



京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

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



Interim Report 2015



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 the information contained in this interim report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
2. 11 Directors of the Company should present at the meeting. 10 Directors are actually present at the meeting. The Director, Mr. Yang Xiaohui was unable to attend the meeting due to business engagement and has appointed Ms. Wu Yan by proxies to attend the meeting and exercise the voting right for him.
3. The Interim Financial Report has not been audited.
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 Interim Report.
5. Whether the controlling shareholders of the Company or its associates have misappropriated the Company's funds or not.
No.
6. Whether any external guarantees are provided in violation of any specified decision-making procedures or not.
No.



CONTENTS

SECTION 1	DEFINITION	3
SECTION 2	COMPANY PROFILE	5
SECTION 3	SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS	7
SECTION 4	REPORT OF DIRECTORS	9
SECTION 5	IMPORTANT MATTERS	21
SECTION 6	CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS.	29
SECTION 7	INFORMATION ABOUT PREFERENCE SHARE.	32
SECTION 8	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	33
SECTION 9	FINANCIAL REPORT (UNAUDITED).	35
SECTION 10	DOCUMENTS AVAILABLE FOR INSPECTION	100

1. DEFINITION

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

Definition of frequently used terms

AGM	means	the 2014 Annual General Meeting convened on 9 June 2015
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under CSRC
Beiren Printing	means	Beiren Printing Machinery Holdings Limited (北人印刷機械股份有限公司) (the former name of the Company before change of name)
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Board	means	the board of directors of the Company
CNG	means	Abbreviation of Compressed Natural Gas
Company	means	Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Cryogenic equipment base in Huo County	means	The base for production of automotive liquefied gas bottle and cryogenic equipment (LNG industry)
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
DOT	means	Abbreviation of US Department of Transportation
Group	means	the Company and its subsidiaries
HK\$	means	Hong Kong dollars, the legal currency of Hong Kong
Industrial gas cylinder	means	Collective name for the cylinder that filled with industrial gas
Jingcheng Holding (substantial shareholder and beneficial controller)	means	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司), a company established in the PRC and the controlling shareholder of the Company, holding approximately 42.80% equity interest in the Company
Jingcheng Compressor, Jingcheng Environment	means	Beijing Jingcheng Compressor Co., Ltd. (北京京城壓縮機有限公司), a former 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 (京城控股(香港)有限公司), a subsidiary of the Company



SECTION 1 DEFINITION

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

(I) INFORMATION OF THE COMPANY

Chinese name of the Company	北京京城機電股份有限公司
Chinese abbreviation	京城股份
English name of the Company	BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED
English abbreviation	JINGCHENG MAC
Company's legal representative	Hu Chuanzhong
Index for enquiry for the changes during the Reporting Period	www.btic.com.cn;www.sse.com.cn;www.hkexnews.hk (the Announcement on the Application For The Cancellation of the Delisting Risk Warning on the A Shares of the Company dated 20 March 2015)

(II) CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board
Name	Jiang Chi
Contact address	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Telephone	010-67365383
Facsimile	010-87392058
E-mail	jcgf@btic.com.cn

(III) CHANGES OF BASIC INFORMATION

Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
Postal code of the office address of the Company	101109
Company's international internet website	www.btic.com.cn
E-mail	jcgf@btic.com.cn
Index for enquiry for the changes during the Reporting Period	www.btic.com.cn;www.sse.com.cn;www.hkexnews.hk (the Announcement on Change of Business Address of the Company dated 27 March 2015)

(IV) CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

(V) INFORMATION OF THE COMPANY'S SHARES

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

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

Date of registration	23 December 2013
Place of registration	Chaoyang District, Beijing, the PRC
Registration No. of Business License of Enterprise Legal Person	11000005015956
Tax Registration No.	Jing Zheng Shui Zi 110105101717457
Organization code	10171745-7

SECTION 2 COMPANY PROFILE

(VII) OTHER RELATED INFORMATION

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

SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS

(1) Major accounting figures

Major accounting figures	Unit: Yuan Currency: RMB		
	For the Reporting Period (January – June)	For the same period last year	Increase(+)/ decrease(-) %
Operation income	598,184,100.98	936,857,460.55	-36.15
Net profit attributable to shareholders of listed company	-47,824,744.93	20,818,005.76	-329.73
Net profit attributable to shareholders of listed company after extraordinary items	-65,371,188.26	-45,140,213.05	N/A
Net cash flow from operating activities	-454,538.78	-9,515,295.21	N/A
	At the end of the Reporting Period	At the end of the previous year	Increase(+)/ decrease(-) %
Net assets attributable to equity holders of the listed company	871,692,232.63	899,502,007.96	-3.09
Total assets	2,423,588,566.42	2,864,350,199.23	-15.39

(2) Key financial indicators

Key financial indicators	For the Reporting Period (January – June)	For the same period last year	Increase(+)/ decrease(-) %
Basic earnings per share (Yuan/share)	-0.11	0.05	-320.00
Diluted earnings per share (Yuan/share)	-0.11	0.05	-320.00
Basic earnings per share after extraordinary items (Yuan/share)	-0.15	-0.11	N/A
Returns on net assets on weighted average basis (%)	-5.34	2.56	Decreased by 7.90 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-7.30	-5.55	Decreased by 1.75 percentage points

Explanation on the major accounting data and financial indicators of the Company
Nil

II. ACCOUNTING DATA DIFFERENCES BETWEEN THE PRC GAAP AND IFRSs

Applicable Not Applicable

III. EXTRAORDINARY ITEMS AND AMOUNT

Applicable Not Applicable

Extraordinary items	Amount	Note (Where applicable)
Profit and loss from disposal of non-current assets	18,339,549.28	
Return, reduction and exemption of taxes approved ultra virus or without official approval document		
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)	112,912.00	
Capital occupation fee received from non-financial entities included in profit or loss for the current period		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		

SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Extraordinary items	Amount	Note (Where applicable)
Profit or loss from exchange of non-monetary assets		
Profit or loss from entrusted investments or asset management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Profit and loss from debt restructuring		
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net profit or loss for current period from subsidiaries arising from business combination involving entities under common control from the beginning of the period to the date of combination		
Profit or loss from other contingencies which are not related to the Company's normal operations		
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, except effective hedging business related to the Company's normal operations		
Reversal of provision for impairment for receivables that had been subject to individual impairment assessment		
Profit or loss from entrusted loans		
Profit or loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
Effect of one-time adjustment to profit or loss for the current period according to the requirements of tax and accounting laws and regulations on profit or loss for the current period		
Entrusted fee income from entrusted operations		
Non-operating income and expenses other than those stated above	-1,022,295.69	
Other profit and loss items falling within the definition of extraordinary profit and loss		
Effect of minority interests	79,313.32	
Effect of income tax	36,964.42	
Total	17,546,443.33	

IV. OTHERS

Nil



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

(1) Review for the first half of 2015

During the Reporting Period, the international environment was complex and changing while macro-policies of different economies gradually differentiated. U.S. still stood out in developed economies with rising private consumption, backflow of manufacturing industry and falling unemployment rate showing good trend for the economy. Eurozone just went through the worst period in the crisis, yet there was no sign that the worsening debts tended to be relieved, and the deflation will continue. In Japan, Abe's government continued its ultra-quantitative easing money policies; however the economic growth shrunk for successive quarters. China and India had better performance among the emerging economies that they both adopted easing macro-policies in response to the changing economic situations.

1. Steadily promoting the relocation and production transfer from Wufangqiao factory zone

The Company, while successfully completing the relocation of functional departments, started the transfer of all the production lines in order, including transfer of those for wrapped cylinders, aluminum liners, cryogenic gas cylinders and gas filling stations.

2. Actively adjusting the sales strategies and making great efforts to explore emerging markets

In the first half of the year, the demands for domestic gas storage and transportation market fell with increasing competition. Facing with the tough market situation, the Company actively adjusted the sales strategies, aimed at new markets, new customers and new products and made great efforts to increase the sales revenues.

3. Vigorously focusing on management innovation and improving the management level

At the beginning of the year, the Company required all the departments to propose management innovation for 2015 based on current management situation, and screened and determined 15 key projects, which were carried out in the first half of 2015 and improved the Company's management level. The Company added the budget management module based on the comprehensive budget management, prepared the management system for the budget management, supervised the use of funds by all departments according to the procedures of budgeting, making of application and expending and effectively controlled the expenses.

4. Resolutely carrying out "three declines and one increase" and measures for cost control, and keeping increasing the level of cost control

Cost has become a key factor restricting the market competitiveness of our products at present. Therefore, in 2015 the Company formulated totally 95 measures including "three declines, one increase" and other measures for cost control, and achieved good results.

5. Accelerating the construction of key projects

The Company made contact and negotiations with several real estate developers, investment companies and zone operation companies, and formulated short and long-term implementation plans with respect to land resource development at the end of May. The short-term plan aimed at diversified operations for profits to relieve the pressure from recent operations; and the long-term plan aimed to provide sustainable and stable cash flows for the Company. With full utilization of the resources, the Company achieved supports for the primary business. At present, the Company is making further contact with potential partners and preparing more specific cooperation plans.

(2) Outlook for the second half of 2015

In the second half of 2015, the global economy will face with two major risks, which are the interest-rate rise cycle of the U.S. and the Greek debt negotiation. Despite of uncertainties, the world economy tends to recover slowly as a whole. According to the latest prediction of IMF (International Monetary Fund), the growth of global economy will reach 3.5% in 2015. Facing with such complex world economic environment, the Company also faces with unprecedented difficulties.

1. Centering on benefits, and promoting implementation of all measures for innovation and adjustment

Three pathways have been proposed in the Central Economic Working Conference for discovery and cultivation of new economic growth points: the first is the active market; the second is the practical innovation and the third is the relaxed policy. In combination of the further innovations in thinking of the Company, seek profits from the market and discover and cultivate new markets and customers. Seeking for future development of the Company from the technical innovation, the technical department is required to actively sort out existing products and guarantee the advance and competitiveness of products. And meanwhile, it is required to develop new products with good marketability, making reserves for the future development of the Company.

SECTION 4 REPORT OF DIRECTORS

2. Resolutely carrying out “three declines and one increase” and cost management for all staff

The Company will reduce the accounts receivables, the fund occupation of the inventories, the product cost and all the expenses and improve the economic benefits of the Company. All department leaders and the staff should be prepared for tough days. The Company will strictly implement the budget management policy, only spend when required and will further establish the awareness to stand hardships with the Company, further reduce expenses and save costs. The Department of Human Resources is required to take active measures to downsize and improve the efficiencies, and reduce labor costs. The Department of Finance is required to utilize multiple financing channels to ensure normal cash flows and reduce financial expenses.

3. Accelerating key work projects

First, the Company will accelerate the development of land resources in Wufangqiao. Based on the principles of new operational types as well as generating profits as soon as possible and making benefits for long-term development, the Department of Strategic Investment will determine the new operation type and cooperation mode, making contributions for the operations of the Company in 2016. Second, with respect of the utilization of the factory buildings of Tianjin Tianhai, the key management should bear in mind the ideas of independent operation, being required to be based on their own, proposed ideas, develop themselves and change their concepts of “waiting, reliance and claiming”, and they are required to fully utilize the preferential policies in the bonded areas and free trade zones to accelerate the re-utilization of the land of factory buildings.

4. Accelerating the research and development of new products and improving design levels

Technical staffs are required to visit customers to understand the demands of users and optimize the design and process of our products according to the feedbacks from relevant departments and changes made by competitors to create value for customers and improve the competitiveness of the products. And meanwhile, the Company will actively seek for local universities and colleges as well as research institutions to establish the cooperation mode between university and enterprise to solve difficulties encountered in the course of product design and reduce research cycles; and meanwhile, the Company will utilize the platform of research institutions and colleges to digest and absorb application of advanced technologies, explore the development fields of new products and reduce the development costs of products.

5. Enhancing quality control and improving product quality

The Company will discover the problems in time through internal and external audits and keep improving quality control system, constantly implement the work improvement, practically solve the problems in the course of production and guarantee the sustainable and effective operation of the Company's quality and management system; enhance the training and learning concerning the quality control system to help all levels of personnel to understand and master the work basis, quality standards and inspection and test methods; vigorously promote the implementation of quality management system, keep adjusting and improving in combination of the practical situation of the Company and improve the quality management level through information-based methods.

6. Strengthening the assessment and improving the executive forces

High efficient executive force is the powerful cohesive force, fighting capacity and creativity. The executive force is directly related to the prospect of the Company. Therefore, the Company will establish an all-round performance assessment system, especially the assessment system for the executive force of middle-level leaders, include the system in the selection and appointment system for leaders, and practically let those who can take the charge. The Company will promote the work style of leaders by strengthening the assessment system and promote the fundamental improvement of the work styles of the leaders, and to improve the execution power of the staff based on such fundamental improvement.

(3) Scope of principal operations of the Company

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

(4) Analysis of principal businesses**1. Table of movement analysis for the related items in financial statements**

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)
Operating income	598,184,100.98	936,857,460.55	-36.15
Operating cost	563,222,411.06	824,137,970.55	-31.66
Sales expense	28,422,048.37	42,644,893.10	-33.35
Management expense	62,401,704.51	87,071,018.08	-28.33
Financial expense	9,895,752.83	23,026,816.56	-57.03
Net cash flows from operating activities	-454,538.78	-9,515,295.21	N/A
Net cash flows from investment activities	-25,556,471.33	-47,188,050.99	N/A
Net cash flows from financing activities	14,228,556.01	-29,844,445.31	N/A
R&D expenditure	2,816,577.08	5,012,119.06	-43.80

Reasons for the changes in the operating income: decrease of 36.15% as compared with the corresponding period of last year, attributable to decrease in the operating income from primary business affected by the domestic markets;

Reasons for the changes in operating cost: decrease of 31.66% as compared with the corresponding period of last year, attributable to decrease in the income from the primary business;

Reasons for the changes in sales expense: decrease of 33.35% as compared with the corresponding period of last year, attributable to the decrease in the operating income;

Reasons for the changes in management expense: decrease of 28.33% as compared with the corresponding period of last year, mainly attributable to budget management enhanced by the Company to strictly control the expenses and expenditure;

Reasons for the changes in financial expenses: decrease of 57.03% as compared with the corresponding period of last year, mainly attributable to decrease of interest expenses for the period;

Reasons for the changes in the net cash flow from operating activities: increase of RMB 9,060,800 as compared with the corresponding period of last year, attributable to the decrease in cash paid for purchase of commodities;

Reasons for the changes in the net cash flow from investing activities: increase of RMB 21,631,600 as compared with the corresponding period of last year, mainly attributable to decrease of cash outflows from investing activities;

Reasons for the changes in the net cash flow from financing activities: increase of RMB 44,073,000 as compared with the corresponding period of last year, attributable to increase of borrowings from letter of credit;

Reasons for the changes in R&D expenditure: decrease of 43.8% as compared with the corresponding period; or decrease of 7.32% as compared with the corresponding period excluding the equity of Jingcheng Compressor that has been transferred.

2. Others**(1) Details of the material changes in profit components or income source**

There were no material changes in profit components or income source in the Reporting Period.

