is the higher amount of the net amount of its fair value deducting disposal expense and the present value of estimated future cash flow expected to be derived from the asset. Provision for impairment is calculated and recognised on each individual asset. A cash-generating unit is used to calculate the recoverable amount for a group of assets when it is impossible to evaluate recoverable amount on individual asset basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill separately disclosed in financial statements shall be tested for impairment at least annually irrespective of whether there is any indication of impairment. For the purpose of impairment testing, the carrying amount of a goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's goodwill cash-generating units, or groups of goodwill cash-generating units, that is expected to benefit from the synergies of the combination. An impairment loss shall be recognised for a goodwill if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss shall firstly be allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss is not allowed to be reversed at subsequent accounting period once it has been recognised.

**20. Long-term prepayments**

Long-term prepayments are expenditures that have been incurred but shall be amortised over the current period and subsequent periods of more than one year. The expenditures are amortised evenly over the estimated beneficial period and disclosed at the net amount of actual expenditure after accumulated amortisation.

If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortised balance is then transferred to profit or loss for the period.

**21. Employee benefits**

Employee's benefits include short-term remuneration, post-employment benefits, layoff benefits and other long-term benefits.

Short-term remuneration includes salaries, welfare and medical insurance etc. It shall be recognised as liabilities during the accounting period when the employee renders services to the Group and allocated to related cost of assets and expense based on different beneficiaries.

Post-employment benefit includes basic pension, unemployment insurance and classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears. The contribution payable to a defined contribution plan in exchange for an employee's service to the Company during accounting period shall be recognised as a liability and an expense or capital item towards the beneficiary at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 21. Employee benefits *(cont'd)*

Obligations in defined benefit plan shall be measured by, using an actuarial technique that is unbiased and mutually compatible, the projected accumulated benefit unit method, to make a reliable estimate of the variables on population and finance, in the period obligations belong to. Obligations shall be discounted in order to determine the present value of the defined benefit obligation and the current service cost.

Termination benefits are compensation paid to employees resulting from either the Group's decision to terminate the employment before the expiration of employment contract or encouragement to an employee for voluntary acceptance on termination of employment.

Other long-term benefits are employment benefits other than short-term benefits, post-employment benefits and termination benefits.

#### 22. Contingent liabilities

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 shall recognise contingent liabilities:

- The assumed responsibilities are current liability;
- The fulfilment of obligations will cause the outflow of economic benefit from the Group.
- The amount of liabilities can be measured reliably.

Estimated liabilities are recognised 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 recognised as interest expense.

The Group assesses the carrying amount 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.

#### 23. Share-based payments

An equity-settled share-based payment in exchange for the employee's services is measured at the fair value at the date when the equity instruments are granted to the employee. Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognised as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments.

A cash-settled share-based payment is measured at the fair value at the date at which the Group incurred liabilities that are determined based on the price of the shares or other equity instruments. If it is immediately vested, the fair value of the liabilities at the date of grant is recognised as relevant cost or expense, and corresponding liabilities. If it is exercisable only when the vesting period of service is expired or the prescribed conditions are achieved, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

The fair value of the liabilities is re-measured at each balance sheet date. Any changes are recognised in the profit or loss for the year.

#### 24. Revenue recognition

The revenue of the Group is mainly derived 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 recognised 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.

**IV. Significant Accounting Policies and Accounting Estimates** (cont'd)

**24. Revenue recognition** (cont'd)

**(2) The revenue from rendering service**

Revenue is recognised 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 recognised 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 labour cost is expected to be compensated, the relative income is determined by the occurred labour cost which is expected to be compensated and carry-forward occurred labour cost; For result of service rendered can't be measured reliably and the occurred labour cost is not expected to be compensated, the occurred labour cost is accounted into current period profit and loss and income is not recognised.

**(3) The revenue from transfer of asset use right**

The revenue from transfer of asset use right is recognised 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.

**25. Government grants**

The Group classifies government grants as assets related and income related grants.

Where a government grant is in the form of a monetary asset, it is measured at the amount received. Where a government grant is made on the basis of a fixed amount or strong evidence showing such grant is expected to receive and relevant government finance supporting policies are met, it is measured at the amount receivable. Where a government grant is in the form of a non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1 yuan.

Assets-related government grants are recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognised as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period.

**26. Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred liabilities are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. Deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are recognised as deferred tax assets. The temporary difference of initial recognition of goodwill shall not be recognised as deferred tax liabilities. The temporary difference caused by the initial recognition of assets and liabilities from non-enterprise combination, which is not influence profits and tax payables, shall not be recognised as deferred tax asset and liabilities. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference.

**27. Lease**

Leases are classified as finance leases and operating leases at the date of inception.

The Group, as a lessee to a financing lease, recognises the assets under finance lease at the lower of the fair value at the inception of the lease and the present value of minimum lease payment. The corresponding liability is recorded as long-term payable at the amount of minimum lease payments. The difference is recorded as unrecognised finance lease charge.

The Group, as a lessee to an operating lease, recognises lease payment on a straight-line basis over the terms of the lease and records as a cost of an assets or an expense for the period.

## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 28. Segment information

The Group determines the operating segments on the basis of internal structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes.

An operating segment is a component of the Group that satisfies all of the following conditions: 1) it is able to earn revenue and incur expenses from ordinary business activities; 2) its operating results are regularly reviewed by the Group's management for making decision about resources to be allocated to the segment and to assess its performance; and 3) for which the financial information on the financial position, operating results and cash flow of these components is available to the Group. Two or more operating segments can be aggregated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

#### 29. Change in accounting policies, estimates and errors

##### (1) Change in accounting policies

Changes and reasons	Approval	Notes
The Group made transitional adjustments and other required changes in preparing financial statements for the year of 2014 to reflect adoption of new and amended Accounting Standards No. 2 Long-term Equity Investment and other accounting standards issued by the Minister of Finance in 2014.	Relevant changes of accounting policies have been approved by the 3rd of the 8th Board Meeting of the Company	Explanation 1 & 2

Explanation to significant changes on account names and amounts:

- Intra-group transactions in relation to sale of assets with unrealised internal profit between subsidiaries of the Group had been eliminated in full prior to the reporting year of 2014. According to the amended Accounting Standard No. 33 Consolidated Financial Statements, unrealised internal profit shall be eliminated on net profit attributable to the parent and non-controlling profit or loss at the allocated amounts based on the proportion between the parent and the subsidiary. The Group made retrospective adjustments to reflect such changes on accounting policies. It is resulted in the restatement for comparatives on the financial statements for the year of 2014. Non-controlling interest of 2013 has been reduced by 1,538,378.84 Yuan, retained earnings has been increased by 1,538,378.84 Yuan. Total amount of liabilities remains unchanged.
- The Group did not disclose defined benefit plan related expenses prior to the year 2014. According to the amended Accounting Standard No. 9 Employee Benefits, obligations in defined benefit plan shall be measured by, using an actuarial technique that is unbiased and mutually compatible, the projected accumulated benefit unit method, to make a reliable estimate of the variables on population and finance, in the period obligations belong to. Obligations shall be discounted in order to determine the present value of the defined benefit obligation and the current service cost. The Group made retrospective adjustments to reflect such changes on accounting policies. The discount rate was the market return rate used for the national bonds that matches defined benefit plan in currency and terms. It is resulted in the restatement for comparatives on the financial statements for the year of 2014. 2013 closing balance of employment benefit payable has been increased by 29,840,000.00 Yuan, retained earnings has been reduced by 32,310,000.00 Yuan, other comprehensive income has been increased by 2,470,000.00 Yuan.

## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 29. Change in accounting policies, estimates and errors *(cont'd)*

##### (1) Change in accounting policies *(cont'd)*

Financial data influenced by above changes on accounting policies are:

Influenced Item	31 December 2013 (January to December 2013)		Restated
	Original	Adjusted	
Total assets	2,829,360,876.07		2,829,360,876.07
Total liabilities	1,665,722,587.66	29,840,000.00	1,695,562,587.66
Including:			
Employment benefit payable	20,445,882.88	1,560,000.00	22,005,882.88
Long-term employment benefit payable	–	28,280,000.00	28,280,000.00
Total shareholders' equity attributable to the parent	803,573,308.22	-28,301,621.16	775,271,687.06
Including:			
Retained earnings	-222,701,516.40	-30,771,621.16	-253,473,137.56
Other comprehensive income		2,470,000.00	
Non-controlling interest	360,064,980.19	-1,538,378.84	358,526,601.35
Total owners' equity	1,163,638,288.41	-29,840,000.00	1,133,798,288.41
Net profit	-109,552,195.28	380,000.00	-109,172,195.28
Administration expense	283,060,648.76	-1,580,000.00	281,480,648.76
Finance expense	58,634,213.01	1,200,000.00	59,834,213.01
Non-controlling profit or loss	-1,313,176.84	-261,298.53	-1,574,475.37
Net profit attributable to the parent	-108,239,018.44	641,298.53	-107,597,719.91

(Continued)

Influenced Item	1 January 2013		Restated
	Original	Adjusted	
Total assets	3,802,931,964.53		3,802,931,964.53
Total liabilities	2,191,083,770.60	32,690,000.00	2,223,773,770.60
Including:			
Employment benefit payable	73,342,027.24	1,580,000.00	74,922,027.24
Long-term employment benefit payable		31,110,000.00	31,110,000.00
Total shareholders' equity attributable to the parent	1,436,750,081.62	-31,412,919.69	1,405,337,161.93
Including:			
Retained earnings	-211,165,505.29	-31,412,919.69	-242,578,424.98
Other comprehensive income			
Non-controlling interest	175,098,112.31	-1,277,080.31	173,821,032.00
Total owners' equity	1,611,848,193.93	-32,690,000.00	1,579,158,193.93



## NOTES TO THE FINANCIAL STATEMENT

### IV. Significant Accounting Policies and Accounting Estimates *(cont'd)*

#### 29. Change in accounting policies, estimates and errors *(cont'd)*

##### (2) Change in significant accounting estimates

The Company had significant changes to its asset structure and its operation in 2013. This had impact on classification of fixed assets and resulted changes to expected useful lives, percentage of provision for bad debts on account receivables. The Company changed its accounting estimates to reflect above and details are as below:

Changes on accounting estimates	Approval	Inception time point
Percentage of provision on bad debts for account receivables	Approved by the 13 <sup>th</sup> meeting of the 7 <sup>th</sup> Board Meeting	1 January 2014
Useful life and residual rate on fixed assets		

##### 1) Changes on percentages of provision for bad debts on account receivables

Age	Original (%)	Restated (%)
Within 1 year	0	1
1-2 years	30	10
2-3 years	60	20
3-4 years	100	50
4-5 years	100	80
Over 5 years	100	100

##### 2) Changes on useful life and residual rate for fixed assets

Category	Original useful life	Restated useful life	Original residual rate (%)	Restated residual rate (%)
Building	40	40	3	5
Machinery	8-14	5-10	3	5-10
Transportation equipment	8	5	3	5-10
Office equipment	8	5	3	5-10

Prospective application method is applied for changes of accounting estimates. Current period profit has been increased by 25,933,868.24 Yuan.

## NOTES TO THE FINANCIAL STATEMENT

### V. Taxation

#### 1. Main categories of tax and tax rate

Category	Tax basis	Tax rate
Value Added Tax (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%
Property Tax	Rental income and 70-80% of the property's original cost	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 Aerial Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	25%
America Fortune Company	Progressive tax rate
Jingcheng Holding (Hong Kong) Company Limited	16.50%

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

#### 2. Preferential taxation policies and approval

On 11 November 2013, Beijing Tianhai Industry Co., Ltd. as the subsidiary of the Company was certified as a 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 and its corporate income tax is calculated on 15% tax rate for the year of 2014.

On 5 December 2013, Beijing Tianhai Cryogenic Equipment Co., Ltd. as the subsidiary of the Company was certified as a 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.

## NOTES TO THE FINANCIAL STATEMENT

### VI. 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 31 December 2014, "Current period" refers to the period from 1 January 2014 to 31 December 2014, "Last period" refers to the period from 1 January 2013 to 31 December 2013, and the currency unit is RMB Yuan.

#### 1. Cash and equivalent

Items	Ending balance	Beginning balance
Cash on hand	55,233.08	77,407.20
Cash in bank	124,267,616.31	305,819,618.29
Other	39,639,973.94	31,846,190.63
<b>Total</b>	<b>163,962,823.33</b>	<b>337,743,216.12</b>
Including: Total amount deposited abroad	4,443,250.42	7,835,465.49

The ending balance of other monetary fund includes bank acceptance notes guarantee of 38,500,000.00 Yuan, and 1,139,973.94 Yuan of housing maintenance fund.

#### 2. Notes receivable

##### (1) Category

Items	Ending balance	Beginning balance
Bank acceptance notes	13,148,883.12	28,387,575.12
Commercial acceptance bill		
<b>Total</b>	<b>13,148,883.12</b>	<b>28,387,575.12</b>

(2) No notes were pledge at the end of the year.

(3) Top five notes receivable which have endorsed to other party but not yet expired at the year end

Items	Issuing company	Issuing date	Maturity date	Amount
Bank acceptance notes	Shanxi Dayun Automobile Manufacturing Co., Ltd.	30-12-2014	30-06-2015	15,388,803.97
Bank acceptance notes	Guangzhou Zhenbao Bus Co., Ltd.	25-12-2014	25-06-2015	7,000,000.00
Bank acceptance notes	Wuhan Fukang energy-saving automobile refitting Co., Ltd.	28-10-2014	25-03-2015	6,800,000.00
Bank acceptance notes	Zhengzhou Yutong Passenger Automobile Co., Ltd.	22-12-2014	22-06-2015	5,407,814.45
Bank acceptance notes	Shanxi Dayun Automobile Manufacturing Co., Ltd.	26-09-2014	21-02-2015	4,584,744.26
<b>Total</b>				<b>39,181,362.68</b>

All endorsed notes receivable have been derecognized at the end of the year.

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 3. Accounts receivable

Items	Ending balance	Beginning balance
Accounts receivable	416,795,156.63	437,942,518.43
Less: bad debts	12,659,522.60	29,951,170.01
<b>Net amount</b>	<b>404,135,634.03</b>	<b>407,991,348.42</b>

#### (1) Aging analysis

Items	Ending balance	Beginning balance
Within 1 year	359,545,347.11	373,601,273.09
1-2 years	32,572,365.87	29,531,750.89
2-3 years	11,401,907.29	3,356,537.71
3-4 years	313,623.18	1,501,786.73
4-5 years	302,390.58	
Over 5 years		
<b>Net amount</b>	<b>404,135,634.03</b>	<b>407,991,348.42</b>

#### (2) The classification of accounts receivable by risk

Category	Book value		Ending balance Bad debts		Book value
	Amount	Percentage %	Amount	Percentage %	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis					
Aging group	416,795,156.63	100.00	12,659,522.60	3.04	404,135,634.03
Individually insignificant but provided for bad debts on individual basis					
<b>Total</b>	<b>416,795,156.63</b>	<b>100.00</b>	<b>12,659,522.60</b>	<b>-</b>	<b>404,135,634.03</b>

(Continued)

Category	Book value		Beginning balance Bad debts		Book value
	Amount	Percentage %	Amount	Percentage %	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis					
Aging group	436,413,873.64	99.65	29,951,170.01	6.86	406,462,703.63
Individually insignificant but provided for bad debts on individual basis	1,528,644.79	0.35			1,528,644.79
<b>Total</b>	<b>437,942,518.43</b>	<b>100.00</b>	<b>29,951,170.01</b>	<b>-</b>	<b>407,991,348.42</b>

Provision for bad debts by aging analysis

#### 1) Provided for bad debts by aging analysis

Items	Amount	Ending balance Bad debts provision	Percentage (%)
Within 1 year	363,177,118.29	3,631,771.18	1.00
1-2 years	36,191,517.63	3,619,151.76	10.00
2-3 years	14,252,384.12	2,850,476.83	20.00
3-4 years	627,246.37	313,623.19	50.00
4-5 years	1,511,952.92	1,209,562.34	80.00
Over 5 years	1,034,937.30	1,034,937.30	100.00
<b>Total</b>	<b>416,795,156.63</b>	<b>12,659,522.660</b>	



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 3. Accounts receivable (cont'd)

##### (3) Current year bad debts provision and reversal

The amount reversed in current year is 2,522,507.53Yuan.

##### (4) The top five receivables

Company name	Amount	Age	Proportion in accounts receivable (%)	Ending balance of bad debts provision
Zhengzhou Yutong Passenger Automobile Co., Ltd.	31,531,769.25	Within 1 year	7.57	315,317.69
Sichuan Ruifeng International Trade Co., Ltd.	28,277,981.00	Within 3 years	6.78	2,921,815.20
Cyl-Tec, Inc.	17,467,600.00	Within 1 year	4.19	174,676.00
Shiyan Junwang Industry and Trade Co., Ltd	17,008,338.75	Within 1 year	4.08	170,083.39
Shanxi Dayun Automobile Manufacturing Co., Ltd.	16,986,558.87	Within 2 years	4.08	176,973.13
<b>Total</b>	<b>111,272,247.87</b>		<b>26.70</b>	<b>3,758,865.41</b>

The receivable from Sichuan Ruifeng International Trade Co., Ltd includes 6,842,200.00 Yuan within one year, 14,337,630.00 Yuan within 2 years and 7,098,151.00 Yuan within 3 years.

#### 4. Advances to suppliers

##### (1) Aging

Items	Ending balance		Beginning balance	
	Amount	Percentage%	Amount	Percentage%
Within 1 year	<b>77,197,792.24</b>	<b>97.74</b>	36,792,833.78	89.72
1-2 years	<b>302,652.70</b>	<b>0.38</b>	2,142,885.19	5.22
2-3 years	<b>399,776.48</b>	<b>0.51</b>	735,362.26	1.79
Over 3 years	<b>1,085,307.57</b>	<b>1.37</b>	1,342,222.98	3.27
<b>Total</b>	<b>78,985,528.99</b>	<b>100.00</b>	<b>41,013,304.21</b>	<b>100.00</b>

The reason for unsettled significant advances to suppliers aged over one year is incompleteness on purchase.