(2) Analysis on the implementation progress of each type of financing and material asset reorganization**(3) Progress of operation plan**

The Company strictly follows the operation plan in 2015, and has completed the following work:

- ① Steadily promoting the relocation and production transfer from Wufangqiao factory zone
- ② Actively adjusting the sales strategies and making great efforts to explore emerging markets
- ③ Vigorously focusing on management innovation and improving the management level

SECTION 4 REPORT OF DIRECTORS

- ④ Resolutely carrying out “three declines and one increase” and measures for cost control, and keeping increasing the level of cost control
- ⑤ Making the phase achievements in key research and development as well as certification projects
- ⑥ Enhancing quality control and continuously improving the Company’s quality management system
- ⑦ Enhancing internal control construction and safeguarding the Company’s interests
- ⑧ Promoting application of “Internet +” in the Company’s products

(4) Others

Items	Changes as compared with the beginning of the period (%)	Description
Notes Receivable	243.79	attributable to increase in notes received by subsidiaries
Advances from Customers	-33.97	decrease in advances from customers paid
Other Accounts Receivable	41.39	attributable to increase in petty cash and intra accounts
Notes Payable	-100	no bank acceptance notes issued in the period
Advances from Customers	87.3	Increase in advances from customers received at the end of period
Tax Payable	N/A	Attributable to increase in tax to be offset
Interest Payable	-100	Decrease in interest payable for the period

Items	Changes as compared with the beginning of the period (%)	Description
Cash receipts from sales of goods and rendering of services	-46.17	Decrease in operating income and decrease in reimbursement for the period
Cash payment for goods and service acquired	-34.29	decrease in cash payment for purchasing goods
Cash paid to and for employees	-35.94	decrease in remuneration payable to employees
Taxes paid	-47.94	Decrease in operating income and decrease in tax
Other cash payments related to operating activities	-70.94	Decrease in other cash payments related to operating activities for the period
Cash receipts from receiving investment income	-100.00	Dividend from associates was received in the previous period, which did not occur in the period
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	-93.17	cash received from the disposal of the college student apartment in the previous period
Other cash receipts in relation to investing activities	-100.00	compensation from major shareholder received in the previous period
Cash payments for the purchase of fixed assets, intangible assets and other long-term assets	-78.04	decrease in cash expense for purchasing fixed assets for the period
Other cash payments in relation to investing activities	-100.00	no other cash payments in relation to investing activities for the period
Cash receipts from investment absorbed	-100.00	increase in cash due to introduction of investors in subsidiaries in the previous period
Cash receipts from borrowing	108.20	Increase in loan from letter of credit for the period
Cash payments for dividend, profit appropriation or payments of interest	-45.16	Decrease in interest payable for the period
Other cash payments in financing activities	-100.00	Loans of holding company repaid in the previous period
Business tax and surcharge	-65.91	Attributable to the decrease in operating income

SECTION 4 REPORT OF DIRECTORS

Items	Changes as compared with the beginning of the period (%)	Description
Assets impairment loss	-375.21	Attributable to the change in accounting estimation in the previous period
Investment Income	-1,192.13	Attributable to the increase in valuation of adjusted intangible assets of parent company as subsidiaries invested in joint venture in the period.
Non-operating Income	-76.5	Attributable to the disposal of the college student apartment in the previous period
Income Tax Expense	-81.34	Attributable to the decrease in profit of subsidiaries compared to the same period in the previous year

(5) Analysis of industry, products or regional operation

1. Principal businesses by industry and by product

Unit: Yuan Currency: RMB

Sector of product	Principal businesses by product					
	Operating income	Operating cost	Profit margin (%)	Increase/Decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year (%)
Compressor business				-100.00	-100.00	Decreased by 12.72 percentage points
Seamless steel gas cylinders	298,971,754.06	272,564,892.41	8.83	-27.95	-22.90	Decreased by 5.97 percentage points
Wrapped cylinders	57,436,328.79	52,057,521.31	9.36	-68.95	-67.65	Decreased by 3.62 percentage points
Cryogenic gas cylinders	80,137,659.39	84,932,080.79	-5.98	-39.67	-33.77	Decreased by 9.45 percentage points
Cryogenic storage tanks	33,051,097.99	31,219,777.49	5.54	-39.16	-24.25	Decreased by 18.60 percentage points
Others	93,716,428.34	87,200,681.77	6.95	0.29	-4.47	Increased by 4.64 percentage points
Total	563,313,268.57	527,974,953.77	6.27	-38.17	-34.15	Decreased by 5.72 percentage points

Description of principal businesses by industry and by product

- (1) In recent years, affected by comprehensive factors such as weak macro-economy and depression in steel and photovoltaic industries, the demands for the industrial gas; the growth of supplies of industrial gas is faster than that of demands, exacerbating the unbalanced pattern and leading to further decline of demands for gas storage and transportation equipment. In order to adapt to the market competition, Tianhai Industrial made price adjustment to specific products, resulting in decrease in sales income and gross margin of such products.
- (2) Due to the persistent swinging price of international oil at low price, the domestic oil price kept declining, while the price of natural gas remained hovering at high position with unobvious markdowns, making LNG less advantageous. The promotion and application of LNG cylinders for vehicles in the heavy truck market was reduced, together with the impact on bus market from other new energy automobile such as pure electric cars, LNG cylinders for vehicles were hampered, leading to significant declines in the sales income from the Company's cryogenic products.
- (3) The Company has no compressor business due to the disposal of the compressor factory.

SECTION 4 REPORT OF DIRECTORS

2. Principal business by geographical location

Unit: Yuan Currency: RMB

<u>Geographical location</u>	<u>Operating income</u>	<u>Increase/decrease operating income over last year (%)</u>
Domestic	210,467,375.94	-62.36
Overseas	352,845,892.63	0.27

Description of principal business by geographical location:

The operating income from domestic region decreased by 62.36% as compared with the corresponding period of last year, mainly attributable to the slowing growth rate, increasing completion and sharp shrinking CNG markets. In terms of the overseas markets, major developed countries turned better in economic growth so that the Company's business overseas maintained stable with operating income increased by 0.27% as compared with the corresponding period of last year.

(6) Analysis of core competitiveness

1. Tianhai Industrial has a relatively high goodwill in the global industry of gas storage and transportation equipment and Tianhai is also a well-known brand.
2. Relatively strong technological innovative ability. Currently, the Company has over 20 patented technologies, including four categories of products containing cylinders, tankers, vehicles and stations, which mostly cover the industry of gas storage and transportation equipment. Meanwhile, the Company possesses the capacity of designing and manufacturing complete sets of product line, which laid a solid foundation for improving the quality of our products.
3. The Company has a high quality talent team: Excellent management team, skilled technical team, top-notch sales team and professional production team.
4. The Company has established a complete sales network with over 30 distribution network points scattering across the country, basically realizing a full geographical coverage nationwide; established 8 sales network overseas, mainly scattered in America, Singapore, Korea and Australia etc.
5. 2015 is the first year of official production and operation of Shandong Tianhai. Shandong Tianhai well exploited its own advantages, continuously increased the competitiveness of the products, and made good achievements in exploring markets with the market shares constantly increasing.

(7) Analysis on investment condition

1. General analysis on external investment in equity

During the Reporting Period, the Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, transferred the production of products in high cost region that gradually lost its competitiveness in production in Beijing to regions where the costs were low according to the requirements of Beijing Municipality on environment protection and the Company's strategic layout adjustment plan for the "twelfth five-year" planning. Beijing Tianhai Industry Co., Ltd. in cooperation with Nanjing Bibo Industry and Trade Co., Ltd., established Jiangsu Tianhai Special Equipment Co., Ltd in Jingkou District, Zhenjiang, Jiangsu Province with registered capital of RMB 80 million, in which Beijing Tianhai Industry Co., Ltd. owned 35% interests while Nanjing Bibo Industry and Trade Co., Ltd. owned 65% interests respectively in Jiangsu Tianhai Special Equipment Co., Ltd..

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

(1) Entrusted Investment

Applicable Not Applicable

(2) Entrusted loans

Applicable Not Applicable

(3) Other investment in money management and derivative products

Applicable Not Applicable

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. Analysis on principal subsidiaries and joint stock companies

Name of company	Business nature	Principal products or service	Registered capita	Total asset(RMB)	Net asset(RMB)	Net profit(RMB)
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, etc.	US\$61.4018 million	2,418,344,051.83	1,030,219,528.33	-60,199,449.92
Jingcheng Holdings (Hong Kong) Ltd.	Trade and investment	Import and export trade, advertising agency and information consultancy, etc.	HKD1,000	142,383,132.58	141,174,060.21	-

5. Projects financed by non-raised funds

Applicable Not Applicable

*Unit: Yuan
Currency: RMB*

Name of project	Project amounts	Project progress	Investment in the Reporting Period	Cumulative amount of actual investment	Project earnings
The construction project of the base for production of automotive liquefied gas bottle and cryogenic equipment (LNG industry)	92,620	Project commenced production, now undergoing acceptance testing procedures	0	61,000	Production commenced, but as there was less market demand, the project was running under capacity and loss was incurred

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

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

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

(2) Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital proposed for this interim period

Whether make profit distribution or convert surplus reserves into share capital No

Number of bonus share for every 10 shares (share)

Amount of cash dividend for every 10 shares (including tax)

Number of shares converted for every 10 shares(share)

Relevant Explanation on Profit Distribution Plan or Plan to Convert Surplus Reserves into Share

SECTION 4 REPORT OF DIRECTORS

III. OTHER DISCLOSURES

- (1) **Warnings and explanations of any forecasted losses or significant changes to accumulated net profit from the beginning of the year to the end of next reporting period compared to the same period last year**

Applicable Not Applicable

Anticipated loss in accumulated net profit from the beginning of the year to the end of the next reporting period

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

Applicable Not Applicable

- (3) **Other disclosures**

1. Revenue

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

Item	Amount for the current period	Amount for the previous period
Compressor Business		30,480,900.00
Seamless steel gas cylinders	298,971,754.06	414,963,770.46
Wrapped bottle	57,436,328.79	184,961,365.18
Cold bottle	80,137,659.39	132,839,611.65
Cryogenic storage tanks	33,051,097.99	54,324,174.50
Others	93,716,428.34	93,443,560.37
Total sales	563,313,268.57	911,013,382.16
Less: Sales tax and other surcharges	105,207,867.95	165,909,415.24
Total	458,105,400.62	745,103,966.92

2. Taxation

- (1) **Main categories of tax and tax rate**

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

- (2) **Corporate income tax rates for each subsidiary of the Group are as following:**

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

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

(3) Taxation benefits and approval

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

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

(4) Changes in taxation and taxation preferential policy

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

(5) Tax

Item	Current period	Previous period
Current income tax	1,846,028.05	9,025,245.90
Deferred income tax	65,850.31	1,220,059.33
Total	1,911,878.36	10,245,305.23

3. Earnings per share

(1) Basic earnings per share

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

Item	Current period	Previous period
Consolidated net profit attributable to the common shareholders of the parent company	-47,824,744.93	20,818,005.76
Consolidated net profit attributable to the common shareholders of the parent company (net of non-operating gains and loss)	-65,371,188.26	-45,140,213.05
The weighted average numbers of outstanding common shares of the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	-0.11	0.05
Basic earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.15	-0.11

The calculation of the weighted average number of basic EPS:

Item	Current period	Previous period
The beginning balance of outstanding common shares	422,000,000.00	422,000,000.00
Adjustment of capital reserves transfer to the capital		
The balance of outstanding common shares at the end of the period	422,000,000.00	422,000,000.00

SECTION 4 REPORT OF DIRECTORS

(2) Diluted earnings per share

Item	Current period	Previous period
Adjusted consolidated net profit attributable to the basic shareholders of the parent company	-47,824,744.93	20,818,005.76
Adjusted consolidated net profit attributable to the basic shareholders of the parent (Yuan) (net of non-operating gains and loss)	-65,371,188.25	-45,140,213.05
The adjusted weighted average numbers of outstanding common shares	422,000,000.00	422,000,000.00
Diluted earnings per share (Yuan/share)	-0.11	0.05
Diluted earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.15	-0.11

4. Share Capital

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

(Unit: RMB'000)

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

On 6 May 2015, Jingcheng Holding disposed a total of 10,000,000 A Shares which were not subject to trading moratorium of the Company via the bulk-volume trading system of the Shanghai Stock Exchange. On 13 May 2015, Jingcheng Holding disposed a total of 6,320,000 A Shares which were not subject to trading moratorium of the Company via the bulk-volume trading system of the Shanghai Stock Exchange. On 14 May 2015, Jingcheng Holding disposed a total of 4,680,000 A Shares which were not subject to trading moratorium of the Company via the bulk-volume trading system of the Shanghai Stock Exchange. After the three disposals of total 21,000,000.00 shares, representing approximately 4.98% of the total share capital of the Company, Jingcheng Holding held 180,620,000.00 A Shares which were not subject to trading moratorium of the Company, representing approximately 42.80% of the total share capital of the Company.

5. Dividends

No dividend was paid or proposed for the six months ended 30 June 2015, nor has any dividend been proposed since the end of the Reporting Period.

6. Contingent liabilities

As at the end of the Reporting Period, the Company did not have any material contingent liabilities.

7. Financial position analysis

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

Liquidity and capital structure

	At the end of the period	At the of the period beginning
(1) Gearing ratio	43.14%	42.39%
(2) Quick ratio	67.67%	71.77%
(3) Liquidity ratio	126.59%	133.46%

8. 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 doing so, 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 344,585,200, representing an increase of 8.34% as compared with the beginning of the year. Long-term loan was nil.

9. Principal Sources of Fund and Its Use

(1) Cash flows from operating activities

The Company's cash inflows are mainly derived from the income of product sales during the Reporting Period. Cash outflow was mainly related to the production and operating activities. The Company's cash inflow from operating activities for the Reporting Period amounted to RMB368,448,000, while cash outflow amounted to RMB368,902,500. Net cash flow during the Reporting Period from operating activities amounted to RMB-454,500.

(2) Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB1,950,000 while cash outflow to investment activities amounted to RMB27,506,500, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investment activities for the Reporting Period amounted to RMB-25,556,500.

(3) Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB245,389,800, which was mainly derived from bank loans. Cash outflow to fund-raising activities during the Reporting Period being amounted to RMB 231,161,200. Net cash flow from fund-raising activities for the Reporting Period amounted to RMB14,228,600.

Net cash flow from operating activities during the current period increased by RMB 9,060,800 over the corresponding period for the last year, which was mainly due to the extent of decrease in cash received from sales of goods and rendering of services was significantly lower than the decrease in cash payment for purchase of goods. Net cash flow generated from the investment being increased by RMB 21,631,600 over last year was mainly attributable to the decrease in cash payment for purchase of fixed assets for the year. Net cash flow generated from fundraising activities increased by RMB44,073,000 over last year, which was mainly due to the borrowings increased in for the year as compared to the same period in last year.

Net cash flow generated from operating activities for the year was RMB-454,500. Net profit for the year was RMB-66,774,900, which was mainly attributable to fundraising activities.

SECTION 4 REPORT OF DIRECTORS

10. Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,377,956,700, of which, minority interests amounted to RMB 506,264,500, and total liabilities amounted to RMB 1,045,631,800. Total assets amounted to RMB2,423,588,600. As at the end of the Reporting Period, the Company's gearing ratio was 43.14%.

Capital structure by liquidity

Total current liabilities	RMB 911,361,800	Accounting for 37.60% of assets
Total equity interest attributable to shareholders	RMB1,377,956,700	Accounting for 56.86% of assets
of which: minority shareholders interests	RMB506,264,500	Accounting for 20.89% of assets

11. Number of Employees, Employees' rewards, Remuneration Policy and Training Program during the Reporting Period

(1) Number of employees:

Number of employees during the Reporting Period was 2,212.

(2) Remunerations

Remunerations paid to employees during the period: RMB 43,660,600.

(3) Remuneration Policies

The Company implemented diversified salaries system based on the performance of positions as the main remuneration policy. On the basis of performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to 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 in accordance with different personnel and nature of work to undertake a diversified salaries system such as the implementation of broadband compensation and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework or hourly wage system for production workers and annual salary system for senior management. In June 2015, the wages contracting program has commenced to improve the salary management system of the Company and the performance appraisal systems to fully arouse the enthusiasm of sales staff.

(4) Training Plan

According to the Annual Training Program, a total of 79 training programs completed in the first half of 2015 with training of 832 staffs, number of training hours per staff reached 17.46 hours per person. According to the upgrade requirements of the Company in the first half of the year, the production staff of the conventional products have gradually changed and reorganised their positions. The Company has organized the trainings in relation to the knowledge of special cryogenic products. The Company has also provided trainings for key staff. Training program in relation to changing position has also provided.

12. Pledged of Company's Assets or Mortgaged

During the Reporting Period, part of the real estate building was pledged to bank as the pledge for secured borrowings. Original value was RMB 71,191,025.46, net valuation was RMB 42,005,895.30.

13. Foreign Exchange Risk

All operating revenues and expenses of the Group are denominated in Renminbi.

The Company held a relatively small amount of deposits in foreign currencies. Apart from the payment of dividends of H shares and fees payable to the Stock Exchange and circulars for information disclosure, the partial export and import business of the Company is settled in US dollars and Jingcheng Hong Kong and Beijing Tianhai American Company (北京天海美國公司) adopted US dollars as their recording currency. Therefore, the Company is exposed to the foreign exchange risk arising from the fluctuation of the exchange rate between RMB and US dollars. The Company actively adopted measures to reduce the foreign exchange risk.

14. Material Acquisitions and Disposals

During the reporting period, there was no material acquisition and disposal by the Group.

SECTION 5 IMPORTANT MATTERS

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

Applicable Not Applicable

(II) BANKRUPTCY AND RESTRUCTURING RELATED MATTER

Applicable Not Applicable

(III) EXCHANGE OF ASSETS AND MERGER OF COMPANIES MATTER

Applicable Not Applicable

SECTION 5 IMPORTANT MATTERS

(IV) COMPANY SHARE INCENTIVE AND ITS EFFECT

Applicable Not Applicable

(V) MATERIAL CONNECTED TRANSACTIONS

Applicable Not Applicable

(I) Connected transactions related to daily operation

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

Summary of matter

Tianhai Cryogenic will purchase from Kerui Nike the special technology ownership in design, manufacturing technology and patent application rights for the cryogenic tank equipment with volume over 100m³, the total consideration of the Agreement is RMB20,000,000 and the terms of contract commences from 15 January 2015 to 31 December 2019.

Index for enquiry

For details, please refer to the announcements published on the website of the SSE (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>) on 15 January 2015 as well as on Shanghai Securities News and Securities Daily on 16 January 2015 in relation to connected transactions.

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

Tianhai Industrial has entered into the Finance Lease Cooperation Framework Agreement with a finance lease company to carry out transactions in relation to the provision of finance leasing, the cap for provision of finance leasing services would be RMB360,000,000, and the terms of contract from 1 January 2015 to 31 December 2015. The resolution concerning the aforesaid connected transactions was not passed at the shareholders' general meeting held on 9 June 2015. For details, please refer to the announcements published on the website of the SSE (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>) on 15 January 2015 and 9 June 2015 as well as on Shanghai Securities News and Securities Daily on 16 January 2015 and 10 June 2015.