##### (2) Top five closing balance to suppliers

Company name	Amount	Age	Proportion in closing balance (%)
Tianjin Rundezhongtian Steel tube Co., Ltd	44,371,210.05	Within 1 year	56.18
Tianjin Taigangdaming Metal ware Co., Ltd	14,371,108.72	Within 1 year	18.19
Beijing Huaruihuanyu Investment Co., Ltd	3,557,139.82	Within 1 year	4.50
Benxi Ruixinying Steel Trade Co., Ltd	1,673,772.50	Within 1 year	2.12
RegO (Shanghai) Trading Co., Ltd	1,363,772.50	Within 1 year	1.73
<b>Total</b>	<b>65,337,003.59</b>		<b>82.72</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 5. Other receivables

Items	Ending balance	Beginning balance
Other Receivables	7,612,425.29	8,479,895.59
Less: provision for bad debt	1,176,727.10	2,793,461.01
<b>Net amount</b>	<b>6,435,698.19</b>	<b>5,686,434.58</b>

#### (1) Aging analysis

Items	Ending balance	Beginning balance
Within 1 year	6,109,134.12	4,533,411.82
1-2 years	251,358.84	1,037,917.59
2-3 years	42,066.55	75,105.17
3-4 years	17,138.68	40,000.00
4-5 years	16,000.00	
Over 5 years		
<b>Net amount</b>	<b>6,435,698.19</b>	<b>5,686,434.58</b>

#### (2) Classifications

Items	Book value		Ending balance Bad debts		Book value
	Amount	Percentage %	Amount	Percentage %	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis					
Aging group	7,612,425.29	100.00	1,176,727.10	15.46	6,435,698.19
Individually insignificant but provided for bad debts on individual basis					
<b>Total</b>	<b>7,612,425.29</b>	<b>100.00</b>	<b>1,176,727.10</b>	<b>-</b>	<b>6,435,698.19</b>

(Continued)

Category	Book value		Beginning balance Bad debts		Book value
	Amount	Percentage %	Amount	Percentage %	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis					
Aging group	8,439,895.59	99.53	2,793,461.01	33.10	5,646,434.58
Individually insignificant but provided for bad debts on individual basis	40,000.00	0.47			40,000.00
<b>Total</b>	<b>8,479,895.59</b>	<b>100.00</b>	<b>2,793,461.01</b>	<b>-</b>	<b>5,686,434.58</b>

#### 1) Provided for bad debts by aging analysis

Items	Amount	Ending balance Bad debts	Percentage(%)
Within 1 year	6,170,842.54	61,708.41	1.00
1-2 years	279,287.60	27,928.76	10.00
2-3 years	52,583.19	10,516.64	20.00
3-4 years	34,277.35	17,138.68	50.00
4-5 years	80,000.00	64,000.00	80.00
Over 5 years	995,434.61	995,434.61	100.00
<b>Total</b>	<b>7,612,425.29</b>	<b>1,176,727.10</b>	

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 5. Other receivables (cont'd)

##### (3) Current year bad debts reversal

The amount reversed in current year is 1,237,074.62 Yuan.

##### (4) Classifications by nature

Nature & content	Ending balance	Beginning balance
Petty cash	1,449,187.10	2,623,358.17
Guarantee deposit, cash deposit etc.	641,073.29	1,415,757.04
Tax refund on exports	4,633,185.48	199,987.33
Intra accounts	888,979.42	4,240,793.05
<b>Total</b>	<b>7,612,425.29</b>	<b>8,479,895.59</b>

##### (5) Top five other receivables

Company name	Nature & content	Amount	Age	Proportion in other receivables (%)	Ending balance of bad debts provision
Tax refund on exports	Tax refund on exports	4,633,185.48	Within 1 year	60.86	46,331.85
Baotou Steel Sales Co., Ltd	Deposit	400,648.84	Over 5 years	5.26	400,648.84
Tianjin Tianhai production department	Petty cash	241,247.68	1-4 years	3.17	36,857.71
Luohe foundry	Deposit	151,000.00	Over 5 years	1.98	151,000.00
Tianjin Tianhai Supply and marketing department	Petty cash	141,221.33	Within 1 year	1.86	1,412.21
<b>Total</b>		<b>5,567,303.33</b>		<b>73.13</b>	<b>636,250.61</b>

#### 6. Inventories

##### (1) Categories

Items	Book balance	Ending balance Provision for impairment	Book value
Raw materials	241,007,939.62		241,007,939.62
Work in progress	121,222,823.09	1,824,639.28	119,398,183.81
Finished goods	217,725,479.16	5,139,179.02	212,586,300.14
<b>Total</b>	<b>579,956,241.87</b>	<b>6,963,818.30</b>	<b>572,992,423.57</b>

(Continued)

Items	Book balance	Beginning balance Provision for impairment	Book value
Raw materials	365,598,288.08	2,249,607.01	363,348,681.07
Work in progress	171,786,901.35		171,786,901.35
Finished goods	209,844,904.78	10,781,215.36	199,063,689.42
<b>Total</b>	<b>747,230,094.21</b>	<b>13,030,822.37</b>	<b>734,199,271.84</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 6. Inventories (cont'd)

##### (2) Provision for the impairment of inventories

Items	Beginning balance	Increase		Decrease in this year		Ending balance
		Provision	Others	Reversal	Other transfer out	
Raw materials	2,249,607.01				2,249,607.01	
Work in progress		1,824,639.28				<b>1,824,639.28</b>
Finished goods	10,781,215.36	2,794,805.86		6,828,120.42	1,608,721.78	<b>5,139,179.02</b>
<b>Total</b>	<b>13,030,822.37</b>	<b>4,619,445.14</b>		<b>6,828,120.42</b>	<b>3,858,328.79</b>	<b>6,963,818.30</b>

(3) Please refer to Note IV.11 for the provision method for the impairment of inventories.

(4) Other transfer out comes from the provision for the impairment of inventories of Beijing Jingcheng Compressor Co., Ltd.

#### 7. Held-for-sale assets

Items	Ending balance	Beginning balance
University apartment		15,685,687.13
Total		15,685,687.13

Please refer to Note XV.4 significant sales on assets for more details.

#### 8. Long-term equity investments

##### (1) Categories

Name of invested companies	Beginning balance	Changes in the year							Ending balance	Impairment loss for the year
		Additional investment	Investment decrease	Investment gain/loss under the equity method	Adjusted net profit/loss by equity method	Change in other equity	Cash dividends declared	Provision for impairment		
1. Joint venture										
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	614,447.95		614,447.95							
Shandong Tianhai High Pressure Vessel Co., Ltd.		58,420,500.00		-3,415,723.32						55,004,776.68
2. Associated company										
Beijing Fusheng Machine Co., Ltd.	62,616,996.59		56,447,367.44	1,694,634.18			7,864,263.33			
<b>Total</b>	<b>63,231,444.54</b>	<b>58,420,500.00</b>	<b>57,061,815.39</b>	<b>-1,721,089.14</b>			<b>7,864,263.33</b>			<b>55,004,776.68</b>

1) The reason for decrease in investment in Beijing Fusheng Machine Co., Ltd is due to the transfer of all shares in Beijing Jincheng Compressor Co., Ltd, which leads to a transfer out the investment in Beijing Fusheng Machine Co., Ltd.

2) The reason for decrease in investment in Beijing Tianhai Xigang Environment Technology Co., Ltd is due to the associate Beijing Tianhai Xigang Environment Technology Co., Ltd., a subsidiary of Beijing Tianhai Industry Co., Ltd., went into liquidation.



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 8. Long-term equity investments (cont'd)

##### (2) The analysis to the long-term equity investment

Items	Ending balance	Beginning balance
Listed		
China (excluding Hong Kong)		
Hong Kong		
Other areas		
Subtotal		
Unlisted	<b>55,004,776.68</b>	63,231,444.54
<b>Total</b>	<b>55,004,776.68</b>	63,231,444.54

#### 9. Investment properties

##### (1) Cost method

Items	Buildings	Total
<1> Original Cost		
1. Beginning balance	<b>9,519,696.39</b>	9,519,696.39
2. Increase		
3. Decrease	<b>9,519,696.39</b>	9,519,696.39
(1) Other transfer out	<b>9,519,696.39</b>	9,519,696.39
4. Ending balance		
<2> Accumulated depreciation		
1. Beginning balance		
2. Increase	<b>169,569.62</b>	169,569.62
(1) Provision or amortization	<b>169,569.62</b>	169,569.62
3. Decrease	<b>169,569.62</b>	169,569.62
(1) Other transfer out	<b>169,569.62</b>	169,569.62
4. Ending balance		
<3> Impairment provision		
1. Beginning balance		
2. Increase		
3. Decrease		
4. Ending balance		
<4> Book value		
1. Ending book value	<b>9,519,696.39</b>	9,519,696.39
2. Beginning book value		

1) Current year depreciation and amortization expense on investment properties is 169,569.62 Yuan. (last year: 156,864.30 Yuan)

2) The amount decreased is the investment properties of Beijing Jingcheng Compressor Co., Ltd which has been transferred in this year.

##### (2) The analysis of the location and investment period:

Items	Ending balance	Beginning balance
Located in the territory of China		9,519,696.39
Long-term (Over 50 years)		
Mid-term (10-50 years)		9,519,696.39
Short-term (Within 10 years)		
Located abroad		
Long-term (Over 50 years)		
Mid-term (10-50 years)		
Short-term (Within 10 years)		
<b>Total</b>		9,519,696.39

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 10. Fixed assets (1) Breakdown

Items	Buildings	Machinery	Transportation equipments	Office equipments	Electrical equipments	Total
<1> Original cost						
1. Beginning balance	386,656,454.25	759,347,109.87	37,552,073.75	11,669,464.34	24,589,289.23	1,219,814,391.44
2. Increase	300,795,471.30	126,268,502.07	555,094.02	2,301,380.11	413,739.97	430,334,187.47
(1) Purchase		16,562,980.08	34,188.03	1,234,501.49	304,116.04	18,135,785.64
(2) Transferred from construction in progress	291,968,712.16	107,945,962.84	520,905.99	1,066,878.62	109,623.93	401,612,083.54
(3) Others	8,826,759.14	1,759,559.15	10,586,318.29			
3. Decrease	25,764,217.61	95,994,795.23	7,156,872.27	4,456,111.58		133,371,996.69
(1) Disposal	169,639.61	60,078,507.73	1,450,143.55	412,774.51		62,111,065.40
(2) Others	25,594,578.00	35,916,287.50	5,706,728.72	4,043,337.07		71,260,931.29
4. Ending balance	661,687,707.94	789,620,816.71	30,950,295.50	9,514,732.87	25,003,029.20	1,516,776,582.22
<2> Accumulated depreciation						
1. Beginning balance	112,478,698.59	347,667,965.00	22,971,198.96	8,499,694.54	12,571,702.25	504,189,259.34
2. Increase	13,666,317.64	60,440,711.13	5,056,535.12	1,174,940.57	2,103,484.53	82,441,988.99
(1) Provision	10,336,130.64	59,468,228.26	5,056,535.12	1,174,940.57	2,103,484.53	78,139,319.12
(2) Others	3,330,187.00	972,482.87				
3. Decrease	7,949,668.63	71,051,929.85	4,415,874.49	3,594,577.10		87,012,050.07
(1) Disposal	47,113.80	44,212,670.91	1,211,165.24	367,645.35		45,838,595.30
(2) Others	7,902,554.83	26,837,867.03	3,204,709.25	3,226,931.75		41,173,454.77
4. Ending balance	118,195,347.60	337,056,746.28	23,611,859.59	6,080,058.01	14,675,186.78	499,619,198.26
<3> Impairment of assets						
1. Beginning balance		664,142.40				664,142.40
2. Increase						
(1) Provision						
3. Decrease		227,618.71				227,618.71
(1) Disposal		227,618.71				227,618.71
4. Ending balance		436,523.69				436,523.69
<4> Book value						
1. Ending balance	543,492,360.34	452,127,546.74	7,338,435.91	3,434,674.86	10,327,842.42	1,016,720,860.27
2. Beginning balance	274,177,755.66	411,015,002.47	14,580,874.79	3,169,769.80	12,017,586.98	714,960,989.70

The reason for decrease is due to the transfer of Beijing Jingcheng Compressor Co., Ltd shares.

Current period depreciation was 78,139,319.12 Yuan. (last year: 110,077,013.38 Yuan)

Addition on fixed assets includes 401,612,083.54 Yuan transferred from construction in progress.

The gain on sale of fixed asset in the current year is 81,540,465.35 Yuan.

#### (2) The analysis of location and investment period:

Items	Ending balance	Beginning balance
Located in the territory of China	<b>543,492,360.34</b>	274,177,755.66
Long-term (Over 50 years)		
Mid-term (10-50 years)	<b>543,492,360.34</b>	274,177,755.66
Short-term (Within 10 years)		
Located abroad		
Long-term (Over 50 years)		
Mid-term (10-50 years)		
Short-term (Within 10 years)		
<b>Total</b>	<b>543,492,360.34</b>	274,177,755.66

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 10. Fixed assets (cont'd)

- (3) There are no idle fixed assets at the end of the period.
- (4) There is no finance leased fixed assets at the end of the period.
- (5) There is no fixed asset leased out through an operating lease at the end of the period.
- (6) Fixed assets in the process of receiving title certificates

Items	Book value	Reason
Building on LNG industry base project	289,734,712.16	in progress

#### 11. Construction in progress

##### (1) Breakdown

Items	Closing balance	Ending balance Provision for impairment	Book value	Closing balance	Beginning balance Provision for impairment	Book value
LNG Industry Base project	16,151,465.26		16,151,465.26	241,709,925.38		241,709,925.38
New equipment in low temperature workshop				9,065,201.59		9,065,201.59
Production capacity expansion project				17,381,937.71		17,381,937.71
Others	6,737,156.37		6,737,156.37	10,613,194.21		10,613,194.21
<b>Total</b>	<b>22,888,621.63</b>		<b>22,888,621.63</b>	<b>278,770,258.89</b>		<b>278,770,258.89</b>

##### (2) Changes in major construction in progress

Name	Beginning Balance	Increase	Decrease Transferred to fixed asset	Other decrease	Ending Balance
LNG Industry Base project	241,709,925.38	152,896,672.59	378,455,132.71		16,151,465.26
New equipment in low temperature workshop	9,065,201.59	150,683.77	9,215,885.36		
Production capacity expansion project	17,381,937.71	3,106,356.00		20,488,293.71	
<b>Total</b>	<b>268,157,064.68</b>	<b>156,153,712.36</b>	<b>387,671,018.07</b>	<b>20,488,293.71</b>	<b>16,151,465.26</b>

(Continued)

Name	Budget	Proportion of budget (%)	Progress (%)	Interest on the accumulative amount of the capitalization	Including: The amount of interest capitalized	Interest capitalized rate (%)	Source of fund
LNG Industry Base project	793,790,000	60	90	1,446,862.40	1,446,862.40	6.00	Loan and Self funding
New equipment in low temperature workshop	35,460,000		100				Self funding
Production capacity expansion project	29,990,000						Self funding

Production capacity expansion project is related to Beijing Jingcheng Compressor Co., Ltd whose shares have been transferred out this year.

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 12. Intangible assets (1) Breakdown

Items	Land use rights	Proprietary technology	Software	Total
<1> Original cost				
1. Beginning balance	177,068,860.62	11,707,050.00	1,056,776.49	189,832,687.11
2. Increase			207,516.54	207,516.54
(1) Purchase			207,516.54	207,516.54
3. Decrease	11,313,223.54		587,200.00	11,900,423.54
4. Ending balance	165,755,637.08	11,707,050.00	677,093.03	178,139,780.11
<2> Accumulated amortization				
1. Beginning balance	9,975,573.94	5,136,142.24	910,808.81	16,022,524.99
2. Increase	3,594,761.40	999,999.92	70,979.89	4,665,741.21
(1) Provision	3,594,761.40	999,999.92	70,979.89	4,665,741.21
3. Decrease	2,505,045.01		544,586.67	3,049,631.68
4. Ending balance	11,065,290.33	6,136,142.16	437,202.03	17,638,634.52
<3> Provision for Impairment				
1. Beginning balance				
2. Increase				
3. Decrease				
4. Ending balance				
<4> Net book balance				
1. Ending balance	154,690,346.75	5,570,907.84	239,891.00	160,501,145.59
2. Beginning balance	167,093,286.68	6,570,907.76	145,967.68	173,810,162.12

#### (2) Land location and terms of land use rights:

Items	Ending balance	Beginning balance
Located in the territory of China		
Long-term (Over 50 years)	154,690,346.75	167,093,286.68
Mid-term (10-50 years)	154,690,346.75	167,093,286.68
Short-term (Within 10 years)		
Located abroad		
Long-term (Over 50 years)		
Mid-term (10-50 years)		
Short-term (Within 10 years)		
<b>Total</b>	<b>154,690,346.75</b>	<b>167,093,286.68</b>

1) Current period amortisation was 4,665,741.21Yuan (last year 6,278,596.61 Yuan).

2) The reason for decrease on intangible assets is due to transferring out land use rights and software of Beijing Jingcheng Compressor Co., Ltd.

#### 13. Goodwill Cost of goodwill

Name of investee	Beginning balance	Increase	Decrease	Ending balance
America Fortune Company	6,562,344.06			6,562,344.06
<b>Total</b>	<b>6,562,344.06</b>			<b>6,562,344.06</b>

The Group conducted impairment test on goodwill at the end of this year and no sign of impairment is identified. No provision for impairment on goodwill is required.