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

Applicable Not Applicable

SECTION 5 IMPORTANT MATTERS

(II) Related creditor's right and debt transactions

Matters which were not disclosed in extraordinary announcements

Applicable Not Applicable

Unit: Yuan Currency: RMB

Related party	Relationship with related party	Provide funding to related party		Related party providing funding to listed company		
		Balance as of beginning of the period	Occurred amount	Balance as of end of the period	Balance as of beginning of the period	Occurred amount
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Wholly-owned subsidiary of parent company	756,603.33	-756,603.33			
Jiangsu Tianhai Special Equipment Co., Ltd.	Joint venture		1,990,755.62	1,990,755.62		
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture	2,853,391.68	4,755,002.82	7,608,394.50		
Beijing Jingcheng Industrial Logistics Co. Ltd.	Wholly-owned subsidiary of parent company				1,202,227.27	1,202,227.27
Jingcheng Holdings	Controlling shareholder				202,900,000.00	202,900,000.00
Beiren Group Corporation	Wholly-owned subsidiary of parent company				1,139,975.21	- 1,139,975.21
Beijing First General Machinery Plant	Wholly-owned subsidiary of parent company				585,359.09	-585,359.09
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party			29,905,275.77	15,583,067.43	45,488,343.20
Tianjin TPCO Investment Co., Ltd.	Other related party			995,957.08	-995,957.08	
Total		3,609,995.01	5,989,155.11	9,599,150.12	236,728,794.42	14,001,751.26
Occurred amount of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)						0
Balance of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)						0
Reasons for occurrence of related creditor's right and debt transactions	Operation					
Settlement of connected debts and liabilities	Normal					
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					

(III) Others

Nil

(VI) CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

(I) Trust, contracting and lease matters

Applicable Not Applicable

(1) Trust

Applicable Not Applicable

(2) Contract

Applicable Not Applicable

(3) Lease

Applicable Not Applicable

SECTION 5 IMPORTANT MATTERS

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount involved in lease of assets	Starting date of lease	Ending date of lease	Lease revenue	Defining base for lease revenue	Effect of lease revenue	Is it a connected transaction?	Relationship
Beijing First Machine Tool Factory	Beijing Panri Gaokong Equipment Co., Ltd.	Housing	120,000.00						Yes	Wholly-owned subsidiary of parent company
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Housing	680,000.00						Yes	Wholly-owned subsidiary of parent company
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	The Company	Housing	756,603.33						Yes	Wholly-owned subsidiary of parent company

Explanation on leases

Nil

(II) Guarantee

Applicable Not Applicable

Unit: Yuan Currency: RMB

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

Guarantor	Relationship with the listed company	Guarantee	Amount	Date of occurrence (Agreed signature date)	Starting date	Expiration date	Type of guarantee	Whether executed	Whether overdue or not	amount	Is there any counter guarantee	Whether related-party guarantee or not	Connected relationship
Beijing Tianhai Industry Co., Ltd.	Holding subsidiary	Tianjin Tianhai High Pressure Container Co., Ltd.	24.50 million	23 May 2014	23 May 2014	23 May 2015	Joint and several liability guarantee	Yes	No	0	No	No	
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													0
Total amount of guarantees for its subsidiaries outstanding at the end of the Reporting Period (B)													0
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)													0
Total amount of guarantees as a percentage of the Company's net assets (%)													0
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													0
Description on guarantees													0

(III) Other material contracts or transactions

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

SECTION 5 IMPORTANT MATTERS

(VII) 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 controlling 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		
Undertaking related to the Material Asset Reorganisation	Settlement of competition with its competitors	Beijing Jingcheng Machinery Electric Holding Co., Ltd, the controlling 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 controlling shareholder	Jingcheng Holding undertakes that: "after the completion of this Material Asset Reorganisation, it will warrant the independence of the personnel, assets, finances, organizations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has closed the financial management platform and centralized fund management platform to the Company's subsidiaries. Jingcheng Holding has not performed any act in violation of the undertaking.	

SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling 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	
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling 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 controlling 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 controlling 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 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	Whether strictly perform	
							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 controlling shareholder	According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beiyang Casting Co., Ltd." jointly signed by listed company, Jingcheng Holding and Beiren Group, they jointly confirmed "Each party confirms that the equity transfer is deemed to be completed. 京视股份 would no longer record such equity interest as a long term 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 京视股份 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 京视股份 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 Beiyang, and it has not committed 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 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 suffering 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 5 IMPORTANT MATTERS

(VIII) APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Applicable Not Applicable

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

Applicable Not Applicable

(X) CONVERTIBLE BONDS

Applicable Not Applicable

(XI) CORPORATE GOVERNANCE

During the Reporting Period, in order to effectively safeguard the legitimate rights of small and medium-sized investors, establish and improve the Company's management system as well as regulate and perfect its corporate governing structure, the Company made amendments to part of provisions of its Articles of Association according to The Listed Company's Articles of Association Guidelines (revised in 2014) issued by CSRC with the practical situation of the Company, which have been approved at the 2014 annual general meeting and the sixth extraordinary meeting of the eighth 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.

(XII) EXPLANATION ON OTHER IMPORTANT MATTERS

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

Applicable Not Applicable

(ii) Description on reasons for and effects of important error correction in previous period

Applicable Not Applicable

(iii) Others

1. The applicable enterprise income tax rate for the Company for the Reporting Period was 25%.
2. The unaudited 2015 Interim Report of the Company has been reviewed by the audit committee under the Board of the Company.
3. The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange during the Reporting Period.
4. During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the six months ended 30 June 2015.
5. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
6. There was no change in coverage of the consolidated statements as compared to the financial report for the previous year.

SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS



(I) CHANGES IN SHARE CAPITAL

(1) Statement of changes in shares

1. Statement of changes in shares

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

2. Explanation on the changes in shares

Nil

3. Effect of changes in shares occurred after the Reporting Period up to the date of disclosure of this interim report on financial indicators such as earnings per share and net assets per share (if any)

Nil

(2) Changes in trade-restricted shares

Applicable Not Applicable

SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(II) INFORMATION ABOUT SHAREHOLDERS

(i) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period 21,906 (in which: 21,839 holders of A shares, 67 holders of H shares)

(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

Unit: share

Shareholding of top ten shareholders

Name of shareholder	Increase/ decrease during the reporting period	Shareholding as at the end of the period	Ratio (%)	Shareholdings subject to trading moratorium	Pledged or frozen Status	Numbers	Nature of shareholder
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	-21,000,000	180,620,000	42.80	0	Nil		State-owned legal-person
HKSCC NOMINEES LIMITED	122,000	99,155,199	23.50	0	Unknown		Unknown
Penghua Denotative Growth Flexibly Configured Hybrid Securities Investment Fund (騰華外延成長靈活配置混合型證券投資基金)	2,691,434	2,691,434	0.64	0	Unknown		Unknown
Putian Earnings Securities Investment Fund (普天收益證券投資基金)	2,544,687	2,544,687	0.60	0	Unknown		Unknown
Southern Active Configured Securities Investment Fund (南方積極配置證券投資基金)	2,336,300	2,336,300	0.55	0	Unknown		Unknown
Rising Securities Co., Ltd.	-2,598,726	1,706,739	0.40	0	Unknown		Unknown
Taixin Blue Chip Selected Stock-based Securities Investment Fund (泰信藍籌精選股票型證券投資基金)	1,690,076	1,690,076	0.40	0	Unknown		Unknown
Zeng Youquan (曾佑泉)	-16,698	1,619,891	0.38	0	Unknown		Unknown
Gao Xueping (高雪萍)	200	1,330,250	0.32	0	Unknown		Unknown
Foreign TradeTrust•Huijin Jufu No 43. Securities Investment Assembled Funds Trust Plan (外貿信託•匯金聚富43期證券投資集合資金信託計畫)	1,100,000	1,100,000	0.26	0	Unknown		Unknown

SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

Name of shareholder	Number of Shares not subject to Trading Moratorium	Class	Class and number of shares	Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	180,620,000		RMB ordinary shares	180,620,000
HKSCC NOMINEES LIMITED	99,155,199		Foreign shares listed overseas	99,155,199
Penghua Denotative Growth Flexibly Configured Hybrid Securities Investment Fund (騰華外延成長靈活配置混合型證券投資基金)	2,691,434		RMB ordinary shares	2,691,434
Putian Earnings Securities Investment Fund (普天收益證券投資基金)	2,544,687		RMB ordinary shares	2,544,687
Southern Active Configured Securities Investment Fund (南方積極配置證券投資基金)	2,336,300		RMB ordinary shares	2,336,300
Rising Securities Co., Ltd.	1,706,739		RMB ordinary shares	1,706,739
Taixin Blue Chip Selected Stock-based Securities Investment Fund (泰信藍籌精選股票型證券投資基金)	1,690,076		RMB ordinary shares	1,690,076
Zeng Youquan (曾佑泉)	1,619,891		RMB ordinary shares	1,619,891
Gao Xueping(高雪萍)	1,330,250		RMB ordinary shares	1,330,250
Foreign Trade Trust•Huijin Jufu No 43. Securities Investment Assembled Funds Trust Plan(外貿信託•匯金聚富43期證券投資集合資金信託計畫)	1,100,000		RMB ordinary shares	1,100,000
Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders		As	of the Reporting Period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.	
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings		N/A		

(III) CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable Not Applicable



SECTION 7 INFORMATION ABOUT PREFERENCE SHARE

Applicable vNot Applicable

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



1. CHANGES IN SHAREHOLDING

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

√Applicable □Not Applicable

Unit: share

Name	Position	Shareholdings at the beginning of the period	Shareholdings at the end of the period	Change in the amount of shareholdings during the Reporting Period	Reason for the change
Hu Chuanzhong	Chairman	0	0	0	
Li Junjie	Executive director, General Manager	0	0	0	
Liu Zhe	Executive director, Former Chairman of the Supervisory Committee	0	0	0	
Jiang Chi	Executive director, Chief Accountant and Secretary to the Board	0	0	0	
Xia Zhonghua	Non-executive director	0	0	0	
Jin Chunyu	Non-executive director	0	0	0	
Fu Hongquan	Non-executive director	0	0	0	
Wu Yan	Independent non-executive director	57,301	43,001	14,300	
Liu Ning	Independent non-executive director	0	0	0	
Yang Xiaohu	Independent non-executive director	0	0	0	
Fan Yong	Independent non-executive director	0	0	0	
Chang Yun	Chairman of the Supervisory Committee, Former executive director	0	0	0	
Wang Weijing	Supervisor				
Wang Yiqing	Supervisor	0	0	0	
Xie Yuemei	Chief Engineer	0	0	0	
Zhou Yongjun	Former non-executive director	0	0	0	
Han Bingkui	Former supervisor	0	0	0	

Explanation on other information

- (1) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 30 June 2015, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO), which was required to be recorded in the register under section 352 of the SFO, nor which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
- (2) None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2015.
- (3) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the Reporting Period, the Company had not engaged in any arrangement which would enable the directors or supervisors of the Company or their respective associates to acquire any interest in any shares or debt securities of the Company.

SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Applicable Not Applicable

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not Applicable

Name	Position	Changes	Reason for change
Zhou Yongjun	Former non-executive director	Retired	Resignation
Chang Yun	Former non-executive director	Resigned	Changes of career
Liu Zhe	Former Chairman of the Supervisory Committee, supervisor	Resigned	Changes of career
Han Bingkui	Former supervisor	Retired	Retired
Liu Zhe	Executive director	Election	Elected as director of the eighth session of the Board
Jin Chunyu	Non-executive director	Election	Elected as director of the eighth session of the Board
Fu Hongquan	Non-executive director	Election	Elected as director of the eighth session of the Board
Chang Yun	Chairman of the Supervisory Committee, supervisor	Election	Elected as supervisor of the eighth session of the Supervisory Committee
Wang Yiqing	Supervisor	Election	Elected as supervisor of the eighth session of the Supervisory Committee
Wang Weijing	Supervisor	Election	Elected as supervisor of the eighth session of the Supervisory Committee

Descriptions

- (1) The election of Ms. Liu Zhe as the executive director of the eighth session of the Board; Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as the non-executive directors of the eighth session of the Board; Ms. Jin Chunyu and Mr. Fu Hongquan as the non-executive directors of the eighth session of the Board; and Ms. Chang Yun and Ms. Wang Weijing as the supervisors of the supervisory committee of the eighth session of the Board of the Company was duly approved by the Shareholders at the 2014 annual general meeting of the Company held on 9 June 2015. The term of office of the directors and supervisors of the Company will be from the approval date of 2014 annual general meeting until the date of annual general meeting for the year 2016. Mr. Wu Yanzhang, Mr. Zhou Yongjun and Ms. Chang Yun ceased to act as directors of the Company; and Ms. Liu Zhe and Mr. Han Bingkui ceased to act as supervisors of the Company.
- (2) At the eighth extraordinary meeting of the eighth session of the Board of the Company held on 10 June 2015, the election of Ms. Liu Zhe as a member of the Strategy Committee and the election of Ms. Jin Chunyu as a member of the Audit Committee of the Company was considered and approved. The term of office for above persons is three years from 10 June 2015 to the date of 2016 annual general meeting.
- (3) The Company held an employees' meeting on 4 January 2015, at which Mr. Wang Yiqing was elected as the Employee Supervisor of the eighth Supervisory Committee until the expiry of the term of the eighth Supervisory Committee.

3. OTHER EXPLANATION

NIL

SECTION 9 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET

June 30, 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary funds	VI.1	121,938,434.16	163,962,823.33
Settlement reserve			
Lending funds			
Financial assets measured at fair value with their changes included in current profits and losses			
Derivative financial assets			
Notes receivable	VI.2	45,204,857.55	13,148,883.12
Accounts receivable	VI.3	388,306,989.93	404,135,634.03
Prepayments	VI.4	52,155,153.48	78,985,528.99
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Interests receivable			
Dividends receivable			
Other receivables	VI.5	9,099,213.81	6,435,698.19
Buying back the sale of financial assets			
Inventories	VI.6	536,995,442.32	572,992,423.57
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,153,700,091.25	1,239,660,991.23
Non-current assets:			
Loans and advances			
Financial assets available for sale			
Investment held to maturity			
Long-term accounts receivable			
Long-term equity investments	VI.7	68,519,465.91	55,004,776.68
Investment real estate			
Fixed assets	VI.8	1,002,120,217.81	1,016,720,860.27
Projects under construction	VI.9	28,256,585.60	22,888,621.63
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.10	158,271,251.61	160,501,145.59
Development expenditures			
Goodwill	VI.11	6,562,344.06	6,562,344.06
Long-term expenditures to be amortized	VI.12	1,173,598.84	1,493,671.24
Deferred income tax assets	VI.13	4,985,011.34	5,050,938.96
Other non-current assets			
Total non-current assets		1,269,888,475.17	1,268,222,358.43
Total assets		2,423,588,566.42	2,507,883,349.66

Legal representative: Hu Chuangzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30, 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term loans	VI.14	344,585,200.00	318,051,050.00
Loans from the Central Bank			
Deposit taking and interbank placements			
Borrowing fund			
Financial liabilities measured at fair value with their changes included in current profits and losses			
Derivative financial liabilities			
Notes payable	VI.15		105,000,000.00
Accounts payable	VI.16	405,085,207.80	371,989,158.86
Accounts received in advance	VI.17	55,656,811.67	29,715,136.98
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	VI.18	13,030,456.17	17,397,862.19
Tax payable	VI.19	-47,390,936.48	-34,274,412.01
Interests payable	VI.20		76,666.67
Dividends payable			
Other payables	VI.21	129,395,109.48	109,898,562.61
Reinsurance accounts payable			
Reserve fund for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VI.22	11,000,000.00	11,000,000.00
Other current liabilities			
Total current liabilities		911,361,848.64	928,854,025.30
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stocks			
Perpetual bond			
Long-term payables			
Long-term payroll payable	VI.23	30,370,000.00	30,370,000.00
Special payables	VI.24	103,900,000.00	103,900,000.00
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		134,270,000.00	134,270,000.00
Total liabilities		1,045,631,848.64	1,063,124,025.30
Owner's equities:			
Paid-up capital	VI.25	422,000,000.00	422,000,000.00
Other equity instruments			
Including: Preferred stocks			
Perpetual bond			
Capital reserves	VI.26	683,803,181.69	683,803,181.69
Less: treasury stock			
Other comprehensive incomes	VI.27	105,079.05	118,733.00
Special reserves			
Surplus reserves	VI.28	45,665,647.68	45,665,647.68
General risk reserve			
Undistributed profits	VI.29	-279,881,675.79	-232,056,930.86
Total equity attributable to shareholders of the parent company		871,692,232.63	919,530,631.51
Minority interest	VI.32	506,264,485.15	525,228,692.85
Total shareholders' equity		1,377,956,717.78	1,444,759,324.36
Total liabilities and shareholder's equity		2,423,588,566.42	2,507,883,349.66

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

PARENT COMPANY'S BALANCE SHEET

June 30, 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary funds	XVI.1	8,832,847.92	11,915,900.48
Financial assets measured at fair value with their changes included in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Prepayments	XVI.2		756,603.33
Interests receivable	XVI.3	7,663,333.45	6,595,555.56
Dividends receivable			
Other receivables	XVI.4	340,000,000.00	340,000,000.00
Inventories			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		356,496,181.37	359,268,059.37
Non-current assets:			
Financial assets available for sale			
Investment held to maturity			
Long-term accounts receivable			
Long-term equity investments	XVI.5	694,842,724.41	694,842,724.41
Investment real estate			
Fixed assets			
Projects under construction			
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditures			
Goodwill			
Long-term expenditures to be amortized			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		694,842,724.41	694,842,724.41
Total assets		1,051,338,905.78	1,054,110,783.78

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

PARENT COMPANY'S BALANCE SHEET (CONTINUED)

June 30, 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value with their changes included in current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance			
Payroll payable			
Tax payable	XVI.6	94,684.24	434,320.76
Interests payable			
Dividends payable			
Other payables	XVI.7	8,688,817.85	4,545,647.21
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		8,783,502.09	4,979,967.97
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stocks			
Perpetual bond			
Long-term payables			
Long-term payroll payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		8,783,502.09	4,979,967.97
Owner's equities:			
Paid-up capital	XVI.8	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred stocks			
Perpetual bond			
Capital reserves	XVI.9	666,639,987.85	666,639,987.85
Less: treasury stock			
Other comprehensive incomes			
Special reserves			
Surplus reserves	XVI.10	38,071,282.24	38,071,282.24
Undistributed profits	XVI.11	-84,155,866.40	-77,580,454.28
Total shareholders' equity		1,042,555,403.69	1,049,130,815.81
Total liabilities and shareholder's equity		1,051,338,905.78	1,054,110,783.78

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Current Amount	Previous Amount
I. Total operating revenue		598,184,100.98	936,857,460.55
Including: operating revenue	VI.33	598,184,100.98	936,857,460.55
Interest revenue			
Earned premium			
Handling charges and commission income			
II. Total operating cost		675,847,739.48	987,352,233.12
Including: operating cost	VI.33	563,222,411.06	824,137,970.55
Interest expenditure			
Handling charges and commission expenditure			
Surrender value			
Net compensation expenses			
Net amount of reserves for reinsurance contract			
Expenditures dividend policy			
Reinsurance expenses			
Business taxes and surcharges	VI.34	4,488,362.24	13,166,687.50
Marketing expenses	VI.35	28,422,048.37	42,644,893.10
Administrative expenses	VI.36	62,401,704.51	87,071,018.08
Financial expenses	VI.37	9,895,752.83	23,026,816.56
Loss from asset impairment	VI.38	7,417,460.47	-2,695,152.67
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-")	VI.39	-4,629,510.77	423,897.27
Including: income from investment into associated enterprises and joint ventures		-4,629,510.77	423,897.27
Exchange income (loss to be listed with "-")			
III. Operating profits (losses to be listed with "-")		-82,293,149.27	-50,070,875.30
Add: non-operating revenue	VI.40	18,587,326.24	79,086,512.32
Including: gains from disposal of non-current assets		18,474,414.24	78,443,963.52
Less: non-operating expenditures	VI.41	1,157,160.65	1,494,783.75
Including: losses from disposal of non-current assets		134,864.96	207,810.95
IV. Total profits (total loss to be listed with "-")		-64,862,983.68	27,520,853.27
Less: income tax expenses	VI.42	1,911,878.36	10,245,305.23
V. Net profits (net losses to be listed with "-")		-66,774,862.04	17,275,548.04
Net profit attributable to shareholders of the parent company		-47,824,744.93	20,818,005.76
Minority interest income		-18,950,117.11	-3,542,457.72
VI. Net amount of other comprehensive income after tax		-27,744.54	208,390.06
Net after-tax amount of other comprehensive income attributable to owners of the parent company		-13,653.95	86,034.13
(I) Other comprehensive income that cannot be reclassified into profits or losses in future			
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Shares in other comprehensive income that cannot be reclassified into profits or losses in the invested entity under the equity method			
(II) Other comprehensive income to be reclassified into profits or losses in future		-13,653.95	86,034.13
1. Shares in other comprehensive income to be reclassified into profits or losses in the invested entity under the equity method			
2. Profits and losses from changes in the fair value of financial assets available for sale			
3. Profits and losses from investment held to maturity reclassified into financial assets available for sale			
4. Effective part of profits and losses from cash flow hedging			
5. Translation difference of foreign currency statement		-13,653.95	86,034.13
6. Others			
Net after-tax amount of other comprehensive income attributable to the minority shareholders		-14,090.59	122,355.93
VII. Total comprehensive income		-66,802,606.58	17,483,938.10
Total comprehensive income attributable to shareholders of the parent company		-47,838,398.88	20,904,039.89
Total comprehensive income attributable to the minority shareholders		-18,964,207.70	-3,420,101.79
VIII. Earnings per share:			
(I) Basic earnings per share		-0.11	0.05
(II) Diluted earnings per share		-0.11	0.05

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

PARENT COMPANY'S INCOME STATEMENT

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Current Amount	Previous Amount
I. Operating revenue	XVI.12	1,079,002.31	
Less: Operating costs	XVI.12		
Business taxes and surcharges		59,795.55	0.00
Marketing expenses			
Administrative expenses		7,614,406.98	1,169,270.70
Financial expenses		-19,788.10	-68,165.68
Loss from asset impairment			
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-")			
Including: income from investment into associated enterprises and joint ventures			
II. Business profit (If loss, fill in the column with "-")		-6,575,412.12	-1,101,105.02
Add: non-operating revenue			
Including: gains from disposal of non-current assets			
Less: non-operating expenditures			
Including: losses from disposal of non-current assets			
IV. Total profits (total losses to be listed with "-")		-6,575,412.12	-1,101,105.02
Less: income tax expenses			
V. Net profits (net losses to be listed with "-")		-6,575,412.12	-1,101,105.02
V. Net after-tax amount of other comprehensive income			
(I) Other comprehensive income that cannot be reclassified into profits or losses in future			
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Shares in other comprehensive income that cannot be reclassified into profits or losses in the invested entity under the equity method			
(II) Other comprehensive income to be reclassified into profits or losses in future			
1. Shares in other comprehensive income to be reclassified into profits or losses in the invested entity under the equity method			
2. Profits and losses from changes in the fair value of financial assets available for sale			
3. Profits and losses from investment held to maturity reclassified into financial assets available for sale			
4. Effective part of profits and losses from cash flow hedging			
5. Translation difference of foreign currency statement			
6. Others			
VI. Total comprehensive income		-6,575,412.12	-1,101,105.02

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Current Amount	Previous Amount
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		324,943,592.84	603,674,375.66
Net increase in deposits and interbank placements			
Net increase in loans from the Central Bank			
Net increase in funds borrowed from other financial institutions			
Cash received from receiving premium of original insurance contract			
Net cash received from reinsurance			
Net increase in deposits of the insured and investment			
Net increase in disposal of financial assets measured at fair value with their variance recorded in current profits and losses			
Cash from interests, handling charges and commissions			
Net increase in borrowing funds			
Net increase in repurchase business funds		8,316,283.18	6,546,878.55
Refund of taxes and dues received			
Other received cash related to operating activities	VI.45	35,188,079.88	44,383,701.62
Subtotal of cash inflows from operating activities		368,447,955.90	654,604,955.83
Cash paid for goods and services		194,877,238.01	296,581,668.94
Net increase in loans and advances to customer			
Net increase in deposits in the Central Bank and interbank placements			
Cash paid for direct business claims			
Cash paid for interests, handling charges and commissions			
Cash paid for policyholder dividends			
Cash paid to and on behalf of staff		95,792,184.19	149,541,500.42
Payments of taxes and dues		33,688,281.46	64,713,062.55
Other paid cash related to operating activities	VI.45	44,544,791.02	153,284,019.13
Subtotal of cash outflows from operating activities		368,902,494.68	664,120,251.04
Net cash flows from operating activities		-454,538.78	-9,515,295.21
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from returns on investments			7,864,263.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,950,000.00	28,534,406.87
Net cash received from disposal of subsidiaries and other business entities			
Other received cash related to investing activities	VI.45		51,324,145.06
Subtotal of cash inflows from investing activities		1,950,000.00	87,722,815.26
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		27,506,471.33	125,285,123.67
Cash paid for investments			
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Other cash paid related to investing activities	VI.45		9,625,742.58
Subtotal of cash outflow from investing activities		27,506,471.33	134,910,866.25
Net cash flows from investing activities		-25,556,471.33	-47,188,050.99

SECTION 9 FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Current Amount	Previous Amount
III. Cash flows from financing activities:			
Cash received from capital contributions			200,000,000.00
Including: cash received from subsidiaries' absorbing investments of minority shareholders			
Cash received from loans		245,389,798.30	117,860,465.97
Cash received from issuing bonds			
Other received cash related to financing activities			
Subtotal of cash inflows from financing activities		245,389,798.30	317,860,465.97
Cash paid for debt repayment		218,051,050.00	185,000,000.00
Cash paid for distribution of dividends or profits or for interests		13,110,192.29	23,904,911.28
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other paid cash related to financing activities			138,800,000.00
Subtotal of cash outflows from financing activities		231,161,242.29	347,704,911.28
Net cash flows from financing activities		14,228,556.01	-29,844,445.31
IV. Effect of fluctuations in exchange rate on cash and cash equivalents		1,758,064.93	1,056,509.07
V. Net increase in cash and cash equivalents		-10,024,389.17	-85,491,282.44
Add: beginning balance of cash and cash equivalents		125,462,823.33	305,897,025.49
VI. Ending balance of cash and cash equivalents		115,438,434.16	220,405,743.05

Legal representative: Hu Chuangzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

PARENT COMPANY'S CASH FLOW STATEMENT

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Note	Current Amount	Previous Amount
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services			
Refund of taxes and dues received			
Other received cash related to operating activities	XVI.13	1,183,754.52	274,491.12
Subtotal of cash inflows from operating activities		1,183,754.52	274,491.12
Cash paid for goods and services			
Cash paid to and on behalf of staff		768,115.38	
Payments of taxes and dues		1,226,442.66	
Other paid cash related to operating activities	XVI.13	2,272,249.04	3,993,067.69
Subtotal of cash outflows from operating activities		4,266,807.08	3,993,067.69
Net cash flows from operating activities		-3,083,052.56	-3,718,576.57
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Other received cash related to investing activities	XVI.13		56,847,045.06
Subtotal of cash inflows from investing activities			56,847,045.06
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets			
Cash paid for investments			
Net cash paid for acquisition of subsidiaries and other business entities			
Other cash paid related to investing activities	XVI.13		59,625,742.58
Subtotal of cash outflow from investing activities			59,625,742.58
Net cash flows from investing activities			-2,778,697.52
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from loans			
Cash received from issuing bonds			
Other received cash related to financing activities			
Subtotal of cash inflows from financing activities			
Cash paid for debts			
Cash paid for distribution of dividends or profits or for interests			
Other paid cash related to financing activities			
Subtotal of cash outflows from financing activities			
Net cash flows from financing activities			
IV. Effect of fluctuations in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-3,083,052.56	-6,497,274.09
Add: beginning balance of cash and cash equivalents	XVI.13	11,915,900.48	9,537,212.51
VI. Ending balance of cash and cash equivalents		8,832,847.92	3,039,938.42

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Current Amount													
	Equity attributable to shareholders of the parent company													
	Capital Stock	Other equity instruments			Capital reserves	Less treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Minority interest	Total owners' equity	
I. Ending balance of previous year	422,000,000.00				683,883,181.69			118,733.00		45,665,647.68		-232,056,930.86	525,228,692.85	1,444,739,324.36
Add: changes in accounting policies														
Corrections of previous period errors														
Business combination under common control														
Others														
II. Beginning balance of current year	422,000,000.00				683,883,181.69			118,733.00		45,665,647.68		-232,056,930.86	525,228,692.85	1,444,739,324.36
III. Current year increase/decrease (decrease to be filled with "-")														
(I) Total comprehensive income								-13,632.95				-47,824,744.93	-18,964,207.70	-66,802,615.58
(II) Total comprehensive income								-13,632.95				-47,824,744.93	-18,964,207.70	-66,802,615.58
(III) Invested and decreased capital of shareholders														
1. Common stocks contributed by shareholders														
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in shareholders' interest														
4. Others														
(IV) Profit distribution														
1. Appropriation of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(V) Internal transfer in shareholder's equities														
1. Capital reserves converted to capital														
2. Surplus reserves converted to capital														
3. Surplus reserves to recover loss														
4. Others														
(VI) Special reserve														
1. Appropriation in current year														
2. Amount used in current year														
(VII) Others														
IV. Ending balance of current year	422,000,000.00				683,883,181.69			105,079.05		45,665,647.68		-279,881,675.79	506,264,485.15	1,377,956,717.78

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Previous Amount												
	Equity attributable to shareholders of the parent company												
	Capital Stock	Other equity instruments			Capital reserves	Less treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Minority interest	Total owners' equity
		Preferred stocks	Perpetual bond	Others									
I. Ending balance of previous year	422,000,000.00				538,698,626.70		-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													
Corrections of previous period errors													
Business combination under common control													
Others													
II. Beginning balance of current year	422,000,000.00				538,698,626.70		-89,449.76		45,665,647.68		-222,701,516.40	360,064,980.19	1,163,638,288.41
III. Current year increase/decrease (decrease to be listed with "+")													
(i) Total comprehensive income					75,024,659.85		66,034.13				20,818,065.76	171,625,132.51	267,563,832.25
(ii) Invested and decreased capital of shareholders					75,024,659.85							175,955,235.30	250,079,895.15
1. Common stocks contributed by shareholders					24,944,764.70							175,955,235.30	200,000,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in shareholders' interest					50,079,895.15								50,079,895.15
4. Others													
(iii) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Distribution to owners (or shareholders)													
4. Others													
(iv) Internal transfer in shareholder's equities													
1. Capital reserves converted to capital													
2. Surplus reserves converted to capital													
3. Surplus reserves to recover loss													
4. Others													
(v) Special reserve													
1. Appropriation in current year													
2. Amount used in current year													
(vi) Others													
IV. Ending balance of current year	422,000,000.00				633,723,286.55		-3,415.63		45,665,647.68		-201,883,510.64	531,700,113.70	1,431,202,121.66

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNER'S EQUITY

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Current Amount										
	Capital Stock	Other equity instruments			Capital reserves	Less treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stocks	Perpetual bond	Others							
I. Ending balance of previous year	422,000,000.00				666,638,987.85				38,071,282.24	-77,580,454.28	1,048,130,815.81
Add: changes in accounting policies											
Correctors of previous period errors											
Others											
I. Beginning balance of current year	422,000,000.00				666,638,987.85				38,071,282.24	-77,580,454.28	1,048,130,815.81
II. Current year increase/decrease (decrease to be listed with "-")										6,575,412.12	-6,575,412.12
(I) Total comprehensive income										6,575,412.12	-6,575,412.12
(II) Invested and decreased capital of shareholders											
1. Common stocks contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholders' interest											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to shareholders											
3. Others											
(IV) Internal transfer in shareholder's equities											
1. Capital reserves converted to capital											
2. Surplus reserve converted to capital											
3. Surplus reserves to recover loss											
4. Others											
(V) Special reserve											
1. Appropriation in current year											
2. Amount used in current year											
(VI) Others											
IV. Ending balance of current year	422,000,000.00				666,638,987.85				38,071,282.24	-84,155,866.40	1,042,555,403.69

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

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

January – June of 2015

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB

Item	Previous Amount											
	Capital Stock	Other equity instruments			Capital reserves	Less treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity	
		Preferred stocks	Perpetual bond	Others								
I. Ending balance of previous 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												
Correctors of previous period errors												
Others												
I. Beginning balance of current year	422,000,000.00				566,480,197.56					38,071,282.24	-165,579,836.05	860,971,643.75
II. Current year increase/decrease (decrease to be listed with "-")												
(I) Total comprehensive income					50,079,895.15						-1,101,165.02	48,978,730.13
											-1,101,165.02	-1,101,165.02
(II) Invested and decreased capital of shareholders					50,079,895.15							50,079,895.15
1. Common stocks contributed by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in shareholders' interest					50,079,895.15							50,079,895.15
4. Others												
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Distribution to shareholders												
3. Others												
(IV) Internal transfer in shareholder's equities												
1. Capital reserves converted to capital												
2. Surplus reserve converted to capital												
3. Surplus reserves to recover loss												
4. Others												
(V) Special reserve												
1. Appropriation in current year												
2. Amount used in current year												
(VI) Others												
IV. Ending balance of current year	422,000,000.00				616,560,092.71					38,071,282.24	-166,680,941.07	908,950,433.88

Legal representative: Hu Chuanzhong

Person in charge of accounting: Li Junjie

Director of accounting department: Jiang Chi

SECTION 9 FINANCIAL REPORT

I. COMPANY PROFILE

Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the "Company" or "Jingcheng Machinery Electric", or the "Group" if including subsidiaries), originally known as Beiren Printing Machinery Holding Company Limited, was solely established by Beiren Group Corporation as a limited liability company on July 13, 1993. In accordance with the approval of TGS (1993) No. 118 issued by the State Commission for Restructuring the Economic System of the People's Republic of China (PRC), the Company became a listed company with the right of issuing public shares in both the mainland of China and Hong Kong on July 16, 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 May 16, 2001 and June 11, 2002 as well as the approval of document ZJFX 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 during the period from December 26, 2002 to January 7, 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.

According to the "Decision on the share right reformation of Beiren Printing Machinery Holding Company Limited" (JGZQ Zi [2006] No.25), which was issued by the Committee of State-owned Assets Supervision and Administration of Beijing Government, Beiren Group Corporation, as the sole non-circulating 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 3.8 for every 10. The registration date regarding the share segregation reform was March 29, 2006.

Beiren Group Corporation sold 21,000,000 unconditioned circulating shares through the Bulk Exchange Platform of Shanghai Stock Exchange on January 6, 2010 and January 7, 2010 respectively. On December 2, 2010, Beiren Group Corporation sold 20,000 unconditioned circulating shares to public, which accounts for 4.98% of the total equity held by the Company. As of December 31, 2011, Beiren Group Corporation held 201,620,000 state-owned shares, which represents 47.78% of total equity (classified as unconditioned circulating shares), 120,380,000 shares which represents 28.52% of the total equity (classified as unconditioned domestic public shares) and 100,000,000 shares which represents 23.70% of the total equity (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 Company Limited and Beiren Group Corporation" with the Company's beneficial controller Beijing Jingcheng Machinery Electric Holding Company Limited (hereinafter referred to as "Jingcheng Holding") on June 16, 2012. Beiren Group Corporation has transferred the Company's 201,620,000 A shares to Jingcheng Holding. The Company's total equity remained unchanged after this transfer. Jingcheng Holding became the controlling shareholder of the Company with holding of 201,620,000 shares which represents 47.78% of total equity. The transfer of share rights was approved by the Committee of State-owned Assets Supervision and Administration of State Council on September 1, 2012. The Company has received the Shanghai Branch Registrar Confirmation Letter of the China Securities Depository and Clearing Limited Company on December 7, 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 equipment. 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 excluded.