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 14. Long-term prepayments

Items	Beginning balance	Increase	Amortized	Other decrease	Ending balance
Renovation expense	2,259,035.21		765,363.97		<b>1,493,671.24</b>
Material shed transformation	375,662.00		73,503.00	302,159.00	
<b>Total</b>	<b>2,634,697.21</b>		<b>838,866.97</b>	<b>302,159.00</b>	<b>1,493,671.24</b>

#### 15. Deferred tax assets and deferred tax liabilities

##### (1) Recognized deferred tax assets

Items	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	<b>20,070,934.61</b>	<b>3,404,164.06</b>	45,775,453.39	7,469,917.94
Unrealized profit from intra group transactions	<b>10,978,499.33</b>	<b>1,646,774.90</b>	8,862,162.89	1,661,530.46
Deductible tax loss				
<b>Total</b>	<b>31,049,433.94</b>	<b>5,050,938.96</b>	<b>54,637,616.28</b>	<b>9,131,448.40</b>

##### (2) The details of unrecognized deferred tax assets

Items	Ending balance	Beginning balance
Deductible temporary difference		
Deductible loss	<b>156,224,786.56</b>	172,194,541.54
Asset impairment provision	<b>1,165,357.05</b>	664,142.40
<b>Total</b>	<b>157,390,143.61</b>	<b>172,858,683.94</b>

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

Items	Ending balance	Note
2015	<b>23,971,873.51</b>	Confirmed closing balance of deductible losses
2016		
2017	<b>70,035,014.24</b>	
2018	<b>23,571,239.03</b>	
2019	<b>38,646,659.78</b>	
<b>Total</b>	<b>156,224,786.56</b>	

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 16. Short-term loans

##### (1) Categories

Category	Ending balance	Beginning balance
Pledged loan	40,000,000.00	70,000,000.00
Guaranteed loans	228,051,050.00	260,000,000.00
Credit loans	50,000,000.00	152,613,152.34
<b>Total</b>	<b>318,051,050.00</b>	<b>482,613,152.34</b>

- 1) The ending balance of the short-term loan of 40,000,000.00 Yuan is pledged by the Company's building and land use right with the book value of 41,976,211.65 Yuan.
- 2) The weighted average annual interest rate of short-term loans in this accounting period is 6.0998% (Last year: 6.0516%)

(2) Closing balance does not include unpaid overdue short-term loans Overdue short-term loans.

#### 17. Notes payable

Category	Ending balance	Beginning balance
Bank acceptance notes	105,000,000.00	80,000,000.00
<b>Total</b>	<b>105,000,000.00</b>	<b>80,000,000.00</b>

- (1) 105,000,000.00 Yuan will be due in the next fiscal year.
- (2) There is no overdue notes payable at the end of this year.

#### 18. Accounts payable

##### (1) Breakdown

Items	Ending balance	Beginning balance
Materials	238,179,437.06	279,062,239.16
Engineering	133,809,721.80	116,409,892.09
<b>Total</b>	<b>371,989,158.86</b>	<b>395,472,131.25</b>

##### (2) Aging analysis

Age	Ending balance	Beginning balance
Within 1 year	353,992,764.51	358,623,557.04
1 to 2 years	8,595,392.26	30,112,524.44
2-3 years	5,640,704.17	3,394,243.67
Over 3 years	3,760,297.92	3,341,806.10
<b>Total</b>	<b>371,989,158.86</b>	<b>395,472,131.25</b>

##### (3) Significant payables aged over one year

Creditor	Amount due	Reasons for not yet settled
Nanjing Changjiang Industrial Furnace Technology Co., Ltd.	3,801,703.67	In settlement
BUCC (Tianjin) Pressure Equipment Manufacturing Co., Ltd.	1,291,290.84	In settlement
Luoyang Fuentus Industrial Equipment Co., Ltd.	979,900.00	In settlement
ASSAB Tooling (Beijing) Co., Ltd.	834,870.00	In settlement
Taiyuan Ganghui Stainless Steel Co., Ltd.	786,413.60	In settlement
<b>Total</b>	<b>7,694,178.11</b>	

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 19. Advances from customers

##### (1) Breakdown

Items	Ending balance	Beginning balance
Advances from customers	<b>29,715,136.98</b>	135,006,560.18
Include: over one year	<b>3,227,809.46</b>	24,624,704.42
<b>Total</b>	<b>29,715,136.98</b>	135,006,560.18

##### (2) Significant amounts aged over one year

Creditor	Amount due	Reasons for not yet settled
Xiaoting Branch of Hubei Heyuan Gas Co., Ltd.	589,906.00	Goods not yet delivered
Handan Jinsong Welding Equipment Co., Ltd.	213,329.00	Goods not yet delivered
<b>Total</b>	<b>803,235.00</b>	

#### 20. Employee benefits payables

##### (1) Categories

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	15,951,933.97	271,839,994.90	273,036,245.17	<b>14,755,683.70</b>
Post-employment welfare – Defined Contribution Plan	4,493,948.91	36,454,941.37	39,866,711.79	<b>1,082,178.49</b>
Dismiss welfare	64,777.50	64,777.50		
Long-term welfare due within one year	1,560,000.00	1,560,000.00	1,560,000.00	<b>1,560,000.00</b>
<b>Total</b>	<b>22,005,882.88</b>	<b>309,919,713.77</b>	<b>314,527,734.46</b>	<b>17,397,862.19</b>

##### (2) Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Wages or salaries, bonuses, allowances and subsidies	8,094,976.52	226,181,282.49	225,247,912.07	<b>9,028,346.94</b>
Staff welfare	238,080.24	10,356,292.05	10,356,292.05	<b>238,080.24</b>
Social securities	1,219,263.65	18,678,334.04	19,295,990.76	<b>601,606.93</b>
Include:				
– Medical insurance	1,114,518.16	15,748,641.24	16,346,902.73	<b>516,256.67</b>
– Work-related injury insurance	71,345.71	1,857,152.44	1,874,596.12	<b>53,902.03</b>
– Maternity insurance	33,399.78	1,072,540.36	1,074,491.91	<b>31,448.23</b>
Housing funds	336,250.04	11,240,044.53	11,447,339.50	<b>128,955.07</b>
Union & education funds	3,127,663.52	5,384,041.79	6,488,590.79	<b>2,023,114.52</b>
Housing allowance	2,935,700.00	200,120.00	2,735,580.00	
<b>Total</b>	<b>15,951,933.97</b>	<b>271,839,994.90</b>	<b>273,036,245.17</b>	<b>14,755,683.70</b>

##### (3) Defined Contribution Plan

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension	1,294,874.39	31,059,795.20	31,333,266.37	<b>1,021,403.22</b>
Unemployment insurance	80,112.70	1,847,217.21	1,866,554.64	<b>60,775.27</b>
Annuity	3,118,961.82	3,547,928.96	6,666,890.78	
<b>Total</b>	<b>4,493,948.91</b>	<b>36,454,941.37</b>	<b>39,866,711.79</b>	<b>1,082,178.49</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 21. Taxes payable

Items	Ending balance	Beginning balance
Value-Added Tax (VAT)	-38,845,972.70	-952,538.72
Business Tax	329,777.78	-251,900.00
Corporate Income Tax	1,987,963.29	1,127,263.73
Individual Income Tax	770,493.57	1,624,560.59
Urban Maintenance and Construction Tax	799,341.85	112,193.68
Property Tax	21,398.14	
Land use Tax	10,343.25	189,136.84
Education Surcharge	601,050.74	135,401.64
Stamp Duty	26,473.37	260,547.99
River Management Fee	3,308.98	9,643.42
Flood Control Fee	21,409.72	6,641.99
<b>Total</b>	<b>-34,274,412.01</b>	<b>2,260,951.16</b>

Closing balance does not include profit tax payable in Hong Kong.

#### 22. Interests payable Categories

Items	Ending balance	Beginning balance
Interest payable on short loans	76,666.67	305,666.69
<b>Total</b>	<b>76,666.67</b>	<b>305,666.69</b>

#### 23. Dividends payable

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

#### 24. Other payables

##### (1) Categorized by nature

Nature of other payables	Ending balance	Beginning balance
Loan from Jingcheng Holding	88,000,000.00	386,807,077.46
Funds disbursed for others	18,433,314.52	27,894,540.54
Social security funds	1,742,248.09	1,043,725.16
Rental fees	1,723,000.00	853,000.00
<b>Total</b>	<b>109,898,562.61</b>	<b>416,598,343.16</b>

##### (2) Other payables with significant amount and aged over 1 year

Company Name	Amount due	Reason
Beiren Group Corporation	1,139,975.21	In the process of transferring title
Beijing Guoxingjiye Land Planning Co., Ltd.	1,000,000.00	Processing
<b>Total</b>	<b>2,139,975.21</b>	



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements *(cont'd)*

#### 25. Non-current liabilities due within one year

Items	Ending balance	Beginning balance
Payables for specific projects	<b>11,000,000.00</b>	

Refer to Note VI (27) for details on special payables.

#### 26. Long-term employees benefits payables

##### (1) Categories

Items	Ending balance	Beginning balance
Post-employment welfare – net liabilities of Defined benefit plan	<b>30,370,000.00</b>	28,280,000.00
<b>Total</b>	<b>30,370,000.00</b>	28,280,000.00

##### (2) Changes on Defined Benefit Plan-present value of Defined Benefit Plan obligations

Items	Current period	Last period
Beginning balance	<b>29,840,000.00</b>	32,690,000.00
Costs of Defined Benefit Plan recorded as profit/loss in current period	<b>1,340,000.00</b>	1,200,000.00
1. Cost of service in current period		
2. Cost of service in prior period		
3. Settlement gains (Loss is shown as "-")		
4. Net interest	<b>1,340,000.00</b>	1,200,000.00
Costs of Defined Benefit Plan recorded as OCI in current period	<b>2,310,000.00</b>	-2,470,000.00
1. Actuarial gains (Loss is shown as "-")	<b>2,310,000.00</b>	-2,470,000.00
Other changes	<b>-1,560,000.00</b>	-1,580,000.00
1. Elimination of liabilities from settlement		
2. Paid welfare	<b>-1,560,000.00</b>	-1,580,000.00
Ending balance	<b>31,930,000.00</b>	29,840,000.00
Inc. Post-employment welfare	<b>1,560,000.00</b>	1,580,000.00

##### (3) Changes on Defined Benefit Plan-net liabilities of Defined Benefit Plan (net assets)

Items	Current period	Last period
Beginning balance	<b>29,840,000.00</b>	32,690,000.00
Costs of Defined Benefit Plan recorded as profit/loss in current period	<b>1,340,000.00</b>	1,200,000.00
Cost of Defined Benefit Plan recorded as OCI in current period	<b>2,310,000.00</b>	-2,470,000.00
Other changes	<b>-1,560,000.00</b>	-1,580,000.00
Ending balance	<b>31,930,000.00</b>	29,840,000.00

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 27. 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		Note1
Self pressure type vehicle welded insulated cylinder products for liquefied	2,000,000.00		2,000,000.00		Note2
HPDI-T6 type motor vehicles using liquefied natural gas cryogenic tank products	4,000,000.00		4,000,000.00		Note3
Tianhai vehicle Lu liner fully wrapped composite cylinders project	3,900,000.00			<b>3,900,000.00</b>	Note4
Nature gas store & transportation equipment manufacturing base project	100,000,000.00			<b>100,000,000.00</b>	Note5
The composite piston force 16 tons series compressor development project	4,000,000.00		4,000,000.00		Note6
Diaphragm type compressor for nuclear power project	3,000,000.00		3,000,000.00		Note6
GD8 super large diaphragm compressor product development project	5,000,000.00		5,000,000.00		Note6
Nuclear power project special funds	4,568,000.00		4,568,000.00		Note6
<b>Total</b>	<b>131,468,000.00</b>		<b>27,568,000.00</b>	<b>103,900,000.00</b>	

Note 1: On 25 December 2012, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects, Jingcheng Holding granted a supporting fund of 5,000,000.00 Yuan on prizing Liquefied Natural Gas (LNG) refilling stations. Tianhai Industry Co., Ltd. will make a lump-sum repayment to Jingcheng Holding within the first ten working days effective from 1 December 2014. Since the repayment has not been made, it should be adjusted to non-current liability payable within one year.

Note 2: On 22 December 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects, Jingcheng Holding granted a supporting fund of 2,000,000.00 Yuan on the development of welded insulated cylinder products for liquid natural gas used by self-pressurisation motor vehicle. Tianhai Industry Co., Ltd. will make a lump-sum repayment to Jingcheng Holding within the first ten working days starting on 1 December 2014. Since the repayment has not been made, it should be adjusted to non-current liability payable within one year.

Note 3: On 22 December 2011, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects, Jingcheng Holding granted a supporting fund of 4,000,000.00 Yuan to Tianhai Industry Co., Ltd. for HPDI-T6 motor vehicles using Liquefied Natural Gas cryogenic tank products project. Tianhai Industry Co., Ltd. will make 1,200,000.00 Yuan and 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. Since the repayment has not been made, it should be adjusted to non-current liability payable within one year.

Note 4: In 2009, Beijing Tianhai Industry Co., Ltd. and Jingcheng Holding signed a contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects; Jingcheng Holding grants a supporting fund of 10,000,000.00 Yuan to Tianhai Industry Co., Ltd. for its Aluminium liner in fully wrapped composite cylinders. The ending balance of the fund payable is 3,900,000.00 Yuan.

Note 5: On 4 June 2013, Beijing city's government National Assets Supervision and Administration Commission issued Notice of Granting 2013 Capital Budget for National Capitals Operation" (Jingguozi [2013] 96); Jingcheng Holding was noticed to receive 100,000,000.00 Yuan for natural gas storage and transportation equipment production base project. Beijing Tianhai Industry Co., Ltd. has received the above fund in August 2013.

Note 6: Beijing Jingcheng Compressor Co., Ltd received funds for The Composite Piston Force 16-tons Series Compressor Development Project. Decrease on those funds was due to disposal on Beijing Jingcheng Compressor Co., Ltd.

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 28. Share capital

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

Share capitals in current year (Currency: RMB'000)

Items	Beginning balance		Changes in current year					Ending balance		
	Amount	Ratio (%)	Issue new stock	Complimentary shares	Accumulation		Others	Sub-total	Amount	Ratio (%)
					funds to equity					
<b>Conditional share</b>										
State-owned holding										
<b>Sub-total</b>										
<b>Un-conditional share</b>										
Ordinary (RMB)	322,000.00	76.30							322,000.00	76.30
Overseas listed	100,000.00	23.70							100,000.00	23.70
<b>Sub-total</b>	422,000.00	100.00							422,000.00	100.00
<b>Total</b>	422,000.00	100.00							422,000.00	100.00

Share capitals in last year (Currency: RMB'000)

Items	Beginning balance		Changes in current year					Ending balance		
	Amount	Ratio (%)	Issue new stock	Complimentary shares	Accumulation		Others	Sub-total	Amount	Ratio (%)
					funds to equity					
<b>Conditional share</b>										
State-owned holding										
<b>Sub-total</b>										
<b>Un-conditional share</b>										
Ordinary (RMB)	322,000.00	76.30							322,000.00	76.30
Overseas listed	100,000.00	23.70							100,000.00	23.70
<b>Sub-total</b>	422,000.00	100.00							422,000.00	100.00
<b>Total</b>	422,000.00	100.00							422,000.00	100.00

#### 29. Capital reserves

##### Current year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	557,838,342.74			557,838,342.74
Other capital reserves	860,283.96	125,104,554.99		125,964,838.95
<b>Total</b>	<b>558,698,626.70</b>	<b>125,104,554.99</b>		<b>683,803,181.69</b>

##### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	1,177,167,402.76		619,329,060.02	557,838,342.74
Other capital reserves	5,575,476.27		4,715,192.31	860,283.96
<b>Total</b>	<b>1,182,742,879.03</b>		<b>624,044,252.33</b>	<b>558,698,626.70</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 29. Capital reserves (cont'd)

Current year increase on capital reserves includes:

- (1) There was a shortage of 100,159,790.29 Yuan between operating results of profit forecast on significant assets restructuring and 2013 actual business performance, such amount was paid by the Jingcheng Holding to the Company as the compensation for not meeting profit forecast.
- (2) The Company's additional investment by other shareholders in one of subsidiaries Beijing Minghui Tianhai Gas Storage Equipment Trading Co., Ltd. resulted in a capital premium. The Company increased the corresponding capital reserves by 24,944,764.70 based on shareholding percentage.