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

On October 31, 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 exchanged-in assets to the Company and the Company has delivered exchanged-out assets and related employees to Beiren Group Corporation.

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

Jingcheng Holding reduced its 10,000,000 unconditioned circulating A Shares of the Company through the Bulk Exchange Platform of Shanghai Stock Exchange on May 6, 2015, 6,320,000 on May 13, 2015 and 4,680,000 on May 14, 2015. Totally 21,000,000 shares, i.e. 4.98% of total equity of the Company, have been reduced after these reductions. Jingcheng Holding, upon these reductions, holds 180,620,000 unconditioned circulating A Shares of the Company, which represents 42.8% of the total equity of the Company. Additionally, it holds 141,380,000 unconditioned domestic public shares (33.50% of the total equity) and 100,000,000 unconditioned offshore public shares (23.70% of the total equity).

The Company's registered address is Room 901, No. 59 Building, Dongsanhan Middle Road, Chaoyang District, Beijing. The Chairman is Hu Chuanzhong. The operating address is No. 2, Nansan Street, Guoxian, Guoxian Town, Tongzhou District, Beijing.

The business scope of the Company includes developing, designing, selling, installing, debugging and repairing low temperature storage and transportation vessel, compressor (piston compressor, diaphragm compressor, nuclear membrane compressor) and related parts, mechanical equipment and electrical equipment; technical consultation and service; economic and trade consultation; import and export of goods and techniques; import and export agency; general freight; and professional contracting. 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. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's consolidated financial statements include Jingcheng Holding (Hong Kong) Company Limited, Beijing Tianhai Industry Co., Ltd., and their subsidiaries including Langfang Tianhai High Pressure Container Co., Ltd., Shanghai Tianhai Composite Gas Cylinder Co., Ltd., Beijing Tianhai Low Temperature Equipment Co., Ltd., Beijing Panni High-altitude Operation Equipment Co., Ltd., Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. and BTIC AMERICA CORPORATION.

III. PREPARATION BASIS OF FINANCIAL STATEMENTS

1. Preparation basis

On the going-concern basis, the financial statements of the Company have been prepared in accordance with actually-occurred transactions and items, the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and other relevant regulations (hereinafter generally referred to as "ASBE"), Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15- General Provisions on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements in 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 statements have been prepared based on going concern for recent profit-making history and sourced financial support.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration on compliance with ASBE

The financial statements of the Company from January to June of 2015 have met the requirements of ASBE and truly and fully reflected the financial conditions, operating results and cash flow of the Company and the Group as of June 30, 2015.

2. Accounting year

Accounting year is from January 1 to December 31 of the Gregorian calendar.

3. Recording currency

The recording currency is Renminbi for the Company and all of its domestic subsidiaries and US Dollar for both Jingcheng Holding (Hong Kong) and BTIC AMERICA CORPORATION.

The currency adopted by the Group during the preparation of the financial statements is Renminbi.

4. Accountant arrangement methods for business combination under common control and different control

The Group, as the combining party, recognizes acquired assets and liabilities under common control at their carrying amounts in consolidated financial statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets acquired and the amount of consideration paid for the combinations shall be used to adjust the capital reserve. Where the capital reserve cannot be charged off, retained earnings shall be adjusted.

Identifiable assets and liabilities and contingent liabilities acquired by the acquirer through business combination under different control are recognized 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 and issued equity securities on the date of acquisition in order to obtain the control over acquiree, and other direct expenses incurred in the business combination. Where the combination cost exceeds the fair value of the acquiree's net identifiable assets acquired on the date of acquisition, the balance shall be recognized as goodwill; otherwise, after reassessment of the fair value of identifiable assets, liabilities or contingent liabilities acquired in the combination, and that of the non-cash assets or issued equity securities for combination consideration, if combination cost is still less than the fair value of the acquiree's net identifiable assets acquired on the date of acquisition, the balance shall be included in the consolidated current non-operating income.

5. Preparation method of consolidated financial statements

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

During preparation of consolidated financial statements, in the event that accounting policy or accounting period adopted by subsidiaries are not in line with that of the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits shall be offset during preparation of consolidated financial statements. Shareholders' equity of subsidiaries not attributable to the parent company, current net profit and loss, and other comprehensive income and total comprehensive income attributable to the minority shareholders shall be listed as "minority interests, minority interest income, and other comprehensive income and total comprehensive income attributable to minority shareholders".

For subsidiaries acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the combination period. When preparing comparative consolidated financial statements, relevant items of the financial statements of the previous year shall be adjusted. This is to consider the consolidated financial statement to be existed since commencement of ultimate control.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Preparation method of consolidated financial statements (Continued)

For subsidiaries acquired through business combination under different control, its operating results and cash flow shall be consolidated from the date that the Group acquires its control. When preparing consolidated financial statements, financial statements of subsidiaries shall be adjusted based on the fair value of identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

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, recognizes assets and liabilities solely held and owed by the Group, assets and liabilities jointly owned proportionally, and income and expenses solely or proportionally based on agreements. Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading transactions.

7. Cash and cash equivalents

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

8. Translation of foreign currency transactions and financial statements

(1) Foreign currency transaction

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

Monetary items calculated in foreign currency in the balance sheet shall be translated into RMB at the spot exchange rate on the balance sheet date; the exchange difference shall be included into current profit and loss, after disposal of the balance of exchange that is formed by foreign currency loans borrowed for acquiring or producing assets which meet capitalized terms. Foreign currency non-monetary items measured with historical cost are still measured by using the amount in recording currency translated as per the spot exchange rate of the transaction date. For the foreign currency non-monetary items measured at fair value, calculation shall be carried out at the spot exchange rate on the date of recognizing the fair value. The translation difference incurred shall be disposed as change in fair value, included in current profit and loss, or recognized as other comprehensive income and included in capital reserve.

(2) Translation of foreign currency financial statements

The asset and liability items in foreign currency balance sheets shall be translated at the spot exchange rate on the balance sheet date, owner's equity items excluding undistributed profits at the spot exchange rate at the time when they are incurred, and the income and expense items in the income statement at the average exchange rate of the current period. The difference arising from the above translation shall be listed in other comprehensive income items. Foreign currency cash flow shall be translated at the average exchange rate of the current period. The effect of exchange rate fluctuations on cash and cash equivalents shall be separately listed in the cash flow statement.

9. Financial assets and financial liabilities

The Group shall recognize one financial asset or financial liability when it becomes one of the parties of financial instrument contract.

(1) Financial assets

1) Classification, recognition and measurement of financial assets

Financial assets of the Group are classified into financial assets measured at fair value with their variance included in current profits and losses, investments held to maturity, accounts receivable and financial assets available for sale, according to the purposes of investments and their economic substance.

Financial assets measured at fair value with their variance included in current profits and losses include trading financial assets and those directly designated at the time of initial recognition as financial assets measured at fair value with their variance included in current profits and losses.

Investment held to maturity refers to non-derivative financial assets which have fixed maturity date, fixed or fixable recovery amount which the Group has clear attention and ability to hold to maturity.

Accounts receivable refer to non-derivative financial assets which have no quotation in the active market, but have fixed or fixable recovery amount.

Financial assets available for sale refer to non-derivative financial assets designated as available for sale, and financial assets not identified to item under "others" at the time of initial recognition.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) *Recognition basis and measuring method for transfer of financial assets*

Financial assets should be derecognized where any of the following conditions is met: ① the contractual right to acquire cash flow of the said financial assets is terminated; ② the financial assets have been transferred and almost all risks and rewards from the ownership of the said financial assets are transferred by the Group to the transferee; ③ the financial assets have been transferred and the transferor waives its control over the said assets, despite the transferor has not transferred or retained any risks and rewards from the ownership of the said financial assets.

Where the Company neither transfers nor retains any risks and rewards on the financial asset ownership, if the control over the financial assets is not waived, relevant financial assets should be recognized according to the extent to which they are involved in the transferred financial assets, and relevant liabilities should be recognized correspondingly.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the carrying amount of transferred financial assets and the sum of consideration received from transferring such assets and accumulated amount of changes in fair value previously recognized in other comprehensive income should be included in current profits and losses.

Where the partial transfer of the financial assets meets derecognition conditions, the carrying amount of the transferred financial assets should be amortized between the derecognized and non-derecognized portions as per their relative fair values respectively; and the difference between the sum of consideration received from transferring such assets and accumulated amount of changes in fair value previously recognized in other comprehensive income and amortized in the non-derecognized portion, and the aforesaid carrying amount amortized should be included in current profits and losses.

3) *Test and accountant arrangement methods for impairment of financial assets*

The Group assesses the carrying amount of financial assets, other than those measured at fair value with their variance included in current profits and losses, on the balance sheet date. If there is objective evidence showing impairment of any financial asset item, the impairment provision shall be drawn.

In case of impairment of financial assets measured at amortized cost, the impairment provision will be drawn according to the balance between the expected future cash flow (excluding the future credit loss which has not happened yet) and the carrying amount. If there is objective evidence showing that the value of the financial assets is recovered and it is objectively related to the matters that happen after the impairment is recognized, the impairment loss formerly recognized should be reversed and included in current profits and losses.

In case of impairment of financial assets available for sale, the accumulated loss due to decline of the fair value which has been directly included in the owner's equity shall be transferred out and included in impairment loss. As for the debt instrument investment available for sale whose impairment loss has been recognized, if the fair value of periods following has increased and it is objectively related to the matters that happen after the impairment is recognized, the impairment loss recognized before shall be transferred out and included in impairment loss. As for equity instrument investment available for sale whose impairment loss has been recognized, the increase of fair value in periods following shall be directly included in owner's equity.

(2) Financial liabilities

1) *Classification, recognition and measurement of financial liabilities*

Financial liabilities of the Group are classified, at the time of initial recognition, as financial liabilities measured at fair value with their variance included in current profits and losses and other financial liabilities.

Financial liabilities measured at fair value with their variance included in current profits and losses include trading financial liabilities and those designated at initial recognition as financial liabilities measured at fair value with their variance included in current profits and losses. 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 current profits and losses.

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

2) *Derecognition conditions of financial liabilities*

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. Where the Company signs an agreement with the Debtee in which the existing financial liabilities are replaced by means of undertaking new financial liabilities and the contractual terms of the new financial liabilities and those for existing financial liabilities are inconsistent, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized. If contractual terms, in a whole or partially, of existing financial liabilities are substantially modified, the existing financial liabilities or part of them shall be derecognized and the financial liabilities with terms modified shall be recognized as new financial liabilities. The difference between the carrying amount of the derecognized part and the consideration paid shall be included in current profits and losses.

SECTION 9 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (Continued)

(2) Financial liabilities (Continued)

3) Recognition methods for fair value of financial assets and financial liabilities

The fair value of financial asset or financial liability of the Group is measured according to the quotation in the active market; where there is not an active market, the fair value is measured according to the most favorable market quotation and using valuation techniques currently applicable and supported by sufficient valid data and other information.

The input value for measuring the fair value is divided into three tiers. In the first tier, the input value refers to unadjusted quotation of financial assets or financial liabilities available in active markets on the measuring date; in the second tier, it refers to direct or indirect observable input value of other financial assets or financial liabilities than the input value of the first tier; in the third tier, it refers to unobservable input value of related financial assets or financial liabilities.

Input value of the first tier has the first priority and the third tier is the last to consider by the Group. The lowest tier that has significant impact on the overall fair value evaluation determines which tier this fair value evaluation result shall belong to.

10. Bad debt provision for receivables

Receivables include accounts receivable and other receivables. The Group initially recognizes account receivables as a result of selling commodities or rendering labor services to the outside in accordance with the fair value of the contract or agreement price receivable by the purchaser or the labor service receiver as the.

The Group recognizes bad debts when the following conditions are met: the debtors are dissolved, bankrupt, insolvent, in serious shortage of cash flows or suspended its business due to natural disasters and unable to settle the debts in the foreseeable period; or debtors are defaulted for repayment more than three years and reviewed and approved by legal procedures; or there are other evidences indicating the debts cannot be recovered or are not likely to be recovered.

The Group applies the allowance method for the accounting of potential bad debt loss and performs separate or combined impairment test in the end of year, with drawn bad debt provision included in current profits and losses. As for receivables for which there is authentic evidence showing that they are impossible to be recovered, the Group will recognize them as bad debt loss after approval through specified procedures and write off the drawn bad debt provision.

The impairment loss of receivables can be assessed both separately and in combination.

(1) Receivable with significant amount and drawn bad debt provision on single item

Criterion or amount standard for determining whether the amount is significant

Consider receivables above RMB 5 million as significant receivables

Drawing of bad debt provision for item with significant amount

The provision of bad debts is drawn according to the difference between the present value of future cash flows and the carrying amount of receivables

(2) Receivables with bad debt provision drawn as per portfolio of credit risk features

Drawing of bad debt provision drawn by combination (aging analysis method)

Account age combination

Drawing of bad debt provision by aging analysis

- Drawing proportion of bad debt provision for receivables by aging analysis:

Account Age	Drawing Proportion of Accounts Receivable (%)	Drawing Proportion of Other Accounts Receivable (%)
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
More than 5 years	100	100

(3) Receivable with insignificant amount but drawn bad debt provision on single item

Reason for drawing of bad debt provision on single item

Receivables with insignificant and bad debt provision drawn by combination not reflecting risk features of the receivables

Drawing method for bad debts provision

The provision of bad debts is drawn according to the difference between the present value of future cash flows and the carrying amount of receivables

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**11. Inventories**

The inventories of the Group mainly include raw materials, packing materials, low value consumables, products in process, commodities in stock, etc.

Inventories shall be subjected to the perpetual inventory system and valued according to the actual cost when acquired. The acquired or sent shall be calculated with the weighted mean method. Low value consumables and packing materials shall be amortized by one-off write-off method.

For merchandise inventory directly available for sale such as commodities in stock, products in progress and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling expenses and relevant taxes; for material inventory held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling expenses, and related taxes.

12. Classified as assets available for sale

The Group classifies assets meeting the following conditions as assets available for sale: assets under current conditions can be immediately available for sale only pursuant to general and common terms for selling such assets; the Group has made a decision on disposal of the assets and has signed an irrevocable transfer agreement with the transferee; such transfer will be completed within one year.

13. Long-term equity investments

The Group's long-term equity investments are mainly investments into subsidiaries, associates, and joint ventures.

The Group's criterion for joint control is that all parties or group of parties jointly control the arrangement, and policies of relative activities of the arrangement must be subject to unanimous consent of parties sharing the control.

It's generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting power of the invested entity, has a significant influence on the invested entity. The Group, if holding less than 20% of voting power of the invested entity, may have a significant influence on the invested entity in consideration of facts and situation that the company sends representatives to the Board of Directors or similar organs of authorities of the invested entity, participates in formulating financial and operation policy of the invested entity, has important transactions with the invested entity, sends management personnel to the invested entity, or provides critical technical information to the invested entity.

When control over the invested entity exists, the invested entity becomes subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the portion of carrying amount of owner's equity of the combined party acquired on the date of combination shall be recognized as the initial investment cost of long-term equity investment. Where the net asset carrying amount of combined party is negative on the date of combination, the long-term equity investment cost is determined as zero.

For long-term equity investment acquired via business combination under different control, the combination cost is taken as the initial investment cost.

Apart from aforementioned long-term equity investment acquired through business combination, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost.

The Group uses the cost method to calculate investments into subsidiaries and equity method to calculate investments into joint ventures and associates.

For long-term equity investments subsequently calculated by the cost method, when more investments added, the carrying amount of the long-term equity investment cost is increased based on the fair value of cost paid for added investments and related transaction expenses. Cash dividend or profit declared by the invested entity is recognized as current investment profit in accordance with the amount to enjoy.

For long-term equity investments subsequently calculated by the equity method, the carrying amount of long-term equity investment is increased or decreased accordingly with variance of owner's equity of the invested entity. When determining the portion of net profit to enjoy in the invested entity, the Group will adjust the net profits of invested entity based on the fair value of identifiable assets in the invested entity when investments acquired, by offsetting internal profit and loss incurred in transactions with joint ventures and associates and by calculating the portion attributable to the investing enterprise based on the shareholding proportion, with net profit of invested entity adjusted and recognized.

For the disposal of long-term equity investment, the difference between the carrying amount and actually obtained price shall be included in current investment profit. For the long-term equity investment calculated by equity method which has been included in the owner's equity due to other changes in owner's equity (excluding the net profit or loss) of the invested entities, when disposed, the part which has been included in the owner's equity of such investment shall be transferred to current profits and losses according to corresponding proportion.

SECTION 9 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Investment real estate

Investment real estate of the Group includes the land use rights which have already been rented, the land use rights held and buildings rented for transfer after appreciation.

The investment real estate of the Group shall be subject to subsequent measurement on a cost basis.

The Group draws the depreciation or amortizes investment real estate using the straight line method. The estimated service life, net residual rate and annual rate of depreciation (amortization) of investment real estates are as follows:

Category	Period of Depreciable (year)	Expected Residual Rate (%)	Annual Rate of Depreciation (%)
Land use right	50		2.000
Premises and 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 and have a service life in excess of one year.

Fixed assets shall be recognized only when the related economic benefits are likely to flow into the Group and the costs can be measured reliably. Fixed assets consist of premises, buildings, machinery equipment, electrical equipment, transportation equipment, office equipment and others.