#### 30. Other comprehensive income

Items	Beginning balance	Changes in current year				Ending balance
		Amount before income tax	Less: Recorded in OCI in prior period, recorded in profit/loss in current period	Less: income tax expenses	Amount attributable to the parent company after tax	
1. Other comprehensive income that will not be reclassified into profit or loss	2,470,000.00	-2,310,000.00			-2,310,000.00	160,000.00
Include: recalculation on changes in net liabilities and net assets of Defined Benefit Plan	2,470,000.00	-2,310,000.00			-2,310,000.00	160,000.00
2. Other comprehensive income that will be reclassified into profit or loss	-89,449.76	48,182.76			48,182.76	-41,267.00
Differences from foreign currency translation of financial statement	-89,449.76	48,182.76			48,182.76	-41,267.00
<b>Total</b>	<b>2,380,550.24</b>	<b>-2,261,817.24</b>			<b>-2,261,817.24</b>	<b>118,733.00</b>

#### 31. Surplus reserves

##### Current year

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
<b>Total</b>	<b>45,665,647.68</b>			<b>45,665,647.68</b>

##### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	43,172,707.88		1,334,373.15	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
<b>Total</b>	<b>43,172,707.88</b>	<b>3,827,312.95</b>	<b>1,334,373.15</b>	<b>45,665,647.68</b>



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 32. Retained earnings

##### Current year

Items	Amounts	Appropriation %
<b>Ending balance of last year</b>	<b>-222,701,516.40</b>	
Add: adjustments to beginning balance	-30,771,621.16	
Including: Retrospective adjustment in accordance to new standards in Chinese Accounting Standards	-30,771,621.16	
Including: Changes in accounting policies	-30,771,621.16	
Corrections of significant errors in prior period		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning balance of current year</b>	<b>-253,473,137.56</b>	
Add: Net profit attributable to parent for the current period	21,416,206.70	
Less: Statutory surplus reserves		
Discretionary surplus reserves		
Reserve on general risks		
Dividends payable on ordinary shares		
Dividends on ordinary shares transferred to share capitals		
<b>Ending balance of current year</b>	<b>-232,056,930.86</b>	

##### Last year

Items	Amounts	Appropriation %
<b>Ending balance of last year</b>	-211,165,505.29	
Add: adjustments to beginning balance	-31,412,919.69	
Including: Changes in accounting policies	-31,412,919.69	
<b>Corrections of significant errors in prior period</b>		
<b>Change of consolidation scope under common control</b>		
<b>Other adjustments</b>		
<b>Beginning balance of current year</b>	-242,578,424.98	
Add: Net profit attributable to parent for the current period	-107,597,719.91	
Others	96,703,007.33	
Less: Statutory surplus reserves		
<b>Discretionary surplus reserves</b>		
<b>Reserve on general risks</b>		
<b>Dividends payable on ordinary shares</b>		
<b>Dividends on ordinary shares transferred to share capitals</b>		
<b>Ending balance of current year</b>	<b>-253,473,137.56</b>	

#### 33. Net current assets

Items	Ending balance	Beginning balance
Current assets	<b>1,239,660,991.23</b>	1,570,739,834.76
Less: Current liabilities	<b>928,854,025.30</b>	1,535,814,587.66
<b>Net current assets</b>	<b>310,806,965.93</b>	34,925,247.10

#### 34. Total assets minus current liabilities

Items	Ending balance	Beginning balance
Total assets	<b>2,507,883,349.66</b>	2,829,360,876.07
Less: Current liabilities	<b>928,854,025.30</b>	1,535,814,587.66
<b>Total assets minus current liabilities</b>	<b>1,579,029,324.36</b>	1,293,546,288.41

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements *(cont'd)*

#### 35. Loans and payables

Summary of loans and payables for the Group:

Items	Ending balance	Beginning balance
Short-term bank loan	318,051,050.00	482,613,152.34
Long-term loan		
Bonds payable		
Long-term payable		
Payables for financial lease		
Payables for specific projects	11,000,000.00	
Loan from Jingcheng Holding	88,000,000.00	386,800,000.00
<b>Total</b>	<b>417,051,050.00</b>	<b>869,413,152.34</b>

#### (1) Analysis for loans and payables

Items	Ending balance	Beginning balance
Bank loans		
– due within one year	318,051,050.00	482,613,152.34
– due after one year		
Subtotal	318,051,050.00	482,613,152.34
Other loans/payables		
– due within one year	99,000,000.00	386,800,000.00
– due after one year		
Subtotal	99,000,000.00	386,800,000.00
Total	417,051,050.00	869,413,152.34

#### (2) Due dates analysis for loans and payables

##### Bank loans:

Items	Ending balance	Beginning balance
Pay upon request or due within one year	318,051,050.00	482,613,152.34
Due between 1-2 years		
Due between 2-5 years		
Due over 5 years		
<b>Total</b>	<b>318,051,050.00</b>	<b>482,613,152.34</b>

##### Other loans/payables

Items	Ending balance	Beginning balance
Pay upon request or due within one year	99,000,000.00	386,800,000.00
Due between 1-2 years		
Due between 2-5 years		
Due over 5 years		
<b>Total</b>	<b>99,000,000.00</b>	<b>386,800,000.00</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 36. Operating income and operating costs

##### (1) Breakdown

Items	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main operation	1,744,148,256.94	1,562,132,618.48	2,675,338,480.92	2,268,292,546.81
Other operation	62,184,836.50	59,349,637.53	152,855,868.95	133,972,383.92
<b>Total</b>	<b>1,806,333,093.44</b>	<b>1,621,482,256.01</b>	<b>2,828,194,349.87</b>	<b>2,402,264,930.73</b>

##### (2) Gross profit from main operation

Items	Current period	Last period
Main operating income	1,744,148,256.94	2,675,338,480.92
Main operating cost	1,562,132,618.48	2,268,292,546.81
Gross Profit	182,015,638.46	407,045,934.11

##### (3) Main operating income and cost by products

Items	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Flexographic printing machines			291,291,960.01	254,394,035.47
Gravure printing machines			266,689,924.56	204,052,119.97
Table machines			8,085,553.80	10,046,636.78
Spare parts			7,633,519.60	5,560,735.48
Compressor	42,183,398.47	37,104,371.20	107,278,938.17	91,957,195.98
Seamless steel gas cylinders	841,015,682.27	756,852,843.53	783,911,544.08	706,257,845.82
Winding bottle	335,938,765.63	286,307,060.90	477,164,867.73	381,821,054.56
Low temperature bottle	225,610,444.04	225,653,064.37	361,637,537.34	307,817,152.15
Low temperature storage and transportation equipment	107,720,049.76	82,681,637.00	158,164,067.44	114,011,356.21
Others	191,679,916.77	173,533,641.48	213,480,568.19	192,374,414.39
<b>Total</b>	<b>1,744,148,256.94</b>	<b>1,562,132,618.48</b>	<b>2,675,338,480.92</b>	<b>2,268,292,546.81</b>

##### (4) Other operating income and operating costs

Items	Current period		Last period	
	Other operating income	Other operating costs	Other operating income	Other operating costs
Sales of materials	52,010,661.25	51,358,278.37	129,665,770.14	122,852,212.24
Sales of utilities			1,095,197.81	1,233,360.05
Rental income			13,436,579.41	2,759,965.87
Others	10,174,175.25	7,991,359.16	8,658,321.59	7,126,845.76
<b>Total</b>	<b>62,184,836.50</b>	<b>59,349,637.53</b>	<b>152,855,868.95</b>	<b>133,972,383.92</b>

##### (5) The total operating income from the top 5 customers is RMB 343,018,956.37 Yuan, which represents 18.99% of the total operating income in the year. (Last year: 11.66%).

Company Name	Operating income	Percentage of total operating income (%)
Customer 1	95,910,066.92	5.31
Customer 2	68,330,019.21	3.78
Customer 3	66,543,620.21	3.68
Customer 4	60,274,611.97	3.34
Customer 5	51,960,638.06	2.88
<b>Total</b>	<b>343,018,956.37</b>	<b>18.99</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 37. Business taxes and surcharges

Items	Current period	Last period
Business tax	570,520.34	1,087,868.73
Urban maintenance and construction tax	9,064,667.87	4,229,127.54
Educational surcharge	11,591,720.07	3,398,290.92
Resource tax		67,083.89
<b>Total</b>	<b>21,226,908.28</b>	<b>8,782,371.08</b>

#### 38. Selling expenses

Item	Current period	Last period
Salary and wages	26,612,614.40	43,470,759.19
Business related expenses	7,124,305.14	6,941,368.73
Delivery expenses	45,683,270.39	53,901,845.61
Storage expenses	1,337,924.41	920,151.58
Exhibition expenses	299,819.14	6,247,588.73
After-sale services expenses	1,554,076.80	5,497,398.68
Repair and maintenance	1,209,483.10	9,461,896.78
Office expenses	898,199.91	4,881,542.07
Travelling expenses	9,947,192.16	15,184,341.14
Others	7,994,708.63	12,276,584.46
<b>Total</b>	<b>102,661,594.08</b>	<b>158,783,476.97</b>

53,480,055.12 Yuan related to manufacturing of printing machines was included in last year selling expenses. The selling expense was 105,303,421.85 Yuan excluding expense related to printing machines business in 2013.

#### 39. Administrative expenses

Item	Current period	Last period
Taxes	8,564,655.80	16,263,911.45
Office expenses	4,799,773.74	11,696,563.39
Travelling expenses	2,598,478.69	2,552,525.79
Conference expenses	2,258,821.71	1,399,513.72
Utilities	500,707.15	1,232,335.24
Repair and maintenance	1,770,898.84	4,997,214.92
Depreciation	6,344,197.04	12,639,518.43
Salary and wages	92,758,772.68	129,635,028.69
Motor vehicle expenses	2,127,268.78	786,635.82
Research and development expenses	16,003,399.28	36,929,211.02
Promotion expenses	1,728,574.55	2,317,362.92
Entertainment	1,306,858.43	4,279,654.49
Amortisation	4,642,161.21	5,741,769.67
Agent fees	7,467,835.79	11,495,725.07
Others	30,014,637.53	39,513,678.14
<b>Total</b>	<b>182,887,041.22</b>	<b>281,480,648.76</b>

95,439,049.14 Yuan related to manufacturing of printing machines was included in last year administrative expenses. The administrative expense was 186,041,599.62 Yuan excluding expense related to printing machines business in 2013.



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 40. Finance expenses

##### (1) Breakdown

Items	Current period	Last period
Interest expenses	<b>44,097,875.98</b>	54,339,856.13
Less: Interest income	<b>2,781,979.06</b>	3,012,684.40
Add: exchange losses	<b>-662,850.67</b>	6,805,004.06
Add: handling fees	<b>1,154,979.57</b>	281,267.09
Add: others	<b>16,989.04</b>	1,420,770.13
<b>Total</b>	<b>41,825,014.86</b>	59,834,213.01

##### (2) Details of interest expenses

Items	Current period	Last period
Bank loans, overdraft interests	<b>36,728,738.37</b>	40,688,619.63
Other interest expenses	<b>8,816,000.01</b>	13,651,236.50
Other loan interests payable within 5 years		
Other loan interests payable after 5 years		
Debt interests measured at effective interest rate		
Finance lease fees		
Subtotal	<b>45,544,738.38</b>	54,339,856.13
Less: capitalized interests	<b>1,446,862.40</b>	
<b>Total</b>	<b>44,097,875.98</b>	54,339,856.13

The capitalization rate of expenses for general loans is 6% in the current year. (Last year: 0.00%)

##### (3) Details of interest income

Items	Current period	Last period
Interest income from bank deposits	<b>2,781,979.06</b>	3,012,684.40
Interest income from receivables		
Interest income measured at effective interest rate method		
Interest income from finance lease		
Interest income from impaired financial assets		
<b>Total</b>	<b>2,781,979.06</b>	3,012,684.40

#### 41. Loss on impairment of assets

Items	Current period	Last period
Loss on bad debt	<b>-3,759,582.16</b>	9,151,137.36
Impairment loss on inventories	<b>4,619,445.14</b>	20,698,622.67
<b>Total</b>	<b>859,862.98</b>	29,849,760.03

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 42. Investment income

Items	Current period	Last period
Long-term equity investments by equity method	1,503,307.97	5,566,006.23
Disposal of long-term equity investments	99,193,128.78	-641,637.99
<b>Total</b>	<b>100,696,436.75</b>	<b>4,924,368.24</b>

All investment income derived from investments in unlisted entities. Disposal of long-term equity investment includes 99,093,567.22 Yuan as income from transferring 100% shares of Beijing Jingcheng Compressor Co., Ltd. in the current year. Details are shown in Note VII 3 disposal of subsidiaries.

Investment income from disposal on long-term equipment investment also includes 99,561.56 Yuan as income related to Beijing Tianhai Xigang Environment Technology Co. Ltd. Liquidation.

#### 43. Non-operating income

##### (1) Details of non-operating income

Items	Current period	Last period
Gain on disposal of non-current assets	81,823,602.10	792,153.14
Include: gain on disposal of fixed assets	81,823,602.10	792,153.14
gain on disposal of intangible assets		
Gain on debt restructuring		34,759.16
Government grants	1,548,580.56	3,096,407.80
Others	566,896.18	1,982,699.72
<b>Total</b>	<b>83,939,078.84</b>	<b>5,906,019.82</b>

83,939,078.84 Yuan was recorded in extraordinary profit and loss in the current year. (Last year: 5,906,019.82 Yuan)

##### (2) Details of government grants

Items	Current period	Last period	Sources and basis
Employment subsidies from China Disable Persons' Federation	16,000.00	14,000.00	The resolution of employment subsidies for the disabled in Beijing
Support funds from Badaling Economic Development Zone Management Committee	80,940.00	135,774.00	Beijing Badaling Economic Development Zone Management Committee
Employment subsidies from State-owned Assets Supervision and Administration Commission of the State Council	31,226.13		Beijing Human Resource and Social Security Administration
Government subsidies for "double independent" enterprises	514,733.00		Government subsidies for "double independent" enterprises
Energy audit award from Beijing Energy Conservation and Environmental Protection Centre	80,000.00		Energy audit award from Beijing Energy Conservation and Environmental Protection Centre
Subsidies from Chaoyang Energy Conservation Development Guidance	166,000.00		Subsidies from Chaoyang Energy Conservation Development Guidance
Fund for implementation of intellectual property policy	11,070.00		Funds for implementation of intellectual property policy
Job subsidies for disabled persons	39,000.00		Job subsidies for disabled persons
Government grants for small business and "double independent" enterprises expanding to international market	408,364.00		Government grants for small business and "double independent" enterprises expanding to international market (Beijing Commerce Commission)

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 43. Non-operating income (cont'd) (2) Details of government subsidies (cont'd)

Items	Current period	Last period	Sources and basis
Special funds for sustainable development-special subsidies for saving energy development		148,000.00	Chaoyang Energy Conservation Development Guidance
1% of VAT exempted for the sale of used equipments that purchased before 2009	<b>196,247.43</b>		Approval Form of exemption and reduction of tax for taxpayers
Langfang economic and Technological Development Zone Management Committee decide to reward the outstanding contribution enterprise and enterprise management of 2012		100,000.00	Decision to honour the outstanding contribution enterprises and outstanding management teams of 2012 from Langfang Economic and Technological Development Zone Management Committee
Clean production incentives Bureau of finance of the Development Zone		30,000.00	Clean production incentives Bureau of finance of the Development Zone
Fund for advanced unit with construction of standardized safety production	<b>5,000.00</b>		Notification to honour safety production award for advanced units and individuals of 2013 from Langfang Economic and Technological Development Zone
Others		2,668,633.80	
<b>Total</b>	<b>1,548,580.56</b>	<b>3,096,407.80</b>	

#### 44. Non-operating expenses

Items	Current period	Last period
Loss from disposal of non-current assets	<b>283,136.75</b>	1,979,207.13
Include: loss from disposal of fixed assets	<b>283,136.75</b>	1,979,207.13
loss from disposal of intangible assets		
Others	<b>1,696,568.09</b>	674,508.93
<b>Total</b>	<b>1,979,704.84</b>	<b>2,653,716.06</b>

RMB1,979,704.84 Yuan is recorded in extraordinary profit and loss in the current year. (Last year: RMB 2,653,716.06 Yuan)

#### 45. Income tax expenses (1) Income tax expenses

Items	Current period	Last period
Current income tax expenses – income tax expenses from Chinese enterprises	<b>1,070,685.46</b>	6,798,692.17
China	<b>1,070,685.46</b>	6,798,692.17
Hong Kong		
Other areas	<b>2,733,952.38</b>	639,887.82
Overstatements (understatements) from prior years		
Deferred income tax expenses	<b>1,229,570.78</b>	-2,890,763.42
<b>Total</b>	<b>5,034,208.62</b>	<b>4,547,816.57</b>

#### 46. Audit fee

The audit fee is 1,050,000.00 in the current year. (Last year: 1,050,000.00)

#### 47. Depreciation and amortization

Depreciation and amortization included in Income Statement for the year is 83,813,496.92 Yuan. (Last year: 117,443,627.61 Yuan)

**VI. Notes of Main Items of Consolidated Financial Statements** (cont'd)

**48. Operating rental expenses**

Operating rental expenses is 13,250,294.21 Yuan. (Last year: 11,088,144.18 Yuan) There is no expense on renting industrial equipment and machineries.

**49. Rental income**

There is no rental income (0.00 Yuan) on land and buildings (after deduction of rent, rates and other expenses). (Last year: 14,512,579.41 Yuan)

**50. Earnings per share**

**(1) Basic earnings per share**

Basic EPS is calculated on consolidated net profit attributable to the ordinary shareholders of the parent divided by the weighted average of issued ordinary shares.