Except for the fixed assets that are subject to sufficient drawing of depreciation and still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be subject to drawing of depreciation. Straight line method shall be adopted for drawing of depreciation. The following table shows classifications, period of depreciation, estimated net residual rate, and rate of depreciation for fixed assets of the Group:

Category	Period of Depreciation (year)	Expected Residual Rate (%)	Annual Rate of Depreciation (%)
Premises and buildings	40	5	2.375
Machinery equipment	10	5-10	9-9.5
Electrical equipment	5-10	5-10	9-19
Transportation equipment	5	5-10	18-19
Office equipment and others	5	5-10	18-19

At the end of each year, the expected service life, expected net residual value and depreciation method of the fixed assets shall be rechecked. Any change shall be handled as changes in accounting estimates.

For fixed assets acquired by financial lease, the entry value of such assets shall be the fair value of such assets and the present value of the minimum lease payment, whichever is lower. The difference between the entry value and the minimum lease payment shall be deemed as unrecognized financing cost.

The depreciation policies of fixed assets acquired by finance lease shall be consistent with those of self-owned fixed assets. For fixed assets, if it can be reasonably confirmed that the ownership can be granted when the term of lease expires, the depreciation shall be drawn within the service life of the acquired leasing assets; otherwise, the depreciation shall be drawn within the lease term or the service life of leasing assets, whichever is shorter.

16. Projects under construction

Projects under construction having reached expected available state shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation will be drawn from the next month. After going through procedures of completion settlement, the originally estimated value shall be adjusted based on the actual costs, but it is unnecessary to adjust the original depreciation drawn or amortization cost.

17. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment real estate and inventories that require more than one year of construction or production to reach their intended usable and marketable condition shall begin capitalization when the expenditures of the assets and the borrowing costs incurred and construction or production activities necessary for making the assets available for predicted use or selling begin. When the assets, of which construction or production meets the capitalization requirements, is available for use or selling, the capitalization will be stopped, and the borrowing costs incurred subsequently will be included in current profits and losses. If assets satisfying capitalization conditions are suspended in construction or production for more than three months continuously, the capitalization of the borrowing costs shall be suspended until restart of construction and production of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated with the weighted average interest rate of general borrowings.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**18. Intangible assets**

Intangible assets of the Group include land use right, patented technology and non-patented technology. Intangible assets are measured at their actual cost when acquired. The actual cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The actual cost of intangible assets invested by investors is measured at the value specified in the investment contracts or agreements. In the case where the specified value of the contracts or agreements is not fair, the assets are measured at its fair value.

Land-use rights are amortized evenly over the lease terms from the date of transfer. Patented technology, non-patented technology and other intangible assets are amortized over the shortest of their estimated service life, contractual beneficial period and effective life under laws. Amount of amortization is included in relevant asset cost and current profits and losses according to beneficial parties. At the end of each year, the expected service life and amortization method of the intangible assets with limited service life shall be rechecked. Any change shall be handled as changes in accounting estimates.

The Group rechecks the expected service life and amortization method of intangible assets with uncertain service life at the end of each year.

Research and development expenditures of the Group are classified into expenditures in research stage and development stage depending on the nature and whether there is material uncertainty that the research and development activities can form intangible assets at the end of the project.

The expenditures in research stage shall be included in current profits and losses when incurred.

The expenditures in development stage are recognized as intangible assets when meeting the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The management has the intention to complete the intangible asset for use or sale;
- (3) With methods for finishing the intangible assets to generate economic profits, including evidence of existing market for products produced by the intangible assets, existing market of the intangible assets or serviceability of the intangible assets which is for internal use;
- (4) Adequate technical, financial and other resources are available to complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- (5) It is able to measure reliably the expenditures attributable to the intangible assets during the development.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when incurred. Development expenditures previously included in profits or losses will not be recognized as assets in subsequent period. The capitalized expenditures in development stage are listed in the balance sheet as development expenditures and are converted into intangible assets when the R&D project is ready for intended use.

19. Impairment of long-term assets

The Group carries out impairment tests on fixed assets, projects under construction, intangible assets with limited service life, investment real estate measured by this model and long-term equity investment to subsidiaries, joint ventures and associates which have sign of impairment on the balance sheet date. Where the recoverable amount of the assets is less than the carrying amount thereof in impairment tests, impairment provision shall be drawn as per the difference and included in impairment losses. The recoverable amount of assets is the net amount of fair value of assets deducting disposal fees, or present value of expected future cash flow of the assets, whichever is higher. Provision for impairment of assets will be calculated and recognized based on single asset. If the recoverable amount of the single asset is hard to estimate, it will be determined by the asset group to which the single asset belongs. The asset group is the smallest asset combination which can generate cash inflow.

Goodwill separately listed in financial statements shall be subject to impairment test at least annually irrespective of whether there is any sign of impairment. For the purpose of impairment testing, the carrying amount of goodwill will be apportioned to the asset group or combination of asset groups which is expected to benefit from the synergy of business combination. If the recoverable amount of the asset group or the combination of asset groups with apportioned goodwill is lower than the carrying amount thereof, relevant impairment losses shall be determined. The amount of impairment loss shall deduct the carrying amount of goodwill apportioned to the asset group or combination of asset groups first, and then deduct the carrying amount of the other assets based on the proportion of each asset except goodwill to the asset group or the combination of asset groups.

Once recognized, the impairment loss of above-mentioned assets shall not be reversed in subsequent period.

SECTION 9 FINANCIAL REPORT

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Long-term expenditures to be amortized

Long-term expenditures to be amortized are expenditures that have been incurred but shall be amortized over the current period and subsequent periods of more than 1 year (excluding 1 year). The expenditures are amortized evenly over the estimated beneficial period and disclosed at the net amount of actual expenditure deducting the accumulated amortization.

If the long-term expenditures to be amortized are no longer beneficial to the subsequent accounting periods, the amortized value of unamortized expenditures shall be all transferred to current profits and losses.

21. Payroll

Payroll of the Group includes short-term staff remunerations, post-employment welfare, dismissal welfare and other long-term welfare.

Short-term remunerations mainly include salaries, welfare, medical insurance, etc. During the accounting period when the employees provide service for the Group, the actual short-term remunerations are recognized as liabilities, and included in current profits or losses or relevant asset cost based on different beneficiaries.

Post-employment welfare includes basic endowment insurance, unemployment insurance and classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears. As for the defined contribution plans, the contributions which are made for individual subjects in exchange for the staff's services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in current profits and losses or relevant asset costs according to the beneficiaries.

Obligations in defined benefit plan shall be measured by, using an actuarial assumption that is unbiased and mutually compatible, the projected accumulated benefit unit method, to make a reliable estimate of the variables on population and finance, measure the obligations generated by defined benefit plan and determine the period to which relevant obligations belong. Obligations generated by defined benefit plan shall be discounted in order to determine the present value of the defined benefit obligation and the current service cost.

Dismissal welfare is compensation paid to employees resulting from either the Group's decision to terminate the employment relationship before the expiration of employment contract or encouragement to an employee for voluntary acceptance on termination of employment.

Other long-term welfare means the staff remunerations rather than short-term staff remunerations, post-employment welfare, dismissal welfare and other long-term welfare.

22. Estimated liabilities

Where the business related to external security, trade acceptance discount, pending litigations or arbitrations, product quality assurance, etc. meets the following conditions, the Group will recognize it as liabilities: current obligation borne by the Group; great possibility of economic benefit outflow because of performing the obligations; reliable measurement for the amount of the obligations.

Estimated liabilities are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. As time goes by, the increase amount of the carrying amount of estimated liabilities generated by the discount restoration is recognized as interest expense.

The carrying amount of estimated liabilities is reassessed and adjusted on each balance sheet date to reflect current best estimate.

23. Share-based payment

The equity-settled share-based payment in return for employee services shall be measured based on the fair value of equity instruments granted to the employees on the grant date. If the equity-settled share-based payment cannot be vested until the vesting period comes to an end or until the prescribed performance conditions are met, then within the vesting period, the amount of fair value should, based on the best estimate of the number of vested equity instruments, be included in relevant costs or expenses according to the straight-line method, and the capital reserves should be increased accordingly.

Cash-settled share-based payment should be measured in accordance with the fair value of liability recognized based on the shares or other equity instruments undertaken by the Group. If being vested immediately after the grant, the fair value shall, on the date of grant, be included in relevant costs or expenses, and the liabilities shall be increased accordingly; if being vested until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about vesting conditions, be included in relevant costs or expenses at the fair value of the liability undertaken by the Group, and the liabilities shall be adjusted accordingly.

On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the fair values of the liabilities shall be re-measured and the changes shall be included in current profits and losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**24. Revenue recognition principles and measuring methods**

The operating revenue of the Group is mainly derived from selling goods, offering services and abalienating the right to use assets. The recognition principles are as follows:

(1) Revenue from selling goods

The revenue from selling goods is recognized under the following conditions: major risks and rewards concerning the ownership of goods have been transferred by the Group to the purchaser; neither continuous management right usually related to the ownership is retained nor effective control over sold goods is implemented by the Group; the amount of the revenue can be measured reliably; relevant economic benefits may flow to the Group; and relevant costs incurred or to be incurred can be measured reliably.

(2) Revenue from offering services

When total service revenues and costs can be measured reliably, economic benefits related to labor services may flow to the Group and completion schedule of labor services can be determined clearly, the Group can recognize the service revenues.

On the balance sheet date, if the outcome of service transactions performed can be estimated reliably, the service revenues concerning it shall be recognized according to the percentage of completion method and the percentage of completion shall be determined based on the proportion of incurred costs in estimated total costs; if the outcome of service transactions performed cannot be estimated reliably but the service costs incurred can be compensated, the service revenues shall be recognized according to the incurred service costs that can be compensated and relevant service costs shall be carried forward; if the outcome of service transactions performed cannot be estimated reliably and the incurred service costs cannot be compensated in full, the incurred service costs shall be included in current profits and losses and the service revenues shall not be recognized.

(3) Abalienation of the right to use assets

The revenue from abalienation of the right to use assets is recognized according to the charging time and method specified in relevant contract or agreement when relevant economic benefits may flow to the Group and the amount of the revenue can be measured reliably.

25. Government subsidy

Government subsidy is divided into asset-related government subsidy and revenue-related government subsidy.

Government subsidies in the form of monetary assets shall be measured based on the actually received amounts; subsidies allocated according to fixed quota standards or those having strong evidence showing that they are meet relevant government finance supporting policies and are expected to receive financial support fund, shall be measured based on the receivable amounts; government subsidies in the form of non-monetary assets shall be measured based on the fair value; where the fair value cannot be estimated reliably, it shall be measured based on nominal amount (RMB 1).

Asset-related government subsidies shall be recognized as deferred revenues, and it shall be distributed equally within the service life of related assets and included in current profits and losses. Revenue-related government subsidies used to compensate for related costs or losses during future periods shall be recognized as deferred revenues, and it shall be included in current profits and losses at the period when it is recognized; while those used to compensate for the incurred related costs or losses shall be included in current profits and losses directly.

26. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and carrying amount thereof. For the deductible loss or tax deduction of taxable income that can be deducted in future years as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred income tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not goodwill and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred income tax assets and liabilities shall not be recognized. Deferred income tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for withdrawing such assets or during the period for paying off such liabilities on the balance sheet date.

The Group recognizes the corresponding deferred income tax assets arising from deductible temporary differences to the extent that the amount of taxable income to be offset by the deductible temporary difference is likely to be obtained by the Group.

SECTION 9 FINANCIAL REPORT

27. Lease

Lease can be divided by the Group into finance lease and operating lease at the start of lease.

At the commencement of the lease term, as the Lessee for finance lease, the Group shall deem the lower of the fair value of the leased asset and the present value of the minimum lease payments as the carrying amount of fixed assets acquired by finance lease and the minimum lease payment as the carrying amount of long-term payable. The difference between two carrying amounts is deemed as unrecognized financing charges.

As the Lessee, the Group shall include the lease payment in relevant asset costs or current profits and losses by using the straight-line method within each period of the lease term.

28. Segment information

The Group determines the operating segments on the basis of internal organization 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: it is able to create revenue and incur expenses from ordinary business activities; its operating results can be regularly reviewed by the Group's management for making decision about resources to be allocated and to assess its performance; and for which the accounting 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 significant accounting policy and accounting estimate

There is no change in significant accounting policy or accounting estimate in current period.

V. TAXES

1. Main taxes and rates

Tax Category	Taxation Basis	Tax Rate
Value added tax	Revenue from commodity sales	17%
Business tax	Taxable income	5%
City maintenance and construction tax	Payable VAT and business tax	1%, 5% and 7%
Educational surcharges	Payable VAT and business tax	3%
Local educational surcharges	Payable VAT and business tax	2%
House property tax	70%-80% of the original house value and revenue from house property leasing	1.2% and 12%

Corporate income tax rates for subsidiaries of the Group:

Tax Subject	Income Tax Rate
Beijing Jingcheng Machinery Electric Company Limited	25%
Beijing Tianhai Industry Co., Ltd.	15%
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	25%
Langfang Tianhai High Pressure Container Co., Ltd.	25%
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	25%
Beijing Tianhai Low Temperature Equipment Co., Ltd.	15%
Beijing Panni High-altitude Operation Equipment Co., Ltd.	25%
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	25%
BTIC AMERICA CORPORATION	Progressive tax rate
Jingcheng Holding (Hong Kong) Company Limited	16.50%

BTIC AMERICA CORPORATION (former America Fortune Company) is a corporation registered in the USA. It applies progressive tax rate to calculate corporate income tax, which is 15%-39% based on different taxable income.

2. Tax preference

On November 11, 2013, Beijing Tianhai Industry Co., Ltd. as a subsidiary of the Company was certified as a High and New Technology Enterprise and issued the corresponding certificate with No. GF201311000576 jointly by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Office, SAT, and Beijing Local Taxation Bureau. The certificate is valid for three years. The corporation income tax is calculated at 15%.

On December 5, 2013, Beijing Tianhai Low Temperature Equipment Co., Ltd. as a subsidiary of the Company was certified as a High and New Technology Enterprise and issued the corresponding certificate with No. GR201311001531 jointly by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau, Beijing Municipal Office, SAT, and Beijing Local Taxation Bureau. The certificate is valid for three years. The corporation income tax is calculated at 15%.

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

Unless especially noted, among the following disclosed data in the financial statements, “beginning of the period” refers to January 1, 2015; “end of the period” refers to June 30, 2015; “current period” refers to from January 1, 2015 to June 30, 2015; “previous period” refers to from January 1, 2014 to June 30, 2014; and the monetary unit is RMB.

1. Monetary funds

Item	Ending Balance	Beginning Balance
Cash	143,159.07	55,233.08
Bank deposit	114,155,301.15	124,267,616.31
Other monetary funds	7,639,973.94	39,639,973.94
Total	121,938,434.16	163,962,823.33
Including: total amount deposited abroad	4,301,252.44	4,443,250.42

Other monetary funds include RMB 6,500,000.00 of cash deposit of notes payable and RMB 1,139,973.94 of housing maintenance fund.

2. Notes receivable

(1) Category

Category	Ending Balance	Beginning Balance
Bank acceptance bill	45,204,857.55	13,148,883.12
Total	45,204,857.55	13,148,883.12

(2) There are no notes receivable pledged at the end of the period.

(3) Notes receivable which have been endorsed or discounted but not yet expired on the balance sheet date

Item	Ending Derecognized Amount	Ending Non-derecognized Amount
Bank acceptance bill	83,431,870.90	
Total	83,431,870.90	

3. Accounts receivable

Item	Ending Balance	Beginning Balance
Accounts receivable	408,316,782.13	416,795,156.63
Less: provision for bad debt	20,009,792.20	12,659,522.60
Net amount	388,306,989.93	404,135,634.03

(1) Aging analysis of accounts receivable

Account Age	Ending Balance	Beginning Balance
Within 1 year	321,861,577.73	359,545,347.11
1-2 years	42,960,281.13	32,572,365.87
2-3 years	18,893,405.53	11,401,907.29
3-4 years	4,550,497.39	313,623.18
4-5 years	41,228.15	302,390.58
More than 5 years		
Net amount	388,306,989.93	404,135,634.03

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

3. Accounts receivable (Continued)

(2) Classification of accounts receivable by risk

Category	Ending Balance				
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Drawing proportion (%)	Carrying amount
Accounts receivable with significant single amount and bad debt provision drawn on single item					
Accounts receivable with bad debt provision drawn by portfolio of credit risk features	408,316,782.13	100.00	20,009,792.20	4.99	388,306,989.93
Account age combination	408,316,782.13	100.00	20,009,792.20	4.99	388,306,989.93
Accounts receivable with insignificant amount but drawn bad debt provision on single item					
Total	408,316,782.13		20,009,792.20	—	388,306,989.93

(Continued)

Category	Ending Balance				
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Drawing proportion (%)	Carrying amount
Accounts receivable with significant single amount and bad debt provision drawn on single item					
Accounts receivable with bad debt provision drawn by portfolio of credit risk features	416,795,156.63	100.00	12,659,522.60	3.04	404,135,634.03
Account age combination	416,795,156.63	100.00	12,659,522.60	3.04	404,135,634.03
Accounts receivable with insignificant amount but drawn bad debt provision on single item					
Total	416,795,156.63	100.00	12,659,522.60	—	404,135,634.03

1) In combination, accounts receivable with provision for bad debt drawn by aging analysis:

Account Age	Accounts receivable	Ending Balance Provision for bad debt	Drawing proportion (%)
Within 1 year	325,112,704.80	3,251,127.05	1.00
1-2 years	47,733,645.70	4,773,364.57	10.00
2-3 years	23,616,756.91	4,723,351.38	20.00
3-4 years	9,100,994.79	4,550,497.39	50.00
4-5 years	206,140.60	164,912.48	80.00
More than 5 years	2,546,539.33	2,546,539.33	100.00
Total	408,316,782.13	20,009,792.20	—

(3) Drawing and reversal (or recovery) of provision for bad debt in current year

RMB 7,350,269.60 of provision for bad debt is drawn in current year.

(4) Accounts receivable actually written off in current period

None.

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

3. Accounts receivable (Continued)

(5) Accounts receivable with top five ending balance collected as per the borrowers

Entity Name	Ending Balance	Account Age	Proportion in Total Ending Balance of Accounts Receivable (%)	Ending Balance of Bad Debt Provision
Sichuan Hengruifeng International Trade Co., Ltd.	28,277,981.00	1-4 years	6.93	7,100,821.50
Shiyao Junwang Industry and Trade Co., Ltd.	9,295,600.00	Within 1 year	2.28	92,956.00
Beijing Lantanda Vehicle Clean Fuel Technology Co., Ltd.	8,961,145.72	Within 1 year	2.19	89,611.46
New Energy Bus Branch of Zhengzhou Yutong Bus Co., Ltd.	7,413,414.36	Within 1 year	1.82	74,134.14
CNHITC Ji'nan Truck Co., Ltd.	7,072,400.00	Within 1 year	1.73	70,724.00
Total	61,020,541.08		14.94	7,428,247.10

Accounts receivable of Sichuan Hengruifeng International Trade Co., Ltd. include RMB 6,842,200.00 in 1-2 years, RMB 14,337,630.00 in 2-3 years and RMB 7,098,151.00 in 3-4 years.

4. Prepayments

(1) Age of prepayment

Item	Ending Balance		Beginning Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	48,821,162.33	93.61	77,197,792.24	97.74
1-2 years	2,016,390.73	3.87	302,652.70	0.38
2-3 years	199,054.00	0.38	399,776.48	0.51
More than 3 years	1,118,546.42	2.14	1,085,307.57	1.37
Total	52,155,153.48	100.00	78,985,528.99	100.00

The reason for unsettlement of prepayments to suppliers aged over 1 year with significant amount is incompleteness of purchase.

(2) Prepayments with top five ending balance collected as per the prepaid party

Entity Name	Ending Balance	Account Age	Proportion in Total Ending Balance of Payments (%)
Tianjin Rundezhongtian Pipe Co., Ltd.	21,032,452.15	Within 1 year	40.33
Shandong Tianhai High Pressure Container Co., Ltd.	7,608,394.50	Within 1 year	14.59
Tianjin Taigang Daming Metal Product Co., Ltd.	2,346,482.22	Within 2 years	4.50
Tianjin Tianbao Electric Power Co., Ltd.	2,058,980.76	Within 1 year	3.95
TORAY INTERNATIONAL INC	1,699,924.45	Within 1 year	3.26
Total	34,746,234.08		66.63

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. Other receivables

Item	Ending Balance	Beginning Balance
Other receivables	10,342,886.27	7,612,425.29
Less: provision for bad debt	1,243,672.46	1,176,727.10
Net amount	9,099,213.81	6,435,698.19

(1) Aging analysis of other accounts receivable

Account Age	Ending Balance	Beginning Balance
Within 1 year	8,403,422.32	6,109,134.12
1-2 years	564,517.80	251,358.84
2-3 years	101,805.44	42,066.55
3-4 years	25,806.09	17,138.68
4-5 years	3,662.16	16,000.00
More than 5 years		
Net amount	9,099,213.81	6,435,698.19

(2) Classification of other receivables

Category	Ending Balance				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item					
Other receivable with bad debt provision drawn by portfolio of credit risk features	10,342,886.27	100.00	1,243,672.46	2.53	9,099,213.81
Account age combination	10,342,886.27	100.00	1,243,672.46	2.53	9,099,213.81
Other receivables with insignificant amount but drawn bad debt provision on single item					
Total	10,342,886.27		1,243,672.46	—	9,099,213.81

(Continued)

Category	Ending Balance				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item					
Other receivable with bad debt provision drawn by portfolio of credit risk features	7,612,425.29	100.00	1,176,727.10	15.46	6,435,698.19
Account age combination	7,612,425.29	100.00	1,176,727.10	15.46	6,435,698.19
Other receivables with insignificant amount but drawn bad debt provision on single item					
Total	7,612,425.29	100.00	1,176,727.10	—	6,435,698.19

1) In combination, other receivables of bad debt reserves are drawn by aging analysis:

Account Age	Accounts receivable	Ending Balance Provision for bad debt	Drawing proportion (%)
Within 1 year	8,488,305.38	84,883.06	1.00
1-2 years	627,242.01	62,724.21	10.00
2-3 years	127,256.80	25,451.36	20.00
3-4 years	51,612.19	25,806.10	50.00
4-5 years	18,310.79	14,648.63	80.00
More than 5 years	1,030,159.10	1,030,159.10	100.00
Total	10,342,886.27	1,243,672.46	—

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. Other receivables (Continued)

- (3) Drawing and reversal (or recovery) of provision for bad debt in current year

RMB 66,945.36 of provision for bad debt is drawn in current year.

(4) Classification of other receivables by nature

Nature	Ending Book Balance	Beginning Book Balance
Petty cash	3,171,983.06	1,449,187.10
Guarantee deposit and security deposit	600,034.88	641,073.29
Export rebates	3,807,254.89	4,633,185.48
Open credit	2,763,613.44	888,979.42
Total	10,342,886.27	7,612,425.29

(5) Other receivables with top five ending balance collected as per the borrowers

Entity Name	Nature	Ending Balance	Account Age	Proportion in Total Ending Balance of Other Receivables (%)	Ending Balance of Bad Debt Provision
Export rebates	Export rebates	3,807,254.89	Within 1 year	36.81	38,072.55
Collected electricity fees for the west zone	Electricity fee	806,116.23	Within 1 year	7.79	20,589.81
Domestic business department	Petty cash	744,486.62	Within 1 year	7.20	7,444.87
Tianjin Production Division I	Petty cash	237,264.40	Within 5 years	2.29	64,360.53
Low Temperature Production Division	Petty cash	150,000.00	Within 1 year	1.45	1,500.00
Total		5,745,122.14		55.54	131,967.76

6. Inventories

(1) Classification of inventories

Item	Book balance	Ending Balance Impairment provision	Carrying amount
Raw materials	207,532,279.14		207,532,279.14
Products in process	149,544,143.22	1,824,639.28	147,719,503.94
Goods in stock	186,882,838.26	5,139,179.02	181,743,659.24
Total	543,959,260.62	6,963,818.30	536,995,442.32
Raw materials	241,007,939.62		241,007,939.62
Products in process	121,222,823.09	1,824,639.28	119,398,183.81
Goods in stock	217,725,479.16	5,139,179.02	212,586,300.14
Total	579,956,241.87	6,963,818.30	572,992,423.57

(2) Inventory falling price reserve

Item	Increase			Decrease		Ending Balance
	Beginning Balance	Drawing	Others	Write-off	Other transfer out	
Raw materials						
Products in process	1,824,639.28					1,824,639.28
Goods in stock	5,139,179.02					5,139,179.02
Total	6,963,818.30					6,963,818.30

- (3) The ending balance of inventories has no capitalization amount of borrowing costs.

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

7. Long-term equity investments

(1) Classification

Invested Entity	Additional Beginning Balance	Investment investment	Changes in Current Period					Ending Balance	Ending Balance Provision for of Impairment
			Investment decrease	Interest gain/loss as per equity method	Adjustment of other comprehensive incomes	Other equity variation	Cash dividends or profits declared		
Joint venture Shandong Tianhai High Pressure Container Co., Ltd.	55,004,776.68			1,720,959.23				56,725,735.91	
Jiangsu Tianhai Special Equipment Co., Ltd.		18,144,200.00		-6,350,470.00				11,793,730.00	
Total	55,004,776.68	18,144,200.00		-4,629,510.77				68,519,465.91	

- Beijing Tianhai Industry Co., Ltd. (hereinafter referred to as "Tianhai Industry") contributed capital and established Jiangsu Tianhai Special Equipment Co., Ltd. (hereinafter referred to as "Jiangsu Tianhai") on April 27, 2015. The registered capital of Jiangsu Tianhai is RMB 80,000,000, including RMB 52,000,000 (65%) contributed by Nanjing Bibo Trade and Industry Co., Ltd. and RMB 28,000,000 (35%) by Tianhai Industry. Contribution of Tianhai Industry includes RMB 9,855,800 of fixed assets and RMB 18,144,200 of intangible assets which include the right to use 2 patented technologies and 8 proprietary technologies. The above-mentioned assets have been evaluated by Beijing Fangxin Assets Appraisal Co., Ltd. with the evaluation report (F(P)B Zi No. 2015011) issued on January 28, 2015. Base date of the evaluation report is December 31, 2014. Intangible assets are R&D projects of the Company, without any carrying amount. Till June 30, 2015, Tianhai Industry has contributed RMB 18,144,200 of intangible assets.
- As to the investment to Shandong Tianhai High Pressure Container Co., Ltd., the recognized ROI in current period is RMB 1,720,900.

(2) Analysis of long-term equity investments

Item	Ending Balance	Beginning Balance
Listed		
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Sub-total		
Unlisted	68,519,465.91	55,004,776.68
Total	68,519,465.91	55,004,776.68

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. Fixed assets

(1) Breakdown

Item	Premises and Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Electrical Equipment	Total
I. Original carrying amount						
1. Beginning balance	661,687,707.94	789,233,809.81	31,287,928.04	9,564,107.23	25,003,029.20	1,516,776,582.22
2. Increase		22,940,253.39				22,940,253.39
(1) Purchase						
(2) Transferred from projects under construction		22,940,253.39				22,940,253.39
(3) Others						
3. Decrease		4,506,224.24	1,609,087.19	312,585.21		6,427,896.64
(1) Disposal		4,506,224.24	1,609,087.19	311,980.35		6,427,291.78
(2) Others				604.86		604.86
4. Ending balance	661,687,707.94	807,667,838.96	29,678,840.85	9,251,522.02	25,003,029.20	1,533,288,938.97
II. Accumulated depreciation						
1. Beginning balance	118,195,347.60	336,150,382.38	24,509,107.22	6,089,174.28	14,675,186.78	499,619,198.26
2. Increase	4,506,203.70	28,616,640.74	1,186,658.20	499,598.75	30,602.16	34,839,703.55
(1) Drawing	4,506,203.70	28,616,640.74	1,186,658.20	499,598.75	30,602.16	34,839,703.55
(2) Others						
3. Decrease		2,839,538.94	674,249.84	212,915.56		3,726,704.34
(1) Disposal		2,839,538.94	674,249.84	212,915.56		3,726,704.34
(2) Others						
4. Ending balance	122,701,551.30	361,927,484.18	25,021,515.58	6,375,857.47	14,705,788.94	530,732,197.47
III. Provision for impairment						
1. Beginning balance		436,523.69				436,523.69
2. Increase						
(1) Drawing						
3. Decrease						
(1) Disposal or scrapping						
4. Ending balance		436,523.69				436,523.69
IV. Carrying amount						
1. Ending carrying amount	538,986,156.64	445,303,831.09	4,657,325.27	2,875,664.55	10,297,240.26	1,002,120,217.81
2. Beginning carrying amount	543,492,360.34	452,646,903.74	6,778,820.82	3,474,932.95	10,327,842.42	1,016,720,860.27

The amount of depreciation and amortization for fixed assets recognized as losses is RMB 34,839,703.55 (ending balance: RMB 39,855,547.10) in current period.

Increase of fixed assets in current period includes RMB 22,940,253.39 transferred from projects under construction.

The gain from sale of fixed assets in current period is RMB 195,349.28.

(2) Analysis of premises and buildings based on location and service life:

Item	Ending Balance	Beginning Balance
Located in the territory of China	538,986,156.64	543,492,360.34
Long-term (more than 50 years)		
Mid-term (10-50 years)	538,986,156.64	543,492,360.34
Short-term (within 10 years)		
Located abroad		
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
Total	538,986,156.64	543,492,360.34

(3) There are no fixed assets acquired by finance lease at the end of the period.

(4) There are no fixed assets leased out by operating lease at the end of the period.

(5) Fixed assets in the process of title certificate handling

Item	Carrying Amount	Reason
Buildings of LNG industry base project	289,734,712.16	In progress

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

9. Projects under construction

(1) Breakdown

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
LNG industry base project	22,472,177.46		22,472,177.46	16,151,465.26		16,151,465.26
Others	5,784,408.14		5,784,408.14	6,737,156.37		6,737,156.37
Total	28,256,585.60		28,256,585.60	22,888,621.63		22,888,621.63

(2) Changes in major projects under construction

Name of Project	Beginning Balance	Increase	Decrease		Ending Balance
			Transferred to fixed assets	Other decreases	
LNG industry base project	16,151,465.26	28,215,448.23	21,894,736.03		22,472,177.46
Others	6,737,156.37	2,874,561.12	1,045,517.36	2,781,791.99	5,784,408.14
Total	22,888,621.63	31,090,009.35	22,940,253.39	2,781,791.99	28,256,585.60

(Continued)

Name of Project	Proportion of Budget Project Investment in Budget (%)	Progress (%)	Accumulated Amount of Capitalized Interest	Including: Amount of Capitalized Interest in Current Period	Capitalization Rate of Interest in Current Period (%)	Financial Resource
LNG industry base project	79.379	70	96.5			Self-raised loan

10. Intangible assets

(1) Breakdown

Item	Land Use Right	Proprietary Technology	Software	Total
I. Original carrying amount				
1. Beginning balance	165,755,637.08	11,707,050.00	677,093.03	178,139,780.11
2. Increase				
(1) Purchase				
3. Decrease				
4. Ending balance	165,755,637.08	11,707,050.00	677,093.03	178,139,780.11
II. Accumulated amortization				
1. Beginning balance	11,065,290.33	6,136,142.16	437,202.03	17,638,634.52
2. Increase	1,713,644.71	499,999.95	16,249.32	2,229,893.98
(1) Drawing	1,713,644.71	499,999.95	16,249.32	2,229,893.98
3. Decrease				
4. Ending balance	12,778,935.04	6,636,142.11	453,451.35	19,868,528.50
III. Provision for impairment				
1. Beginning balance				
2. Increase				
3. Decrease				
4. Ending balance				
IV. Carrying amount				
1. Ending carrying amount	152,976,702.04	5,070,907.89	223,641.68	158,271,251.61
2. Beginning carrying amount	154,690,346.75	5,570,907.84	239,891.00	160,501,145.59

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

10. Intangible assets (Continued)

(2) Analysis of land use right based on location and service life:

Item	Ending Balance	Beginning Balance
Located in the territory of China	152,976,702.04	154,690,346.75
Long-term (more than 50 years)		
Mid-term (10-50 years)	152,976,702.04	154,690,346.75
Short-term (within 10 years)		
Located abroad		
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
Total	152,976,702.04	154,690,346.75

The amount of depreciation and amortization for intangible assets recognized as losses is RMB 2,237,360.74 (ending balance: RMB 2,125,315.95) in current period.

There is no land use right in the process of title certificate handling.

11. Goodwill

(1) Original value

Invested Entity	Beginning Balance	Increase	Decrease	Ending Balance
BTIC AMERICA CORPORATION	6,562,344.06			6,562,344.06
Total	6,562,344.06			6,562,344.06

The Group carries out impairment test on goodwill at the end of the period and no impairment is identified. No provision for impairment of goodwill is drawn, therefore.

12. Long-term expenditures to be amortized

Item	Beginning Balance	Increase	Amortization	Other Decreases	Ending Balance
Filament costs	1,493,671.24		320,072.40		1,173,598.84
Total	1,493,671.24		320,072.40		1,173,598.84

13. Deferred income tax assets and liabilities

(1) Deferred income tax assets not offset

Item	Ending Balance		Beginning Balance	
	Deductible Temporary Difference	Deferred Income Tax Assets	Deductible Temporary Difference	Deferred Income Tax Assets
Provision for impairment of assets	19,951,795.39	3,338,236.44	20,070,934.61	3,404,164.06
Unrealized profit of internal transaction	10,978,499.33	1,646,774.90	10,978,499.33	1,646,774.90
Total	30,930,294.72	4,985,011.34	31,049,433.94	5,050,938.96

(2) Details of deferred income tax assets not offset

Item	Ending Balance	Beginning Balance
Deductible temporary difference		
Deductible loss	217,569,530.22	156,224,786.56
Provision for impairment of assets	8,702,011.26	1,165,357.05
Total	226,271,541.48	157,390,143.61

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. Deferred income tax assets and liabilities (Continued)

(3) Deductible loss due in the following year of unrecognized deferred income tax assets

Item	Ending Balance	Beginning Balance
2015	23,971,873.51	23,971,873.51
2016		
2017	70,035,014.24	70,035,014.24
2018	23,571,239.03	23,571,239.03
2019	38,646,659.78	38,646,659.78
2020	61,344,743.66	
Total	217,569,530.22	156,224,786.56

14. Short-term loans

(1) Classification

Category	Ending Balance	Beginning Balance
Mortgage loans	40,000,000.00	40,000,000.00
Guaranteed loans	300,000,000.00	228,051,050.00
Credit loans	4,585,200.00	50,000,000.00
Total	344,585,200.00	318,051,050.00

(2) There is no short-term loan due but unpaid at the end of the period.

15. Notes payable

Category	Ending Balance	Beginning Balance
Bank acceptance bill		105,000,000.00
Total		105,000,000.00

16. Accounts payable

(1) Accounts payable

Item	Ending Balance	Beginning Balance
Material fee	254,875,660.97	238,179,437.06
Project fund	150,209,546.83	133,809,721.80
Total	405,085,207.80	371,989,158.86

(2) Aging analysis of accounts payable

Item	Ending Balance	Beginning Balance
Within 1 year	352,587,702.48	353,992,764.51
1-2 years	42,154,557.86	8,595,392.26
2-3 years	7,068,622.60	5,640,704.17
More than 3 years	3,274,324.86	3,760,297.92
Total	405,085,207.80	371,989,158.86

(3) Having not performing the contract thoroughly is the main reason for unsettlement or not carrying forward of accounts payable more than 1 year.