Items	Current period	Last period
Consolidated net profit attributable to the common shareholders of the parent	21,416,206.70	-107,597,719.91
Consolidated net profit attributable to the common shareholders of the parent (deducting extraordinary gains or losses)	-156,817,432.32	-76,005,574.46
The weighted average outstanding common shares of the parent	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	0.05	-0.25
Basic earnings per share (Yuan/share) (deducting extraordinary gains or losses)	-0.37	-0.18

The calculation on the weighted average of basic EPS:

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

**(2) Diluted earnings per share**

Items	Current period	Last period
Adjusted consolidated net profit attributable to the common shareholders of the parent	21,416,206.70	-107,597,719.91
Adjusted consolidated net profit attributable to the common shareholders of the parent (deducting extraordinary gains or losses)	-156,817,432.32	-76,005,574.46
The adjusted weighted average outstanding basic shares	422,000,000.00	422,000,000.00
Diluted earnings per share (RMB/share)	0.05	-0.25
Diluted earnings per share (RMB/share) (deducting extraordinary gains or losses)	-0.37	-0.18



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 51. Other comprehensive income

Items	Current period	Last period
<b>1. Gain (loss) from available-for-sale financial assets</b>		
Less: available-for-sale financial assets' income tax effect		
Net income previously recognized in other comprehensive income transferred to current profit and loss		
Sub-total		
<b>2. Shared other comprehensive income in investees at equity method</b>		
Less: Income tax effect on shared other comprehensive income in investees at equity method		
Net income previously recognized in other comprehensive income transferred to current profit and loss		
Sub-total		
<b>3. Gain and loss from cash flow hedging</b>		
Less: Income tax effect on cash flow hedging		
Net income previously recognized in other comprehensive income transferred to current profit and loss		
Adjustment on transferred initially recognized amount of hedging item		
Sub-total		
<b>4. Translation difference of financial statements presented in foreign currencies</b>		
Less: net gain and loss for the current year from disposal of foreign operation		
Sub-total	<b>99,227.52</b>	-484,482.81
<b>5. Others</b>		
Less: Income tax effect from other items in other comprehensive income		
Net income previously recognized in other comprehensive income transferred to current profit and loss		
Sub-total	<b>-2,310,000.00</b>	2,470,000.00
<b>Total</b>	<b>-2,210,772.48</b>	<b>1,985,517.19</b>

#### 52. 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	Last period
Refund of guarantee deposits	<b>1,225,500.00</b>	
Refund of project guarantee deposits and petty cash	<b>1,809,907.25</b>	
Interests income	<b>2,781,979.06</b>	3,012,684.40
Government grants	<b>3,347,333.13</b>	3,096,407.80
Intra accounts	<b>4,472,165.01</b>	4,805,011.51
Others	<b>945,401.36</b>	4,883,253.35
<b>Total</b>	<b>14,582,285.81</b>	15,797,357.06

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 52. Cash flow information (cont'd)

##### (1) Cash receipts and payments related to other operating/investing/financing activities (cont'd)

##### 2) Cash payments related to other operating activities

Items	Current period	Last period
Expenses	119,848,215.41	142,770,643.93
Guarantee deposits	12,500,000.00	7,642,688.52
Intra accounts	2,606,913.57	6,058,060.58
Others	757,134.05	1,825,690.84
<b>Total</b>	<b>135,712,263.03</b>	<b>158,297,083.87</b>

##### 3) Cash receipts related to other investing activities

Items	Current period	Last period
Payment received from Jingcheng Holding as asset restructuring		5,522,900.00
Cash received from subsidiaries		6,193,400.00
<b>Total</b>		<b>11,716,300.00</b>

##### 4) Cash payments related to other investing activities

Items	Current period	Last period
Related party transactions	8,351,822.34	
Exchanged assets		292,580,707.25
<b>Total</b>	<b>8,351,822.34</b>	<b>292,580,707.25</b>

##### 5) Cash receipts related to other financial activities

Items	Current period	Last period
Compensation on not meet profit forecast	100,159,790.29	
Loans received from Jingcheng holding	89,500,000.00	548,000,000.00
<b>Total</b>	<b>189,659,790.29</b>	<b>548,000,000.00</b>

##### 6) Cash payments related to other financial activities

Items	Current period	Last period
Loan repayment to Jingcheng Holding	346,800,000.00	489,410,000.00
<b>Total</b>	<b>346,800,000.00</b>	<b>489,410,000.00</b>

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 52. Cash flow information (cont'd)

##### (2) Supplementary information for consolidation

Items	Current period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	13,012,018.14	-109,172,195.28
Add: Provision on the impairment of assets	859,862.98	29,849,760.03
Depreciation of fixed asset	78,308,888.74	110,233,877.68
Amortization of intangible asset	4,665,741.21	6,278,596.61
Amortization of long-term prepaid expenses	838,866.97	931,153.32
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-81,540,465.35	-106,794.55
Loss on disposal of fixed assets (Gain listed as "-")		1,293,848.54
Gain or loss from changes in fair value (Gain listed as "-")		
Financial expenses (Gain listed as "-")	45,851,245.22	59,433,965.84
Loss on investments (Gain listed as "-")	-100,696,436.75	-4,924,368.24
Decrease in deferred tax assets (Increase listed as "-")	1,229,342.34	-2,890,763.42
Increase in deferred tax liabilities (Decrease listed as "-")		
Decrease in inventories (Increase listed as "-")	70,451,073.04	-132,009,783.83
Decrease in operating receivables (Increase listed as "-")	-89,759,530.72	-115,707,592.25
Increase in operating payables (Decrease listed as "-")	-44,289,859.08	-69,812,192.93
Others	-6,828,120.42	
Net cash flow generated from operating activities	-107,897,373.68	-226,602,488.48
<b>2. Significant non-cash investing and financing activities:</b>		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
<b>3. Changes in cash and cash equivalents:</b>		
Closing balance of cash	125,462,823.33	305,897,025.49
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	-180,434,202.16	-184,636,409.70

## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 52. Cash flow information (cont'd)

#### (3) Relevant information for acquisition and disposal of subsidiaries and other business entities

Items	Current period	Last period
<b>Relevant information for acquisition of subsidiaries and other business entities</b>		
1. Cost for acquisition of subsidiaries and other business entities		
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business entities		
Less: Cash and cash equivalents held by subsidiaries and other business entities		
3. Net cash paid for acquisition of subsidiaries and other business entities		
4. Acquisition of subsidiary's net assets		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
<b>Relevant information for disposal of subsidiaries and other business entities</b>		
1. Cost for disposal of subsidiaries and other business entities	<b>250,202,800.00</b>	
2. Cash and cash equivalents paid for disposal of subsidiaries and other business entities	<b>249,922,800.00</b>	5,522,900.00
Less: Cash and cash equivalents held by subsidiaries and other business entities	<b>17,799,493.99</b>	24,728,192.28
3. Net cash paid for disposal of subsidiaries and other business entities	<b>232,123,306.01</b>	-19,205,292.28
4. Disposal of subsidiary's net assets	<b>150,829,232.78</b>	99,790,885.45
Current assets	<b>178,001,513.32</b>	219,555,507.40
Non-current assets	<b>121,189,851.91</b>	145,675,024.19
Current liabilities	<b>129,794,132.45</b>	264,509,481.54
Non-current liabilities	<b>18,568,000.00</b>	930,164.60

#### (4) Cash and cash equivalents

Items	Current period	Last period
Cash	<b>125,462,823.33</b>	305,897,025.49
Including: Cash in hand	<b>55,233.08</b>	77,407.20
Bank deposits available for use on demand	<b>124,267,616.31</b>	305,819,618.29
Other monetary funds for use on demand	<b>1,139,973.94</b>	
Cash equivalents		
Including: Bonds investment matured within three months		
Cash and cash equivalents at end of year	<b>125,462,823.33</b>	305,897,025.49



## NOTES TO THE FINANCIAL STATEMENT

### VI. Notes of Main Items of Consolidated Financial Statements (cont'd)

#### 53. Assets with limited ownership or right of use

Items	Net book value Ending balance	Reasons for the limitation
Monetary funds	38,500,000.00	Guarantee deposits
Fixed assets	40,667,821.55	Mortgage
Intangible assets	1,308,390.10	Mortgage

#### 54. Foreign currency monetary items

Items	Ending balance original currency	Exchange rate	Ending balance RMB
Monetary funds			16,909,533.55
Inc.: USD	2,761,405.62	6.1190	16,897,041.01
EUR	1.92	7.4556	14.31
HKD	15,817.34	0.7889	12,478.23
Accounts receivable			43,181,799.28
Inc.: USD	6,935,885.58	6.1190	42,440,683.86
EUR	99,403.86	7.4556	741,115.42
HKD			
Advances to suppliers			1,440,934.43
Inc.: USD	235,485.28	6.1190	1,440,934.43
EUR			
HKD			
Other receivables			
Inc.: USD			
EUR			
HKD			
Short-term loans			18,051,050.00
Inc.: USD	2,950,000.00	6.1190	18,051,050.00
EUR			
HKD			
Long-term loans			
Inc.: USD			
EUR			
HKD			
Accounts payable			5,548,375.10
Inc.: USD	906,745.40	6.1190	5,548,375.10
EUR			
HKD			
Advances from customers			9,619,803.08
Inc.: USD	1,572,120.13	6.1190	9,619,803.08
EUR			
HKD			
Other receivables	1,160.83	6.1190	7,103.12
Inc.: USD	1,160.83	6.1190	7,103.12

**VII. CHANGES IN BUSINESS COMBINATION**

**1. Business combination not under common control**

There is no business combination not under common control in this year.

**2. Business combination under common control**

There is no business combination under common control in this year.

**3. Disposal on subsidiary**

Name of the subsidiary	Disposal price	Disposal ratio (%)	Disposal method
Beijing Jingcheng Compressor Co., Ltd.	250,202,800	100	Cash

(Continued)

Time-point for losing of control	Determination of the time-point for losing of control	The difference between disposal price and disposed share of net assets in corresponding consolidated financial statements	Remaining holding % on the date of losing control	Book value of remaining holding % on the date of losing control	Fair value of remaining holding % on the date of losing control	Gain or loss for remaining holding % at fair value	Determination and main assumptions for the fair value of remaining holding % on the date of losing control	Other comprehensive income related to equity investment in ex subsidiary transferred to investment income
2014-9-30	Note	99,373,600						

Note: The Company signed an equity transfer agreement with Beijing Guotong Assets Management co., Ltd. on 29 August 2014, to transfer its all equity held on Beijing Jingcheng Compressor Co., Ltd. to Beijing State-Owned Assets Management co., Ltd. with the price of RMB 250,202,800 Yuan. This transaction is authenticated by Beijing Equity Exchange and issued a transfer certificate. Beijing Jingcheng Compressor Co., Ltd. has completed its shareholder alteration formalities with Industry and Commerce Bureau on 15 September 2014. Due to the fact that the Company has received payment in full in September 2014 and made the resolution to change the board members of Beijing Jingcheng Compressor Co., Ltd. on 30 September 2014, the purchaser has full power on financial and operating decision-makings of Beijing Jingcheng Compressor Co., Ltd. and receives corresponding benefits and bears the associated risks, 30 September 2014 has been decided as the time-point for loss of control.

## NOTES TO THE FINANCIAL STATEMENT

### VIII. Interests in other entities

#### 1. Interests in subsidiaries

##### (1) The composition of the Group

Name of subsidiaries	The main premises	Registration place	Registered capital	Percentage of shareholding (%)		Acquisition method
				direct	indirect	
Beijing Tianhai Industry Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	USD61,401,800	100.00		Business combination under common control
Langfang Tianhai High Pressure Containers Co., Ltd.	Langfang, Hebei	Langfang, Hebei	RMB301,400		82.08	Business combination under common control
Tianjin Tianhai High Pressure Containers Co., Ltd.	Tianjin port free trade zone	Tianjin port free trade zone	RMB225,578,400		55.00	Business combination under common control
Shanghai Tianhai Gas Cylinder Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai	USD3,017,400		89.32	Business combination under common control
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Daxing District, Beijing	Daxing District, Beijing	RMB400,000		75.00	Business combination under common control
Beijing Panni Gaokong Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	RMB200,000		100.00	Business combination under common control
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	RMB5,452,200		38.51	Business combination under common control
America Fortune Company	Houston, Texas, USA	Houston, Texas, USA	RMB33,675,500		51.00	Business combination under common control
Beijing Jingcheng Compressor Co., Ltd. (former subsidiary)	Yanqing, Beijing	Yanqing, Beijing	RMB1,392,700			Business combination under common control
Jingcheng Holding (Hong Kong) Company Limited	Hong Kong	Hong Kong	HKD100,000	100.00		Business combination under common control

(Continued)

Name of subsidiaries	Type of business	Business scope	Issued share capital and debt securities	Legal representative	Registration number	Principal country of operation
Beijing Tianhai Industry Co., Ltd.	Sino-foreign Joint Venture	Manufacture	0	Hu Chuanzhong	60000369-4	China, US, Europe, Southeast Asia
Langfang Tianhai High Pressure Containers Co., Ltd.	Sino-foreign Joint Venture	Manufacture	0	Wang Pingsheng	79956948-3	Nil
Tianjin Tianhai High Pressure Containers Co., Ltd.	Sino-foreign Joint Venture	Manufacture	0	Liu Guangling	74665239-8	Nil
Shanghai Tianhai Gas Cylinder Co., Ltd.	Sino-foreign Joint Venture	Manufacture	0	Wang Pingsheng	60742223-4	China
Beijing Tianhai Cryogenic Equipment Co., Ltd.	Limited Liability Company	Manufacture	0	Wang Pingsheng	67505219-1	China
Beijing Panni Gaokong Equipment Co., Ltd.	Limited Liability Company	Manufacture	0	Wang Pingsheng	10248506-1	China
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	Limited Liability Company	Sale	0	Wang Pingsheng	05733001-9	China
天海美洲公司	Foreign Enterprise	Sale	0	Hu Chuanzhong		US
Beijing Jingcheng Compressor Co., Ltd.	Limited Liability Company	Manufacture	0	Wang Pingsheng	74043038-0	Nil
Jingcheng Holding (Hong Kong) Company Limited	Limited Liability Company	Trade and investment	0	Wang Pingsheng		Nil

## NOTES TO THE FINANCIAL STATEMENT

### VIII. Interests in other entities (cont'd)

#### 1. Interests in subsidiaries (cont'd)

##### (2) Significant partially-owned subsidiaries

Name of subsidiaries	Minority holding (%)	Profits and loss attributable to minorities	Dividends declared to minorities	Closing balance of minority interests
Langfang Tianhai High Pressure Containers Co., Ltd.	17.92	-3,541,441.24		16,633,451.80
Tianjin Tianhai High Pressure Containers Co., Ltd.	45.00	-5,097,847.36		100,727,521.57
Shanghai Tianhai Gas Cylinder Co., Ltd.	10.68	379,760.22		4,325,509.19
Beijing Tianhai Cryogenic Equipment Co., Ltd.	25.00	1,834,269.75		17,340,563.11
America Fortune Company	49.00	2,019,302.51		15,144,644.32
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	61.49	-3,998,232.44		371,057,002.86

##### (3) The main financial information of significant partially-owned subsidiaries

Name of subsidiaries	Current assets	Non-current assets	Ending balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Tianjin Tianhai High Pressure Containers Co., Ltd.	145,485,850.12	243,109,968.07	388,595,818.19	162,268,135.44		162,268,135.44
Shanghai Tianhai Gas Cylinder Co., Ltd.	13,407,451.98	20,524,546.37	33,931,998.35	1,701,291.90		1,701,291.90
Langfang Tianhai High Pressure Containers Co., Ltd.	96,577,936.55	252,428,588.69	349,006,525.24	186,227,759.93		186,227,759.93
Beijing Tianhai Cryogenic Equipment Co., Ltd.	85,737,747.43	11,959,764.56	97,697,511.99	28,250,343.14		28,250,343.14
America Fortune Company	61,375,602.89	488,988.13	61,864,591.02	30,957,153.63		30,957,153.63
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	191,426,138.04	516,214,239.48	707,640,377.52	107,226,012.85		107,226,012.85

(Continued)

Name of subsidiaries	Current assets	Non-current assets	Beginning balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Tianjin Tianhai High Pressure Containers Co., Ltd.	132,843,835.73	267,120,885.38	399,964,721.11	162,512,021.98		162,512,021.98
Shanghai Tianhai Gas Cylinder Co., Ltd.	8,957,371.02	21,561,219.17	30,518,590.19	949,382.08		949,382.08
Langfang Tianhai High Pressure Containers Co., Ltd.	151,582,861.20	272,021,362.00	423,604,223.20	241,242,328.86		241,242,328.86
Beijing Tianhai Cryogenic Equipment Co., Ltd.	71,358,897.97	14,136,869.57	85,495,767.54	23,395,667.84		23,395,667.84
America Fortune Company	42,142,675.45	222,595.93	42,365,271.38	15,683,032.52		15,683,032.52
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	213,855,536.58	341,215,993.58	555,071,530.16	147,440,076.72		147,440,076.72



## NOTES TO THE FINANCIAL STATEMENT

### VIII. Interests in other entities (cont'd)

#### 1. Interests in subsidiaries (cont'd)

##### (2) The main financial information of significant partially-owned subsidiaries

(Continued)

Name of subsidiaries	Current period			Cash flows from operating activities
	Operating income	Net profit	Total comprehensive income	
Tianjin Tianhai High Pressure Containers Co., Ltd.	501,091,507.47	-11,125,016.38	-11,125,016.38	41,357,338.97
Shanghai Tianhai Gas Cylinder Co., Ltd.	36,547,690.05	2,607,256.78	2,607,256.78	350,108.17
Langfang Tianhai High Pressure Containers Co., Ltd.	326,474,250.56	-19,583,129.03	-19,583,129.03	3,359,665.91
Beijing Tianhai Cryogenic Equipment Co., Ltd.	114,401,887.27	7,347,069.15	7,347,069.15	-552,261.67
America Fortune Company	240,145,802.10	4,121,025.54	4,225,198.53	-8,281,519.59
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	55,820,676.06	-7,217,088.77	-7,217,088.77	-149,272,461.96

(Continued)

Name of subsidiaries	Last period			Cash flows from operating activities
	Operating income	Net profit	Total comprehensive income	
Tianjin Tianhai High Pressure Containers Co., Ltd.	466,237,848.40	-3,815,041.96	-3,815,041.96	-34,964,522.67
Shanghai Tianhai Gas Cylinder Co., Ltd.	35,034,356.59	2,286,241.17	2,286,241.17	81,531.50
Langfang Tianhai High Pressure Containers Co., Ltd.	323,879,952.46	-19,077,604.57	-19,077,604.57	-111,122,437.80
Beijing Tianhai Cryogenic Equipment Co., Ltd.	159,722,433.00	16,641,167.60	16,641,167.60	2,122,547.50
America Fortune Company	193,272,316.77	1,260,031.67	453,841.77	-3,289,995.32
Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.	2,126,032.81	-2,391,128.29	-2,391,128.29	-2,637,573.17

#### 2. Remain control over subsidiaries with changes in owner's equity

##### (1) Changes in owner's equity of subsidiaries

Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd. was established on the 27th of November 2012, with a registered capital of 10 million Yuan wholly contributed by Beijing Tianhai Industry Co., Ltd. After two capital increments, its registered capital increased to 545,225,200 Yuan as at 31 December 2014, of which Beijing Tianhai Industry Co., Ltd. contributed 210 million Yuan, representing 38.51% of total registered capital, Beijing Jing Guo Fa Equity Funds (limited partnership) contributed 170,412,703 Yuan, representing 31.26% of total registered capital and Beijing BaShi Media Co., Ltd. contributed 16,481,252 Yuan, representing 30.23% of total registered capital.

According to articles of company constitution, Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd. has five directors on the Board, of which Beijing Tianhai Industry Co., Ltd. nominates three members; Beijing Jing Guo Fa equity funds (limited partnership) and Beijing BaShi media Co., Ltd. nominates one member by each. Except for selling all assets and other significant decisions which need to be voted by more than two-thirds of the Board of Directors, examination and approval on company's business plans and investment schemes, the decision on company's internal management organisation and other issues shall be agreed by more than half of the Board of Directors. In addition, management are assigned by Beijing Tianhai Industry Co., Ltd. Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd. is considered under control of Beijing Tianhai Industry Co., Ltd. therefore is consolidated within the Group.

## NOTES TO THE FINANCIAL STATEMENT

### VIII. Interests in other entities *(cont'd)*

#### 2. Remain control over subsidiaries with changes in owner's equity *(cont'd)*

##### (2) The effects on equity of changes in owner's equity of subsidiary

Items	Beijing Minghui Tianhai Gas Storage Equipments Trading Co., Ltd.
<b>Cash</b>	
Fair value of the non-cash assets	
Total cost of purchase/disposal consideration	210,000,000.00
Less: According to acquisition/disposal ratio to calculate the subsidiary's share of net assets	229,352,827.35
Balance	-19,352,827.35
Inc.: Adjustment to capital reserves	24,944,764.70
Adjustment to surplus reserves	
Adjustment to retained earnings	-5,591,937.35

#### 3. Interests in joint ventures or associated enterprises

##### (1) Significant joint ventures or associated enterprises

Name	The main premises	Registered place	Type of business	Shareholding ratio (%)		Accounting methods for joint ventures or consortium investment
				Direct	Indirect	
Shandong Tianhai High Pressure Containers Co., Ltd.	Linyi, Shandong province	Linyi, Shandong	Manufacture	51		Equity method

Shandong Tianhai High Pressure Containers Co., Ltd. was established on 12 June 2014, with a registered capital of 30 million Yuan. Beijing Tianhai Industry Co., Ltd. Contributed 15.3 million Yuan, representing 51% of total registered capital and Shandong Yongan Cylinder Co., Ltd. contributed 14.7 million Yuan, representing 49% of total registered capital. After capital increments, Shandong Yongan Cylinder Co., Ltd. increased its registered capital to 114.55 million Yuan, of which Beijing Tianhai Industry Co., Ltd. contributed 58.4205 million Yuan, representing 51% of total registered capital and Shandong Yongan Cylinder Co., Ltd. contributed 56.1295 million Yuan, representing 49% of total registered capital. According to articles of company constitution, Shandong Tianhai High Pressure Containers Co., Ltd. has five directors on the Board, of which Beijing Tianhai Industry Co., Ltd. nominates three members; Shandong Tianhai High Pressure Containers Co., Ltd. nominates two members. All decisions made by the Board of Directors shall be voted and approved by the four fifth of board members. Daily business operating is managed by delegates from Shandong Tianhai High Pressure Containers Co., Ltd., Shandong Tianhai High Pressure Containers Co., Ltd. is not actually controlled by Beijing Tianhai Industry Co., Ltd. therefore is accounted on equity method and not consolidated within the Group.

## NOTES TO THE FINANCIAL STATEMENT

### VIII. Interests in other entities *(cont'd)*

#### 3. Interests in joint ventures or associated enterprises *(cont'd)*

##### (2) Main financial information of important joint ventures

Items	Ending balance/ Current period
Current assets	50,786,830.06
Inc.: Cash and cash equivalents	475,172.12
Non-current assets	103,076,320.18
Total assets	153,863,150.24
Current liabilities	39,688,299.77
Non-current liabilities	
Total liabilities	39,688,299.77
Non-controlling interest	
Attributable to the parent company shareholders' rights and interests	114,174,850.57
Share of net assets calculated by shareholding ratio	58,229,173.74
Adjusting events	3,224,397.11
– Goodwill	
– Unrealized profits intra-group	3,224,397.11
– Others	
The book value of joint ventures' equity investment	55,004,776.68
Public offer of the fair value of joint ventures' equity investment	
Operating income	83,265,809.27
Financial expenses	282,252.25
Income tax expenses	26,277.03
Net profit	-375,149.43

## IX. 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 refer to 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 due to the changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the American Fortune Company as a subsidiary of the Group which is using USD dollar for purchasing and sales transactions, other main business operations are settled in RMB. As of 31 December 2014, except for assets and liabilities with balances in USD, Hong Kong Dollar and Euro described as below, all other assets and liabilities of the Group are reported in RMB. Foreign currency risk associated with the assets and liabilities of such foreign currency balances may have influence on the Group's business performance.

Items	Ending balance		Beginning balance	
	Foreign currency	RMB	Foreign currency	RMB
Cash and cash equivalents		<b>16,909,533.55</b>		14,999,581.49
USD	<b>2,761,405.62</b>	<b>16,897,041.01</b>	2,457,874.47	14,985,414.86
EUR	<b>1.92</b>	<b>14.31</b>	0.71	5.99
HKD	<b>15,817.34</b>	<b>12,478.23</b>	18,010.82	14,160.64
Accounts receivables		<b>43,181,799.28</b>		43,205,461.73
USD	<b>6,935,885.58</b>	<b>42,440,683.86</b>	6,538,869.76	39,866,835.05
EUR	<b>99,403.86</b>	<b>741,115.42</b>	396,563.29	3,338,626.68
Advance to suppliers		<b>1,440,934.43</b>		4,280,457.24
USD	<b>235,485.28</b>	<b>1,440,934.43</b>	702,071.09	4,280,457.24
Accounts Payable		<b>5,548,375.10</b>		4,971,965.51
USD	<b>906,745.40</b>	<b>5,548,375.10</b>	815,490.74	4,971,965.51
Advances from Customers		<b>9,619,803.08</b>		9,867,551.42
USD	<b>1,572,120.13</b>	<b>9,619,803.08</b>	1,618,114.43	9,865,481.89
EUR			245.82	2,069.53
Short-term loans		<b>18,051,050.00</b>		12,613,152.34
Inc.: USD	<b>2,950,000.00</b>	<b>18,051,050.00</b>	2,068,781.24	12,613,152.34
Other payables		<b>7,103.12</b>		
Inc.:USD	<b>1,160.83</b>	<b>7,103.12</b>		
<b>Total</b>		<b>94,751,495.44</b>		<b>89,938,169.73</b>

##### 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.



## NOTES TO THE FINANCIAL STATEMENT

### IX. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(cont'd)*

#### 1. Risk management objectives and policies *(cont'd)*

##### (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 with relatively higher credit rating, thus the credit risk its current funds is relatively low.

There is no significant credit risk as the risk is spread among a number of parties and clients. At the end of the year, 18.99% (11.66%, last year) and 26.70%(20.39%, last year) of accounts receivables are from the largest client and the top five clients of the Group. Therefore, the Group has no significant credit concentration risk

##### (3) Liquidity risk

For the management of liquidity risk, the Group maintain to believe that the sufficient amount of cash and cash equivalents need to be obtained and be supervised, in order to satisfy the needs of the Group's operations 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 Group regards bank loans as one of the main sources of capital. At the end of the year, the Group unused bank borrowing limit is 273.8 million Yuan, it was RMB 280 million Yuan at the beginning of the year.

## X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

### 1. Related parties relationship

#### (1) Parent companies and ultimate controlling parties

##### 1) Parent companies and ultimate controlling parties

Name	Registration place	Nature	Registered capital (RMB 0,000)	Percentage of shareholding (%)	Percentage of voting right (%)
Jingcheng Holding	Chaoyang District, Beijing	State-owned	190,558.71	47.78	47.78

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

Name	Beginning balance	Increase	Decrease	Ending balance
Jingcheng Holding	169,558.71	21,000.00		190,558.71

##### 3) Shareholding (RMB 0,000) of the parent company and changes

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

#### (2) Subsidiaries

##### 1) Subsidiaries

Please refer to Note VIII 1 (1) for detailed information of subsidiaries.

##### (3) Joint ventures and associates

Please refer to Note VIII 3 (1) for detailed information of significant joint ventures and associates. Joint ventures and associates that incurred transactions with the Company in this year or have carry forward amount due to or from the Company are listed as below:

Name	Relationship
Shandong Tianhai High pressure vessel Co., Ltd.	Joint ventures
Beijing Tianhai Xigang Environmental Technique Co., Ltd.	Former joint ventures
Beijing Fusheng Machinery Co., Ltd.	Former associates

#### (4) Other related parties

Name	Relationship
Beiren Corporation Group	Under common control or ultimate control
Beijing Jingcheng Industry Logistics Co., Ltd.	Under common control or ultimate control
Beijing Jingcheng Changye Engineering Machinery Co., Ltd.	Under common control or ultimate control
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Under common control or ultimate control
Beijing No.1 Machine Tool Factory	Under common control or ultimate control
Beijing Beikai Electric Holding Co., Ltd.	Under common control or ultimate control
Beijing Xihai Industrial and Trading Company	Under common control or ultimate control
Beijing Jingcheng Tianyi Environmental Technology Co., Ltd.	Under common control or ultimate control
Beijing Mechanical & Electrical Academy High Technology Holding Co., Ltd.	Under common control or ultimate control
Beijing Beiyong Casting Co., Ltd.	Under common control or ultimate control
Beijing Monigraf Automations Co., Ltd.	Under common control or ultimate control
Beijing Beiren Fushi Printing Machinery Co., Ltd.	Under common control or ultimate control
Tianjin Steel Pipe and Steel Trading Co., Ltd.	Related parties to minority of subsidiaries
Tianjin Dawufeng Investment Co., Ltd.	Minority of subsidiary
Bill Zheng	Minority of subsidiary
Susan Guo	Minority of subsidiary

## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(cont'd)*

#### 2. Related party transactions

##### (1) Purchase and sale of goods and rendering and accepting services

##### 1) Purchase of goods and receiving services

Related parties	Transactions	Current period	Last period
Beijing Beijing Casting Co. Ltd.	Materials		12,065,071.91
Tianjin Steel Pipe and Steel Trading Co., Ltd.	Material	<b>133,935,733.98</b>	
Beijing Monigraf Automations Co. Ltd.	Material		8,153,701.53
Beijing Jingcheng Industrial Logistics Co. Ltd.	Material	<b>4,283,807.48</b>	27,488,539.32
Beiren Corporation Group	Trademark		2,210,653.91
Beiren Corporation Group	Signage		2,430.00
Beiren Corporation Group	Material		16,146,088.06
<b>Total</b>		<b>138,219,541.46</b>	<b>66,066,484.73</b>

##### 2) Sale of goods and rendering services

Related parties	Related-party transactions	Current period	Last period
<b>Joint ventures and associates</b>			
Beijing Monigraf Automations Co. Ltd.	Water and electricity		15,650.20
Shandong Tianhai High Pressure Containers Co., Ltd.	Sale of equipment	<b>23,633,210.00</b>	
<b>Other parties under common control or ultimate control</b>			
Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Water and electricity		356,032.62
Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Material		179.49
Beiren Corporation Group	Water and electricity		254,134.66
Beiren Corporation Group	Material		17,697,856.19
<b>Total</b>		<b>23,633,210.00</b>	<b>18,323,853.16</b>

## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(cont'd)*

#### 2. Related party transactions *(cont'd)*

##### (2) Leasing between related parties 1) The Company as a lessor

Lessor	Lessee	Leased assets	Lease income recognized in current period	Lease income recognized in last period
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Beiyong Casting Co. Ltd.	Land and building		3,672,553.90
Beijing Jingcheng Machinery Electric Co., Ltd.	Beiren Corporation Group	Building		1,707,884.83
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Monigraf Automations Co. Ltd.	Building		50,331.00
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Building		4,971,403.20
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Building		891,988.37
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Motor vehicle		28,205.12
Beijing Beiren Fushi Printing Machinery Co., Ltd.	Beiren Corporation Group	Motor vehicle		25,641.03

##### 2) The Company as a lessee

Lessor	Lessee	Leased assets	Lease income recognized in current period	Lease income recognized in last period
Beijing No.1 Machine Tool Factory	Beijing Panni Aerial Work Equipment Co., Ltd.	Building	120,000.00	120,000.00
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Building	680,000.00	680,000.00
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	The Company	Building	1,052,911.92	
Beijing Xihai Industrial and Trading Company	Beijing Jingcheng Compressor Co., Ltd.	Building	618,750.00	1,100,000.00

##### (3) Guarantee

Guarantor	Guarantee	Amount	Starting date	Expiration date	Whether executed completely
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	20,000,000.00	7/8/2014	6/8/2015	No
		40,000,000.00	20/3/2014	19/3/2015	No
		20,000,000.00	27/2/2014	26/2/2015	No
		50,000,000.00	5/9/2014	4/9/2015	No
		30,000,000.00	26/11/2014	26/11/2015	No
		50,000,000.00	25/7/2014	24/7/2015	No
		20,000,000.00	3/11/2014	2/2/2015	No
		30,000,000.00	23/12/2014	22/3/2015	No
		20,000,000.00	25/12/2014	24/3/2015	No
Bill Zheng, Susan Guo	America Fortune Company	18,051,050.00	31/10/2014	31/1/2015	No
<b>Total</b>		<u>298,051,050.00</u>			



## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(cont'd)*

#### 2. Related party transactions *(cont'd)*

##### (4) Capital lending between related parties

Lender	Borrower	Amount	Starting date	Expiration date	Interest rate
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	120,000,000.00	06-12-2013	05-12-2014	6.00%
		30,000,000.00	29-07-2013	26-07-2014	6.00%
		100,000,000.00	30-10-2013	29-10-2014	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%
		10,000,000.00	22-10-2014	21-12-2014	6.00%
		30,000,000.00	29-07-2014	28-07-2015	6.00%
		38,000,000.00	02-08-2014	01-08-2015	6.00%
		10,000,000.00	17-09-2014	16-09-2015	6.00%
		10,000,000.00	21-12-2014	21-12-2015	6.00%
		10,000,000.00	14-03-2014	14-03-2015	6.00%
		10,000,000.00	14-03-2014	14-03-2015	6.00%
		10,000,000.00	20-05-2014	20-05-2015	6.00%
		10,000,000.00	20-05-2014	20-05-2015	6.00%
		1,500,000.00	16-04-2014	16-04-2015	6.00%

##### (5) Interest expense between related parties

Name	Current period	Last period
Jingcheng Holding	<b>8,816,000.01</b>	12,451,236.50

##### (6) Assets transfer between related parties

Name	Type of transaction	Current period	Last period
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Assets transfer	<b>105,779,500.00</b>	

Refer to Note XV (4) Sale of Significant assets for assets transferred between related parties.

## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(cont'd)*

#### 3. Related party transactions of the parent company

##### (1) Purchase and sale of goods and rendering and accepting services

###### 1) Purchase of goods and accepting services

Related parties	Transactions	Current period	Last period
Beijing Beiyong Casting Co. Ltd.			10,592,543.79
Beijing Monigraf Automations Co. Ltd.	Material		8,153,701.53
Beijing Jingcheng Industrial Logistics Co. Ltd.	Material		9,189,327.06
Beiren Corporation Group	Trademark		2,210,653.91
Beiren Corporation Group	Signage		2,430.00
Beiren Corporation Group	Material		14,001,555.17
<b>Total</b>			<b>44,150,211.46</b>

###### 2) Sale of goods and rendering services

Related parties	Related-party transactions	Current period	Last period
Beijing Monigraf Automations Co. Ltd.	Water and electricity		
Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Water and electricity		356,032.62
Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Material		179.49
Beiren Corporation Group	Water and electricity		254,134.66
Beiren Corporation Group	Material		9,846,153.85
<b>Total</b>			<b>10,472,150.82</b>

###### 3) Leasing between related parties

###### 1) The Company as a lessor

Lessor	Lessee	Leasing asset	Leasing income recognized in current period	Leasing income recognized in last period
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Beiyong Casting Co. Ltd.	Land and building		3,672,553.90
Beijing Jingcheng Machinery Electric Co., Ltd.	Beiren Corporation Group	Building		1,707,884.83
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Monigraf Automations Co. Ltd.	Building		50,331.00
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Building		4,971,403.20
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Building		891,988.37
Beijing Jingcheng Machinery Electric Co., Ltd.	Beijing Jingcheng Changye Construction Machinery Co. Ltd.	Motor		28,205.12
<b>Total</b>				<b>11,322,366.42</b>

## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (cont'd)

#### 3. Related party transactions of the parent company (cont'd)

##### (1) Purchase and sale of goods and rendering and accepting services (cont'd)

##### 3) Leasing between related parties (cont'd)

2) The Company as a lessee

Lessor	Lessee	Leasing asset	Leasing income recognized in current period	Leasing income recognized in last period
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Jingcheng Machinery Electric Co., Ltd.	Building	1,052,911.92	

#### 4. Consolidation and the parent company

##### (1) Remuneration of key management personnel

Item	Current period	Last period
Remuneration		
Fee	4,585,617.34	2,356,372.56
Salary and other benefits	3,573,679.03	6,666,192.57
Contribution to pension fund	158,448.24	283,653.84
<b>Total</b>	<b>8,317,744.61</b>	<b>9,306,218.97</b>

Breakdown of key management personnel remuneration:

Name and Post	Current period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Pingsheng Wang	886,100.00	453,188.36	15,863.04	1,355,151.40
Chuanzhong Hu	884,400.00	453,188.36	15,863.04	1,353,451.40
Chi Jiang	348,000.00	360,188.36	15,863.04	724,051.40
Yanzhang Wu (former director)	233,750.00	260,210.00	14,472.72	508,432.72
Junjie Li	471,353.34	343,085.02	15,863.04	830,301.40
<b>Non-executive directors</b>				
Zili Jiang	89,004.00	115,850.32	7,521.12	212,375.44
Dongbo Wu	78,174.00	45,646.16	3,760.56	127,580.72
<b>Independent non-executive directors</b>				
Wang Hui	60,000.00			60,000.00
Xie Bingguang	60,000.00			60,000.00
Wang Deyu	60,000.00			60,000.00
Zhang Shuangru	60,000.00			60,000.00
<b>Supervisors</b>				
Zhe Liu	347,200.00	360,988.36	15,863.04	724,051.40
Bingkui Han	372,921.00	377,767.36	15,863.04	766,551.40
Aihua Ruan	26,988.00	191,345.81	12,741.12	231,074.93
<b>Other key management personnel</b>				
Ruifang Jiao (Former Board of Directors Secretary)	235,467.00	233,792.56	8,911.44	478,171.00
Yuemei Jie (General Engineer Manager)	372,260.00	378,428.36	15,863.04	766,551.40
<b>Total</b>	<b>4,585,617.34</b>	<b>3,573,679.03</b>	<b>158,448.24</b>	<b>8,317,744.61</b>

## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(cont'd)*

#### 4. Consolidation and the parent company *(cont'd)*

##### (1) Remuneration of key management personnel *(cont'd)*

(Continued)

Name and Position	Fees	Last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Pingsheng Wang	557,500.00	216,391.53	14,645.52	788,537.05
Chuanzhong Hu	563,100.00	260,261.53	14,645.52	838,007.05
Chi Jiang	187,679.56	213,584.62	14,645.52	415,909.70
Yanzhang Wu	91,365.00	226,594.53	14,645.52	332,605.05
Junjie Li	353,870.00	166,653.39	14,645.52	535,168.91
<b>Non-executive directors</b>				
Zili Jiang	292,358.00	209,381.73	14,645.52	516,385.25
Dongbo Wu		293,531.57	14,645.52	308,177.09
<b>Independent non-executive directors</b>				
Hui Wang	40,000.00			40,000.00
Bingguang Xie	40,000.00			40,000.00
Deyu Wang	40,000.00			40,000.00
Shuangru Zhang	40,000.00			40,000.00
<b>Supervisors</b>				
Zhe Liu		453,763.24	14,645.52	468,408.76
Bingkui Han		592,196.44	14,645.52	606,841.96
Aihua Ruan		157,137.61	14,645.52	171,783.13
<b>Other key management personnel</b>				
Ruifang Jiao (Board of Directors Secretary)		430,682.09	14,645.52	445,327.61
Yuemei Jie (General Engineer Manager)		594,613.63	14,645.52	609,259.15
<b>Former key management personnel</b>				
Peiwu Zhang (Former President of Directors)	75,250.00	354,590.09	12,138.48	441,978.57
Bangshe Chen (Former director; Former General Manager)	75,250.00	352,077.09	12,138.48	439,465.57
Mingzhi Teng (Former director)		423,734.09	12,138.48	435,872.57
Liansheng Wang (Former President of Supervisors)		343,064.09	12,138.48	355,202.57
Xuan Guo (Former supervisor)				
Huilin Wang (Former supervisor)		88,136.22	11,364.48	99,500.70
Dagang Kong (Former Vice General Manager)		341,964.09	12,138.48	354,102.57
Changge Chen (Former Vice General Manager)		320,734.09	12,138.48	332,872.57
Kexin Xue (Former Vice General Manager)		314,974.09	12,138.48	327,112.57
Tianming Cheng (Former Vice General Manager)		312,126.81	11,573.76	323,700.57
<b>Total</b>	<b>2,356,372.56</b>	<b>6,666,192.57</b>	<b>283,653.84</b>	<b>9,306,218.97</b>

The Group pays neither bonus nor compensation to attract key management personnel to join the Group in this year and last year. No compensation is paid to key management personnel in both last and this year. Key management personnel do not give up any remuneration in this year and last year.



## NOTES TO THE FINANCIAL STATEMENT

### X. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (cont'd)

#### 4. Consolidation and the parent company (cont'd)

##### (2) Employees' rewards

Eight individuals with the highest rewards in the Group were members of key management personnel whose rewards are disclosed in NoteX 4 (1) above.

#### 5. Balances of related party transactions

##### (1) Consolidation

##### 1) Amounts due from related parties

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Provision for impairment	Book balance	Provision for impairment
Accounts receivable	Beijing Tianhai Xigang Environmental Technique Co., Ltd.			1,528,644.79	
	Shandong Tianhai High Pressure Vessel Co., Ltd	2,853,391.68	28,533.92		
Other receivables	Beijing Tianhai Xigang Environmental Technique Co., Ltd.			40,000.00	
Advances to suppliers	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	756,603.33			

##### 2) Amounts due to related parties

Item	Related parties	Ending balance	Beginning balance
Accounts payable	Beijing Jingcheng Industry Logistics Co., Ltd.	1,202,227.27	12,562,196.93
	Tianjin Steel Pipe and Steel Trading Co., Ltd.	29,905,275.77	
Other payables	Beijing Jingcheng Holding Co., Ltd.	88,000,000.00	386,807,077.46
	Beiren Corporation Group	1,139,975.21	9,537,212.51
	Beijing No.1 Machine Tool Factory	585,359.09	393,359.09
	Beijing Tianhai Xigang Environmental Technique Co., Ltd.	515,477.86	
	Tianjin Dawufeng Investment Co., Ltd.	995,957.08	
Advances from customers	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.		52,889,750.00
	Beijing Jingcheng Tianyi Environment Technology Co., Ltd.		4,500,000.00
Special payables	Beijing Jingcheng Holding Co., Ltd.	114,900,000.00	126,900,000.00

##### (2) Parent company

##### 1) Amounts due from related parties

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Provision for impairment	Book balance	Provision for impairment
Other receivables	Beijing Tianhai Industry Co., Ltd.	340,000,000.00		5,522,900.00	
Advances to suppliers	Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	756,603.33			

##### 2) Amounts due to related parties

Item	Related parties	Ending balance	Beginning balance
Other payables	Beiren Corporation Group	1,139,975.21	9,537,212.51

## NOTES TO THE FINANCIAL STATEMENT

### XI. SHARE-BASED PAYMENT

The Group has no share-based payment as of 31 December 2014.

### XII. CONTINGENCIE

There is no other significant contingent event for the Group as of 31 December 2014.

### XIII. COMMITMENT

#### 1. Significant commitment

##### (1) Fulfillment on signed contracts and financial impact

On 31 December 2014, minimum repayments on non-cancellable operating leases of Mulin plants and other projects, which the Group entered as lessee, are scheduled to be paid in the future:

Period	Current year	Last year
Within 1 year (T+1)	4,774,560.00	9,179,442.50
1-2 years (T+2)	4,186,860.00	6,427,417.50
2-3 years (T+3)	4,186,860.00	4,636,860.00
Over 3 years (T+3)	20,755,460.00	24,289,180.00
<b>Total</b>	<b>33,903,740.00</b>	<b>44,532,900.00</b>

2. There is no other significant commitment to be disclosed for the Group as of 31 December 2014 except for the commitment above.

### XIV. EVENTS AFTER BALANCE SHEET DATE

#### 1. Amounts repaid after the balance sheet date

Item	Amount
Significant accounts payable aging more than 1 year	0.00
Significant advances from customer aging more than 1 year	0.00
Significant other payables aging more than 1 year	0.00

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

## NOTES TO THE FINANCIAL STATEMENT

### XV. OTHER SIGNIFICANT ISSUES

**1. Exchange of non-monetary assets**

The Group has no non-monetary assets exchange transaction as of 31 December 2014.

**2. Debt restructuring**

The Group has no significant debt restructuring transaction as of 31 December 2014.

**3. Lease**

**(1) Operating lease (leser)**

Category	Ending balance	Beginning balance
Building		9,519,696.39
Total		9,519,696.39

**4. Sale of significant assets**

The Company's subsidiary Beijing Tianhai Industry Co., Ltd. transferred the university apartment located in No.25 building Huaweixili, Chaoyang District of Beijing to Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. (hereinafter referred to as Asset Management Co., Ltd.) in this year. The construction area is 4,520.49 square meters and the area of land usage right is 1,402.78 square meters. The transfer price is 105,779,500.00 Yuan which is evaluated by Beijing Dazheng State-Owned Assets Appraisal Co., Ltd. with asset evaluation report approved by Beijing State Capital Office. Tianhai Industry Co., Ltd. has signed the sale and purchase contract with Asset Management Co., Ltd. Until 12 March 2014, ownership certificate of housing for this university apartment and certificate of land usage right have been changed to the name of Assets Management Co., Ltd., and complete the asset transfer procedure. This event brought 78,427,005.36 Yuan as income to the Company.

**5. Annuity**

According to the Notice for Enterprise Annuity Implementation issued by Beijing State-Owned Assets Management Committee (Jinglaoshe Yangfa [2006] No.39), Beijing Tianhai Industry Co., Ltd. paid annuity, on the basis of joint obligations by the entity and employees, and disclosed it as cost of operating. Such payment is made on monthly basis and China Life Pension Insurance Co., Ltd. is engaged as an agent to manage this annuity.

In the August 2014, as the result of changes in tax rate and return on annuity, annuity was suspended after approved by the Workers Congress and Annuity Administration Committee

**6. Segment information**

The segment information for the year of 2014:

Item	Low temperature storage and transportation equipment	Compressors	Others	Write-off	Total
Operating income	1,763,314,617.82	43,018,475.62	11,373,529.44	-11,373,529.44	1,806,333,093.44
Including: External transaction revenue	1,763,314,617.82	43,018,475.62			1,806,333,093.44
Revenue between segments			11,373,529.44	-11,373,529.44	
Operating costs	1,584,044,477.66	37,437,778.35			1,621,482,256.01
Period charges	311,231,693.87	19,367,177.30	8,148,308.43	-11,373,529.44	327,373,650.16
Total profit for Segment (total loss)	-74,893,163.33	-9,003,086.00	87,928,765.69	14,013,710.40	18,046,226.76
Total assets	2,496,350,244.33		1,196,619,680.05	1,185,086,574.72	2,507,883,349.66
Including: Significant impairment loss on individual assets					
Total liabilities	1,405,902,509.77		6,190,108.28	-348,968,592.75	1,063,124,025.30
Supplementary information					
Capitalized expense					
Recognized loss of impairment	5,129,150.60	-4,269,287.62			859,862.98
Including: Amortization of goodwill					
Depreciation and amortization expense	81,273,555.24	2,539,941.68			83,813,496.92
Non-cash expenses other than impairment loss, depreciation and amortization					

## NOTES TO THE FINANCIAL STATEMENT

### XV. OTHER SIGNIFICANT ISSUES (cont'd)

#### 6. Segment information (cont'd)

The segment information for the year of 2013:

Item	Printing machinery	Low temperature storage and transportation equipment	Compressors	Others	Write-off	Total
Operating income	608,198,035.33	2,112,092,894.53	107,903,420.01			2,828,194,349.87
Including: External transaction revenue	608,198,035.33	2,112,092,894.53	107,903,420.01			2,828,194,349.87
Revenue between segments						
Operating costs	493,362,432.37	1,816,198,325.56	92,704,172.80			2,402,264,930.73
Period charges	168,828,722.40	298,908,208.89	32,595,272.40	146,135.05		500,478,338.74
Total profit for Segment (total loss)	-63,378,243.71	-23,438,533.71	-18,041,466.24	-146,135.05		-105,004,378.71
Total assets	874,745,780.10	2,526,077,132.81	294,810,393.34	142,195,147.91	-1,008,467,578.09	2,829,360,876.07
Including: Significant impairment loss on individual assets						
Total liabilities	13,774,136.35	1,524,426,592.43	134,337,681.42	1,205,769.64	-8,021,592.18	1,665,722,587.66
Supplementary information						
Capitalized expense						
Recognized loss of impairment	6,907,208.56	15,481,813.37	7,460,738.10			29,849,760.03
Including: Amortization of goodwill						
Depreciation and amortization expense	26,813,699.48	87,690,263.03	2,939,665.10			117,443,627.61
Non-cash expenses other than impairment loss, depreciation and amortization						

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

#### 1. Cash

Item	Ending balance	Beginning balance
Cash on hand		
Cash in bank	<b>10,775,926.54</b>	9,537,212.51
Other monetary funds	<b>1,139,973.94</b>	
<b>Total</b>	<b>11,915,900.48</b>	9,537,212.51

#### 2. Advances to suppliers (1) Aging analysis

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	<b>756,603.33</b>	<b>100.00</b>		
1-2 years				
2-3 years				
Over 3 years				
<b>Total</b>	<b>756,603.33</b>	<b>100.00</b>		

#### (2) Top five suppliers on closing balance

Company Name	Ending balance	Age	Proportion in closing balance(%)
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	<b>756,603.33</b>	Within 1 year	100.00
<b>Total</b>	<b>756,603.33</b>		



## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 3. Interest receivables (1) Classification

Item	Ending balance	Beginning balance
Beijing Tianhai Industry Co., Ltd.	6,595,555.56	
<b>Total</b>	<b>6,595,555.56</b>	

#### 4. Other receivables

Item	Ending balance	Beginning balance
Other receivables	340,000,000.00	5,522,900.00
Less: provision for bad debts		
Net value	<b>340,000,000.00</b>	<b>5,522,900.00</b>

#### (1) The classification of other receivables

Category	Book value		Ending balance Bad debts		Net value
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis	340,000,000.00	100.00			340,000,000.00
Provided for bad debts on related-party basis in the consolidation	340,000,000.00	100.00			340,000,000.00
Provided for bad debts on aging basis					
Individually insignificant but provided for bad debts on individual basis					
<b>Total</b>	<b>340,000,000.00</b>	<b>100.00</b>			<b>340,000,000.00</b>

(Continued)

Category	Book value		Beginning balance Bad debts		Net value
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and provided for bad debts on individual basis					
Provided for bad debts on portfolio basis	5,522,900.00	100.00			5,522,900.00
Provided for bad debts on related-party basis in the consolidation	5,522,900.00	100.00			5,522,900.00
Provided for bad debts on aging basis					
Individually insignificant but provided for bad debts on individual basis					
<b>Total</b>	<b>5,522,900.00</b>	<b>100.00</b>			<b>5,522,900.00</b>

## XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

## 4. Other receivables (cont'd)

## (1) The classification of other receivables (cont'd)

## 1) Amounts due from related party in the consolidation

Company Name	Amount	Ending balance Provision for bad debts	Percentage (%)
Beijing Tianhai Industry Co., Ltd.	340,000,000.00		
<b>Total</b>	<b>340,000,000.00</b>		

## 5. Long-term equity investments

## (1) The classification of long-term equity investments

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Net value	Book value	Provision for impairment	Net value
Investments on subsidiaries	694,842,724.41		694,842,724.41	859,685,667.59		859,685,667.59
Investments on joint ventures and associates						
<b>Total</b>	<b>694,842,724.41</b>		<b>694,842,724.41</b>	<b>859,685,667.59</b>		<b>859,685,667.59</b>

## (2) Investments on subsidiaries

Name of Investee	Beginning balance	Increase	Decrease	Ending balance	Provision for impairment for current period	Ending balance of provision for impairment
Beijing Tianhai Industry Co., Ltd.	552,798,696.31			552,798,696.31		
Jingcheng Holding (Hong Kong) Company Limited	142,044,028.10			142,044,028.10		
Beijing Jingcheng Compressor Co., Ltd.	164,842,943.18		164,842,943.18			
<b>Total</b>	<b>859,685,667.59</b>		<b>164,842,943.18</b>	<b>694,842,724.41</b>		

## (3) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Sub-total		
Private	694,842,724.41	859,685,667.59
<b>Total</b>	<b>694,842,724.41</b>	<b>859,685,667.59</b>

## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 6. Tax payable

Item	Ending balance	Beginning balance
Value added tax	58,008.62	
Business tax	329,777.78	
Urban maintenance and construction tax	27,145.04	
Educational surcharge	19,389.32	
<b>Total</b>	<b>434,320.76</b>	

#### 7. Other payables

##### (1) Classification

Item	Ending balance	Beginning balance
Funds disbursed for others, etc.	4,545,647.21	13,774,136.35
<b>Total</b>	<b>4,545,647.21</b>	<b>13,774,136.35</b>

##### (2) Age over one year

Name	Ending balance	Reasons
Beiren Group Corporation	1,139,975.21	In the process of transferring title
Beijing Guoxingjiye Land Planning Co., Ltd.	1,000,000.00	Processing
<b>Total</b>	<b>2,139,975.21</b>	

#### 8. Share capital

Current period unit: '000

Shareholder's Name/Category	Beginning balance		New shares issued	Current changes			Sub-total	Ending balance	
	Amount	Percentage (%)		Gift (share)	Transferred from reserve fund	Others		Amount	Percentage (%)
<b>Conditional shares</b>									
State-owned hold									
<b>Sub-total</b>									
<b>Unconditional shares</b>									
Ordinary shares (RMB)	322,000.00	76.30					322,000.00	76.30	
Listed overseas	100,000.00	23.70					100,000.00	23.70	
<b>Sub-total</b>	<b>422,000.00</b>	<b>100.00</b>					<b>422,000.00</b>	<b>100.00</b>	
<b>Total</b>	<b>422,000.00</b>	<b>100.00</b>					<b>422,000.00</b>	<b>100.00</b>	

Last period unit: '000

Shareholder's Name/Category	Beginning balance		New shares issued	Current changes			Sub-total	Ending balance	
	Amount	Percentage (%)		Gift (share)	Transferred from reserve fund	Others		Amount	Percentage (%)
<b>Conditional shares</b>									
State-owned hold									
<b>Sub-total</b>									
<b>Unconditional shares</b>									
Ordinary shares (RMB)	322,000.00	76.30					322,000.00	76.30	
Listed overseas	100,000.00	23.70					100,000.00	23.70	
<b>Sub-total</b>	<b>422,000.00</b>	<b>100.00</b>					<b>422,000.00</b>	<b>100.00</b>	
<b>Total</b>	<b>422,000.00</b>	<b>100.00</b>					<b>422,000.00</b>	<b>100.00</b>	

## XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

9. Capital reserves  
Current period

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium	565,619,913.60			565,619,913.60
Other capital reverse	860,283.96	100,159,790.29		101,020,074.25
<b>Total</b>	<b>566,480,197.56</b>	<b>100,159,790.29</b>		<b>666,639,987.85</b>
<b>Last period</b>				
Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium	517,305,478.93	48,314,434.67		565,619,913.60
Other capital reverse	860,283.96			860,283.96
<b>Total</b>	<b>518,165,762.89</b>	<b>48,314,434.67</b>		<b>566,480,197.56</b>

The increase of 100,159,790.29 Yuan is the difference between 2013 actual business-operating results and the profit forecast result at the time of significant assets restructuring. The Company received compensation payments for this difference from Jingcheng Holding.

10. Surplus reserves  
Current period

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	38,071,282.24			38,071,282.24
Discretionary surplus reserves				
<b>Total</b>	<b>38,071,282.24</b>			<b>38,071,282.24</b>
<b>Last period</b>				
Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	38,071,282.24			38,071,282.24
Discretionary surplus reserves				
<b>Total</b>	<b>38,071,282.24</b>			<b>38,071,282.24</b>



## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 11. Retained earnings Current period

Item	Amounts	Appropriation (%)
Ending retained earnings of last year	<b>-165,579,836.05</b>	
Add: adjustments for beginning retained earnings		
Including: Retroactive adjustment for new regulations of Accounting Standards for Business Enterprise		
Changes in accounting policies		
Corrections of prior period errors		
Other adjustments		
<b>Beginning retained earnings of current year</b>	<b>-165,579,836.05</b>	
Add: Net profits for current year	<b>87,999,381.77</b>	
Less: Provision for statutory surplus reserves		
Provision for discretionary surplus reserves		
Provision for general risk		
Dividends payable of common shares		
Dividends of common shares transfer to share capitals		
<b>Ending retained earnings of current year</b>	<b>-77,580,454.28</b>	
<b>Last period</b>		
Item	Amounts	Appropriation (%)
Ending retained earnings of last year	-309,375,834.99	
Add: adjustments for beginning retained earnings		
Including: Retroactive adjustment for new regulations of Accounting Standards for Business Enterprise		
Changes in accounting policies		
Corrections of prior period errors		
Other adjustments		
<b>Beginning retained earnings of current year</b>	-309,375,834.99	
Add: Net profits for current year	143,795,998.94	
Less: Provision for statutory surplus reserves		
Provision for discretionary surplus reserves		
Provision for general risk		
Dividends payable of common shares		
Dividends of common shares transfer to share capitals		
<b>Ending retained earnings of current year</b>	<b>-165,579,836.05</b>	

**XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS**

(cont'd)

**12. Operating income and operating costs**

**(1) Details of operating income and operating costs**

Item	Current period		Last period	
	Operating income	Operating costs	Operating income	Operating costs
Main operating income			298,611,244.02	259,973,072.91
Other operating income	<b>11,373,529.44</b>		16,591,518.20	4,004,484.95
<b>Total</b>	<b>11,373,529.44</b>		<b>315,202,762.22</b>	<b>263,977,557.86</b>

**(2) Main operating income and cost by products**

Item	Current period		Last period	
	Operating income	Operating costs	Operating income	Operating costs
Flexographic printing machines			291,291,960.01	254,394,035.47
Spare parts			3,813,188.67	2,590,244.73
Others			3,506,095.34	2,988,792.71
<b>Total</b>			<b>298,611,244.02</b>	<b>259,973,072.91</b>

**(3) Other operating income and operating costs**

Item	Current period		Last period	
	Other operating income	Other operating costs	Other operating income	Other operating costs
Sales of materials			269,270.15	11,159.03
Sales of utilities			1,095,197.81	1,233,360.05
Rental income			15,227,050.24	2,759,965.87
Consulting	<b>4,777,973.88</b>			
Fund utilizing fee	<b>6,595,555.56</b>			
<b>Total</b>	<b>11,373,529.44</b>		<b>16,591,518.20</b>	<b>4,004,484.95</b>

**13. Business taxes and surcharges**

Item	Current period	Last period
Business tax	<b>329,777.78</b>	989,795.61
Urban maintenance and construction tax	<b>27,145.04</b>	950,711.08
Educational surcharge	<b>19,389.32</b>	679,079.33
Property tax		67,083.89
<b>Total</b>	<b>376,312.14</b>	<b>2,686,669.91</b>

## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 14. Selling expenses

Item	Current period	Last period
Salary and wages		8,539,948.33
Exhibition expenses		4,002,423.22
Travelling expenses		1,988,177.72
Business entertainment expenses		1,291,667.41
Delivery expenses		2,654,167.39
Office expenses		2,510,175.61
Commissions and brokerage fees		2,188,861.63
After-sale service expenses		3,832,953.42
Others		840.00
<b>Total</b>		<b>27,009,214.73</b>

#### 15. Administrative expenses

Item	Current period	Last period
Salary and wages		16,326,329.33
Depreciation expenses		5,386,375.36
Office expenses	<b>35,837.05</b>	1,055,554.32
Amortisation expenses		1,384,303.40
Entertainment and conference expenses	<b>1,903,968.69</b>	1,137,446.48
Repair expenses		1,273,334.30
Utilities		1,038,378.60
Taxes	<b>199,338.52</b>	7,317,666.80
Agent fees	<b>4,547,170.07</b>	7,545,753.66
Research and development expenses		8,001,984.34
Heating and cooling expenses		1,046,406.17
Trademark utilization expenses		2,210,653.91
Travelling expenses		327,870.34
Retirees expenses		2,707,759.10
Restructuring expenses		1,237,173.08
Redundancy compensations		125,496.00
Rental expenses	<b>1,052,911.92</b>	
Board of Directors expenses	<b>445,800.85</b>	
Others		2,694,935.90
<b>Total</b>	<b>8,185,027.10</b>	<b>60,817,421.09</b>

#### 16. Financial expenses

##### (1) Details of financial expenses

Item	Current period	Last period
Interest expenses		10,843,467.22
Less: Interest income	<b>112,489.70</b>	827,064.65
Add: exchange losses		68,735.51
Add: other expenditures	<b>5,154.95</b>	95,412.43
<b>Total</b>	<b>-107,334.75</b>	<b>10,180,550.51</b>

**XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS**

(cont'd)

**17. Loss on impairment of assets**

Item	Current period	Last period
Bad debt loss		-1,932,633.25
Impairment loss on inventories		10,102,073.02
<b>Total</b>		8,169,439.77

**18. Investment income  
(1) Investment income**

Item	Current period	Last period
Long-term equity investments by equity method		-300,379.84
Disposal of long-term equity investments	<b>85,079,856.82</b>	-641,637.99
<b>Total</b>	<b>85,079,856.82</b>	-942,017.83

**19. Non-operating income**

Item	Current period	Last period
Gain on disposal of non-current assets		202,351,702.97
Including: Gain on disposal of fixed assets		202,351,702.97
Gain on disposal of intangible assets		
Gain on debt restructuring		34,759.16
Others		57,210.64
<b>Total</b>		202,443,672.77

**20. Non-operating expenses**

Item	Current period	Last period
Loss from disposal of non-current assets		67,540.81
Including: Loss from disposal of fixed assets		67,540.81
Loss from disposal of intangible assets		
Others		23.54
<b>Total</b>		67,564.35



## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 21. Notes to the cash flow statement

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

##### 1) Cash received related to other operating activities

Item	Current period	Last period
Security deposits		585,000.00
All types of insurances returned by social insurances		573,851.03
Interest income	112,489.70	827,064.65
Research funds		200,000.00
Allowance for vocational and early childhood education		106,008.00
Intra accounts		4,856,673.90
Others	2,939,234.96	3,117,421.95
<b>Total</b>	<b>3,051,724.66</b>	<b>10,266,019.53</b>

##### 2) Cash paid related to other operating activities

Item	Current period	Last period
All types of expenses	8,988,014.56	36,536,206.70
Others		8,998,639.62
Intra accounts	1,410,178.85	
<b>Total</b>	<b>10,398,193.41</b>	<b>45,534,846.32</b>

##### 3) Cash received related to other investing activities

Item	Current period	Last period
Entrust loan interest		4,388,874.43
<b>Total</b>		<b>4,388,874.43</b>

##### 4) Cash paid related to other investment activities

Item	Current period	Last period
Exchange assets		267,852,514.97
Related party intra accounts	348,351,822.34	
<b>Total</b>	<b>348,351,822.34</b>	<b>267,852,514.97</b>

##### 5) Cash received related to other financing activities

Item	Current period	Last period
Compensation from Jingcheng Holding, etc.	105,682,690.29	
<b>Total</b>	<b>105,682,690.29</b>	

**XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS**

(cont'd)

**21. Notes to the cash flow statement (cont'd)**

**(2) Supplementary information to cash flow statement**

Item	Current period	Last period
<b>1. Reconciliation of net profit to cash flows operating activities</b>		
Net profit	<b>87,999,381.77</b>	143,795,998.94
Add: Loss on impairment of assets		8,169,439.77
Depreciation of fixed assets		18,420,640.82
Depreciation of oil and gas assets		
Depreciation of productive biological assets		
Amortization of intangible assets		1,691,390.00
Amortization of long-term prepaid expenses		
Amortization of prepaid expenses		
Amortization of accrued expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")		-202,284,162.16
Loss on written off of fixed assets (Gain listed as "-")		
Loss on fair value changes (Gain listed as "-")		
Financial expenses (Gain listed as "-")	<b>-6,595,555.56</b>	10,843,467.22
Loss on investments (Gain listed as "-")	<b>-85,079,856.82</b>	942,017.83
Decrease in deferred tax assets (Increase listed as "-")		
Increase in deferred tax liabilities (Decrease listed as "-")		
Decrease in inventories (Increase listed as "-")		24,368,657.07
Decrease in operating receivables (Increase listed as "-")	<b>-756,603.33</b>	-1,770,957.05
Increase in operating payables (Decrease listed as "-")	<b>-442,346.04</b>	-56,788,112.55
Others		
Net cash flow generated from operating activities	<b>-4,874,979.98</b>	-52,611,620.11
<b>2. Significant non-cash investment and financing activities</b>		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance leases arrangement		
<b>3. Changes in cash and cash equivalents</b>		
Cash at the end of year	<b>11,915,900.48</b>	9,537,212.51
Less: Cash at the beginning of year	<b>9,537,212.51</b>	150,192,182.81
Add: Cash equivalents at the end of year		
Less: Cash equivalents at the beginning of year		
Net increase in cash and cash equivalents	<b>2,378,687.97</b>	-140,654,970.30

## NOTES TO THE FINANCIAL STATEMENT

### XVI. NOTES TO MAIN ITEMS ON THE COMPANY FINANCIAL STATEMENTS

(cont'd)

#### 21. Notes to the cash flow statement (cont'd)

##### (3) Related information of acquiring or disposing subsidiaries and other business units for current year

Item	Current period	Last period
<b>Information of acquired subsidiaries and other business units</b>		
1. Cost of price on acquired subsidiaries and other business units		
2. Cash and cash equivalents paid on acquired subsidiaries and other business units		
Less: Cash and cash equivalents held by subsidiaries and other business units		
3. Net cash amount on acquired subsidiaries and other business units		
4. Net assets of acquiree		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
<b>Information of disposed subsidiaries and other business units</b>		
1. Cost of disposed subsidiaries and other business units	<b>250,202,800.00</b>	
2. Cash and cash equivalents received on disposed subsidiaries and other business units	<b>249,922,800.00</b>	
Less: Cash and cash equivalents held by subsidiaries and other business units	<b>17,799,493.99</b>	
3. Net cash received on disposing subsidiaries and other business units	<b>232,123,306.01</b>	
4. Net assets of disposed	<b>150,829,232.78</b>	
Current assets	<b>178,001,513.32</b>	
Non-current assets	<b>121,189,851.91</b>	
Current liabilities	<b>129,794,132.45</b>	
Non-current liabilities	<b>18,568,000.00</b>	

##### (4) Cash and cash equivalents

Item	Current period	Last period
Cash	<b>11,915,900.48</b>	9,537,212.51
Including: Cash on hand		
Bank deposits available for use on demand	<b>10,775,926.54</b>	9,537,212.51
Other bank deposits available for use on demand	<b>1,139,973.94</b>	
Bank deposits in the central bank available for use on demand		
Amount due from banks		
Amount due to banks		
Cash equivalents		
Including: Bond investments matured within three months		
Cash and cash equivalents at the end of year	<b>11,915,900.48</b>	9,537,212.51

### XVII. APPROVAL OF FINANCIAL STATEMENTS

This financial statement was approved by the Broad of Directors on 17 March 2015.

## XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

### 1. Gain or loss from extraordinary items

In accordance with the Notice For Public Offering Securities Company Explanatory Information Disclosure No. 1 Gains or Losses From Extraordinary Items by the China Securities Regulatory Commission, the Group states its gains or losses from extraordinary items are disclosed as following:

Item	Current period	Note
Gain or loss on disposal of non-current assets	<b>81,540,465.35</b>	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax		
Government grants recognised in current profit or loss	<b>1,548,580.56</b>	
Receipts from non-finance institutes on using state funds		
Income from the difference between the cost of investment on subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities		
Gain or loss from transferring of non-monetary assets		
Gain or loss from investments under entrust by others or assets under management by others		
Provisions of impairment of assets due to force majeure such as nature disasters		
Gain or loss on debt restructuring		
Gain or loss on corporation restructuring		
Gain or loss arising from the difference between the unfair price of a transaction which has a unfair trading price and the fair value of the price		
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date		
Gain or loss from non-related business operations or contingencies		
Profit or loss from changes of the fair value of tradable financial assets and liabilities held and investment income from disposal of tradable financial assets and liabilities and available for sale financial assets, except for hedging related to companies' daily operations		
Write back of impairment of receivables on individually impairment test		
Gain or loss from entrusted loans		
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement		
Impact on gain or loss from one-off adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations		
Transfer of investment gain or loss from long-term equity investment	<b>99,193,128.78</b>	
Other non-operating income and expenses except for mentioned above	<b>-1,129,671.91</b>	
Gain or loss from other extraordinary items		
Sub-total	<b>181,152,502.78</b>	
Effects on income tax	<b>-6,323.84</b>	
Effects on non-controlling interests (after tax)	<b>2,925,187.60</b>	
<b>Total</b>	<b>178,233,639.02</b>	



## NOTES TO THE FINANCIAL STATEMENT

### XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

(cont'd)

#### 2. Differences between foreign and domestic accounting standards (Unit: RMB'000)

Item	Net profit		Net assets	
	Current period	Last period	Ending balance	Beginning balance
HK GAAP	13,012	-109,172	1,444,759	1,133,798
Chinese Enterprise Accounting Standards	13,012	-109,172	1,444,759	1,133,798

#### 3. Return on net assets and earnings per share

Profits for the reporting period	Weighted average ROA (%)		Basic EPS		Diluted EPS	
	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013
Net profit attributable to the parent company	2.33	-13.88	0.05	-0.25	0.05	-0.25
Net profit attributable to the parent company after deducting extra-ordinary profit or loss	-17.05	-9.80	-0.37	-0.18	-0.37	-0.18

### XIX. OTHER INFORMATION TO BE DISCLOSED

#### 1. Revenue

Revenue is the net amount of received and receivable from sales of different types of printing machines, cold storage containers, compressors, spare parts and services rendered. Breakdown details are as following:

Item	Current period	Last period
Flexographic printing machines		291,291,960.01
Gravure printing machines		266,689,924.56
Table machines		8,085,553.80
Spare parts		7,633,519.60
Compressors	42,183,398.47	107,278,938.17
Seamless steel gas cylinders	841,015,682.27	783,911,544.08
Winding bottles	335,938,765.63	477,164,867.73
Low temperature bottles	225,610,444.04	361,637,537.34
Low temperature storage and transportation equipment	107,720,049.76	158,164,067.44
Others	191,679,916.77	213,480,568.19
Total	1,744,148,256.94	2,675,338,480.92
Less: Sales tax and other surcharges	21,226,908.28	8,782,371.08
<b>Total</b>	<b>1,722,921,348.66</b>	<b>2,666,556,109.84</b>

#### 2. Tax

Item	Current period	Last period
Current income tax	3,804,637.84	7,438,579.99
Deferred income tax	1,229,570.78	-2,890,763.42
<b>Total</b>	<b>5,034,208.62</b>	<b>4,547,816.57</b>

#### 3. Dividend

No dividend paid or declared from January to December of the year of 2014. No dividend is declared during this reporting period (2013: No dividend paid or declared).

Beijing Jingcheng Machinery Electric Co., Ltd.  
March 17 2015

## SECTION 14 FIVE YEARS' FINANCIAL SUMMARY

The audited consolidated operating results and the audited balance sheet of the Company for each of the five years ended 31 December 2014 were summarized as follows:

### (1) Operating Results (Prepared under PRC Accounting Standards)

	2014 RMB'0,000	2013 RMB'0,000 (after adjustment)	2013 RMB'0,000 (before adjustment)	2012 RMB'0,000	2011 RMB'0,000	2010 RMB'0,000
Turnover	<b>180,633.31</b>	282,819.43	282,819.43	304,527.55	80,387.39	82,135.77
Total profit	<b>1,804.62</b>	-10,462.44	-10,500.44	-10,952.77	1,365.98	2,496.96
Taxation	<b>503.42</b>	454.78	454.78	1,421.36	3.00	549.91
Net profit attributable to shareholders of parent company	<b>2,141.62</b>	-10,759.77	-10,823.90	-12,445.69	1,138.29	2,227.94
Equity attributable to the shareholders of parent company	<b>91,953.06</b>	77,527.17	80,357.33	143,675.01	75,638.23	74,499.94
Minority equity	<b>52,522.87</b>	35,852.66	36,006.50	17,509.81	1,836.04	1,611.34

### (2) Assets and liabilities (Prepared under PRC Accounting Standards)

	2014 RMB'0,000	2013 RMB'0,000 (after adjustment)	2013 RMB'0,000 (before adjustment)	2012 RMB'0,000	2011 RMB'0,000	2010 RMB'0,000
<b>Assets</b>						
Current assets	<b>123,966.1</b>	157,073.98	157,073.98	218,324.16	81,676.69	74,525.03
Non-current assets	<b>126,822.24</b>	125,862.1	125,862.10	161,969.04	66,867.50	71,211.03
Total assets	<b>250,788.33</b>	282,936.09	282,936.09	380,293.20	148,544.19	145,736.06
<b>Liabilities</b>						
Current liabilities	<b>92,885.4</b>	153,581.46	153,425.46	212,766.38	67,773.01	66,037.72
Non-current liabilities	<b>13,427</b>	15,974.8	13,146.80	6,342.00	3,296.91	3,587.06
Total liabilities	<b>106,312.4</b>	169,556.26	166,572.26	219,108.38	71,069.92	69,624.78
<b>Shareholders' Equity</b>						
Equity attributable to the shareholders of parent company	<b>91,953.06</b>	77,527.17	80,357.33	143,675.01	75,638.23	74,499.94
Minority equity	<b>52,522.87</b>	35,852.66	36,006.50	17,509.81	1,836.04	1,611.34
Shareholders' Equity	<b>144,475.93</b>	113,379.83	116,363.83	161,184.82	77,474.27	76,111.28

## SECTION 15 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the annual report, which has been signed by the Chairman.
2. Original copy of the auditors' report signed and chopped by the certified public accountant and under the seal of the accountant firm.
3. The original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, Securities Daily and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong.
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**

Date of approval by the Board: 17 March 2015