Entity Name	Ending Balance	Reason
BUCC (Tianjin) Pressure Equipment Manufacturing Co., Ltd.	5,530,640.54	Contract not completed
Gaobeidian Delicheng Electromechanical Equipment Co., Ltd.	2,400,751.02	Contract not completed
Gaobeidian Haihong Industrial Co., Ltd. (supplier)	2,363,018.90	Contract not completed
Dongle Branch of Tianjin Xin'an Construction Engineering Co., Ltd.	2,301,207.81	Contract not completed
Beijing Jingcheng Industrial Logistics Co., Ltd.	1,202,227.27	Contract not completed
Total	13,797,845.54	

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. Accounts received in advance

(1) Accounts received in advance

Item	Ending Balance	Beginning Balance
Goods payment received in advance	55,656,811.67	29,715,136.98
Including: more than 1 year	14,396,892.67	3,227,809.46
Total	55,656,811.67	29,715,136.98

(2) The main reason for outstanding or not carrying forward of advances more than 1 year is goods not yet delivered.

Entity Name	Ending Balance	Reason
WESTPORT POWER INC.	3,740,863.85	Goods not yet delivered
Low-temperature Repair Division of Low-temperature Cylinder Department	1,089,208.56	Goods not yet delivered
Handan Futong Transportation and Sales Co., Ltd.	880,000.00	Goods not yet delivered
Suzhou Tianping Jingyuan Gas Co., Ltd.	154,561.60	Goods not yet delivered
Total	5,864,634.01	

18. Payroll payable

(1) Classification

Item	Beginning Balance	Increase	Decrease	Ending Balance
Short-term remuneration	14,755,683.70	94,618,934.02	98,862,894.42	10,511,723.30
Post-employment welfare-defined contribution plan	1,082,178.49	15,168,600.42	15,292,046.04	958,732.87
Dismissal welfare		34,125.60	34,125.60	
Long-term welfare due within one year	1,560,000.00			1,560,000.00
Total	17,397,862.19	109,821,660.04	114,189,066.06	13,030,456.17

(2) Short-term remuneration

Item	Beginning Balance	Increase	Decrease	Ending Balance
Salary, bonus, allowance and subsidy	9,028,346.94	75,202,217.74	79,796,771.84	4,433,792.84
Employee welfare expenses	238,080.24	3,663,499.38	3,662,281.87	239,297.75
Social insurance premiums	601,606.93	7,320,232.58	7,689,107.00	232,732.51
Including: medical insurance premiums	516,256.67	6,351,238.95	6,701,202.08	166,293.54
Work-related injury insurance premiums	53,902.03	558,385.85	569,067.48	43,220.40
Maternity insurance premium	31,448.23	410,607.78	418,837.44	23,218.57
Housing fund	128,955.07	7,014,936.19	6,576,902.90	566,988.36
Labor union expenditure & personnel education fund	2,023,114.52	1,284,248.13	975,430.81	2,331,931.84
Housing allowance	2,735,580.00	133,800.00	162,400.00	2,706,980.00
Total	14,755,683.70	94,618,934.02	98,862,894.42	10,511,723.30

(3) Defined contribution plan

Item	Beginning Balance	Increase	Decrease	Ending Balance
Basic endowment insurance	1,021,403.22	14,350,575.78	14,475,378.07	896,600.93
Unemployment insurance	60,775.27	818,024.64	816,667.97	62,131.94
Total	1,082,178.49	15,168,600.42	15,292,046.04	958,732.87

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

19. Tax payable

Item	Ending Balance	Beginning Balance
VAT	-49,821,582.96	-38,845,972.70
Business tax	146,444.45	329,777.78
Corporate income tax	23,652.91	1,987,963.29
Personal income tax	407,623.50	770,493.57
City maintenance and construction tax	662,694.41	799,341.85
House property tax	58,659.17	21,398.14
Land use tax	10,686.50	10,343.25
Educational surcharges	473,353.15	601,050.74
Stamp tax		26,473.37
Riverway administrative fee		3,308.98
Disabled Person Security	634,296.96	
Flood prevention charges	13,235.43	21,409.72
Total	-47,390,936.48	-34,274,412.01

The taxes payable at the end of the period do not include Hong Kong income tax payable.

20. Interests payable

Classification

Item	Ending Balance	Beginning Balance
Interest payable of short-term loan		76,666.67
Total		76,666.67

21. Other payables

(1) Classification of other payables by nature

Nature	Ending Balance	Beginning Balance
Loans from Jingcheng Holding	88,000,000.00	88,000,000.00
Funds disbursed for others, etc.	37,518,832.79	18,433,314.52
Social insurance payment	1,972,983.69	1,742,248.09
Rent	1,903,293.00	1,723,000.00
Total	129,395,109.48	109,898,562.61

(2) Other significant payables over 1 year

Entity Name	Ending Balance	Reasons for not repaying and carrying forward
Beiren Corporation Group	1,139,975.21	In the process of transfer
Beijing Guoxingjiye Land Planning Co., Ltd.	1,000,000.00	In progress
Total	2,139,975.21	

22. Non-current liabilities due within one year

Item	Ending Balance	Beginning Balance
Special payables	11,000,000.00	11,000,000.00

- On December 25, 2012, Tianhai Industry 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 RMB 5,000,000 on skid-mounted liquefied natural gas (LNG) refilling stations of Tianhai Industry. Tianhai Industry would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.
- On December 22, 2011, Tianhai Industry and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted Tianhai Industry a supporting fund of RMB 2,000,000 on the development of welded insulated cylinder products for liquid natural gas used by self-pressurized motor vehicles. Tianhai Industry would make a lump-sum repayment to Jingcheng Holding within the first 10 working days effective from December 1, 2014. The repayment, however, has not been made at the end of the period.
- On December 22, 2011, Tianhai Industry and Jingcheng Holding signed a Contract of Supporting Funds on Jingcheng Holding Strategic and Technologic Research and Development Projects. Jingcheng Holding granted Tianhai Industry a supporting fund of RMB 4,000,000 on the development of low-temperature storage products for liquefied natural gas used by HPDI-T6 motor vehicles. Tianhai Industry will make RMB 1,200,000 and RMB 2,800,000 repayment of the non-current liability not repaid at the end of the year that has been adjusted to non-current liability payable due within one year, to Jingcheng Holding within the first 10 working days effective from December 1, 2014 and December 1, 2015, respectively. Such non-current liability has not been repaid at the end of the period.

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

23. Long-term payroll payable

(1) Classification

Item	Ending Balance	Beginning Balance
Net liabilities of post-employment welfare – defined benefit plan	30,370,000.00	30,370,000.00
Total	30,370,000.00	30,370,000.00

(2) Changes in defined benefit plan – present value of obligations in defined benefit plan

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Beginning balance	31,930,000.00	29,840,000.00
Defined benefit cost included in current profits and losses		
1. Current service cost		
2. Previous service cost		
3. Settlement gains (losses to be listed with “-”)		
4. Net interest		
Defined benefit cost included in other comprehensive incomes		
1. Actuarial gains (losses to be listed with “-”)		
Other changes		
1. Liabilities eliminated in settlement		
2. Paid welfare		
Ending balance	31,930,000.00	29,840,000.00
Including: post-employment welfare due within one year	1,560,000.00	

(3) Changes in defined benefit plan – net liabilities of defined benefit plan (net assets)

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Period		
Beginning balance	31,930,000.00	29,840,000.00
Defined benefit cost included in current profits and losses		
Defined benefit cost included in other comprehensive incomes		
Other changes		
Ending balance	31,930,000.00	29,840,000.00

24. Special payables

Item	Beginning Balance	Increase	Decrease	Ending Balance	Remarks
Tianhai project of full-wrapped with aluminum liner composite cylinder for vehicle	3,900,000.00			3,900,000.00	Note 1
Natural gas storage & transportation equipment manufacturing base project	100,000,000.00			100,000,000.00	Note 2
Total	103,900,000.00			103,900,000.00	

Note 1: In 2009, Tianhai Industry 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 RMB 10,000,000 to Tianhai Industry Co., Ltd. for its project of full-wrapped with aluminum liner composite cylinder for vehicle. The ending balance of the fund payable is RMB 3,900,000.

Note 2: On June 4, 2013, the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality issued the Notice of Granting 2013 Capital Budget for National Capitals Operation" (JGZ [2013] No. 96) to Jingcheng Holding, stating that RMB 100,000,000 should be used for the natural gas storage & transportation equipment manufacturing base project. Tianhai Industry received the above fund in August 2013.

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

25. Capital stock

Changes in authorized, issued and paid-up capital stocks of the Company are listed below. All shares of the Company are ordinary shares with a book value of RMB 1.

Unit: RMB 1,000

Item	Beginning Balance		Current Change				Ending Balance		
	Amount	Proportion (%)	New shares issued	Share allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
Conditioned share									
Share held by state-owned legal person									
Total conditioned shares									
Unconditioned shares									
Ordinary shares (RMB)	322,000.00	76.30						322,000.00	76.30
Overseas listed foreign shares	100,000.00	23.70						100,000.00	23.70
Total unconditioned shares	422,000.00	100.00						422,000.00	100.00
Total shares	422,000.00	100.00						422,000.00	100.00

Jingcheng Holding reduced its 10,000,000 unconditioned circulating A Shares of the Company through the Bulk Exchange Platform of Shanghai Stock Exchange on May 6, 2015, 6,320,000 on May 13, 2015 and 4,680,000 on May 14, 2015. Totally 21,000,000.00 shares, i.e. 4.98% of total equity of the Company, have been reduced after these reductions. Jingcheng Holding, upon these reductions, holds 180,620,000.00 unconditioned circulating A Shares of the Company, which represents 42.8% of the total equity of the Company.

26. Capital reserves

Item	Beginning Balance	Increase	Decrease	Ending Balance
Capital stock premium	557,838,342.74			557,838,342.74
Other capital reserves	125,964,838.95			125,964,838.95
Total	683,803,181.69			683,803,181.69

27. Other Comprehensive Incomes

Item	Beginning Balance	Amount Incurred in Current Period				Ending Balance
		Incurred pre-tax amount	Less: amount recorded in other comprehensive incomes in previous period and carried over into profits and losses in current period	Less: income attributable to the parent company	After-tax amount attributable to minority shareholders	
I. Other comprehensive incomes that cannot be reclassified into losses or profits in future	160,000.00					160,000.00
Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	160,000.00					160,000.00
II. Other comprehensive income to be reclassified to profit or loss in future	-41,267.00	-27,744.54		-13,653.95	-14,090.59	-54,920.95
Translation difference of foreign currency financial statement	-41,267.00	-27,744.54		-13,653.95	-14,090.59	-54,920.95
Total other comprehensive incomes	118,733.00	-27,744.54		-13,653.95	-14,090.59	105,079.05

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

28. Surplus reserves

Item	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
Reserve fund	460,638.52			460,638.52
Enterprise development fund	460,638.52			460,638.52
Total	45,665,647.68			45,665,647.68

29. Undistributed profits

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-232,056,930.86	
Add: adjustment of beginning undistributed profit		
Including: retrospective adjustment in accordance with new provisions of Accounting Standards for Business Enterprises		
Including: change in accounting policy		
Corrections of significant previous period errors		
Change of consolidation scope under common control		
Other adjustment factors		
Beginning balance of current year	-232,056,930.86	
Add: net profits attributable to shareholders of the parent company in current period	-47,824,744.93	
Less: appropriation of legal surplus reserves		
Appropriation of discretionary surplus reserve		
Drawing of provision for general risk		
Common stock dividends payable		
Common stock dividends turned into capital stock		
Ending balance of current period	-279,881,675.79	

30. Operating revenues and costs

(1) Breakdown

Item	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Revenue	Cost	Revenue	Cost
Main operation	563,313,268.57	527,974,953.77	911,013,382.16	801,796,442.29
Other operation	34,870,832.41	35,247,457.29	25,844,078.39	22,341,528.26
Total	598,184,100.98	563,222,411.06	936,857,460.55	824,137,970.55

(2) Gross profit of main operation

Item	Current Amount	Previous Amount
Main operating revenue	563,313,268.57	911,013,382.16
Main operating cost	527,974,953.77	801,796,442.29
Gross profit	35,338,314.80	109,216,939.87

SECTION 9 FINANCIAL REPORT



VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

30. Operating revenues and costs (Continued)

(3) Main operation – classified by products

Industry	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Current Amount Operating revenue	Previous Amount Operating cost	Operating revenue	Operating cost
Compressors			30,480,900.00	26,603,765.55
Seamless steel gas cylinders	298,971,754.06	272,564,892.41	414,963,770.46	353,529,248.07
Winding cylinders	57,436,328.79	52,057,521.31	184,961,365.18	160,936,178.76
Low temperature cylinders	80,137,659.39	84,932,080.79	132,839,611.65	128,230,920.57
Low temperature storage and transportation equipment	33,051,097.99	31,219,777.49	54,324,174.50	41,212,023.35
Others	93,716,428.34	87,200,681.77	93,443,560.37	91,284,305.99
Total	563,313,268.57	527,974,953.77	911,013,382.16	801,796,442.29

(4) Main operation – classified by regions

Item	Current Amount		Previous Amount	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Domestic sales	210,467,375.94	198,466,742.11	559,111,494.00	477,626,303.78
International sales	352,845,892.63	329,508,211.66	351,901,888.16	324,170,138.51
Total	563,313,268.57	527,974,953.77	911,013,382.16	801,796,442.29

(5) Classification of other operating revenues and costs by natures

Item	Current Amount		Previous Amount	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Selling materials	34,870,832.41	35,247,457.29	25,844,078.39	22,341,528.26
Total	34,870,832.41	35,247,457.29	25,844,078.39	22,341,528.26

(6) Total operating revenue from the top 5 customers of the Group is RMB 104,882,521.08, which represents 17.53% of the total operating revenue in the year. (Previous period: 13.77%), as listed below:

Entity Name	Operating Revenue	Proportion in Total Proportion Revenues (%)
Customer 1	39,246,412.82	6.56
Customer 2	22,000,276.92	3.68
Customer 3	15,796,768.96	2.64
Customer 4	14,136,036.74	2.36
Customer 5	13,703,025.64	2.29
Total	104,882,521.08	17.53

31. Business taxes and surcharges

Item	Current Amount	Previous Amount	Standard for Calculation and Payment
Business tax	85,960.33	-27,837.90	Taxable income * 5%/3%
City maintenance and construction tax	2,539,451.58	4,830,086.06	Turnover tax * 1%/5%/7%
Educational surcharges	1,862,950.33	8,364,439.34	Turnover tax * 5%
Total	4,488,362.24	13,166,687.50	

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

32. Marketing expenses

Item	Current Amount	Previous Amount
Payroll	10,031,319.14	12,637,619.59
Business entertainment expenses	801,592.81	2,309,325.70
Transport charges	11,074,487.97	17,330,726.18
Warehousing and storage charge	447,346.18	617,650.58
Premium	165,034.36	576,311.57
Gas fee	254,663.60	373,832.48
Exhibition and advertisement expenses	627,506.00	48,536.98
After-sale service charge	647,410.86	937,109.10
Repair cost	172,197.22	594,363.01
Office expenses	206,991.38	360,506.58
Travel expense	606,940.56	4,129,632.09
Others	3,386,558.29	2,729,279.24
Total	28,422,048.37	42,644,893.10

33. Administrative expenses

Item	Current Amount	Previous Amount
Taxes	5,910,446.51	5,900,922.80
Office expenses	2,082,745.97	1,968,246.47
Travel expense	352,224.38	1,178,660.65
Conference expenses	581,881.32	290,560.00
Energy fee	297,556.98	99,796.67
Repair cost	751,954.93	1,590,541.05
Depreciation cost	1,853,914.16	3,070,239.57
Payroll	36,009,483.12	42,001,736.05
Vehicle fees	649,940.78	1,504,527.63
Research and development expense	2,816,577.08	5,012,119.06
Business publicity fee	13,059.00	1,537,461.30
Business entertainment expenses	424,150.93	659,134.80
Amortization of intangible assets	2,229,893.98	2,567,443.32
Cost on employment of intermediary organ	1,357,668.30	2,092,470.31
Premium	1,316,088.38	5,361,970.57
Rent	1,036,093.65	1,496,369.19
Labor protection fees	113,493.63	1,225,206.99
Retirement benefits	609,761.19	697,147.39
Material consumption		355,353.05
Others	3,994,770.22	8,461,111.21
Total	62,401,704.51	87,071,018.08

34. Financial expenses

(1) Breakdown

Item	Current Amount	Previous Amount
Interest expenditure	10,135,159.54	24,470,486.42
Less: interest income	800,811.34	728,678.09
Add: exchange loss	-2,255,392.35	-1,273,140.73
Add: commission charge	375,146.81	
Add: others	2,441,650.17	558,148.96
Total	9,895,752.83	23,026,816.56

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

34. Financial expenses (Continued)

(2) Details of interest expenses

Item	Current Amount	Previous Amount
Bank loans, overdraft interests	10,135,159.54	24,470,486.42
Other interests		
Other loan interests payable within 5 years		
Other loan interests payable after 5 years		
Bond interests drawn at effective interest rate		
Finance lease expenses		
Subtotal		
Less: capitalized interests		
Total	10,135,159.54	24,470,486.42

(3) Details of interest income

Item	Current Amount	Previous Amount
Interest income from bank deposits	800,811.34	728,678.09
Interest income from receivables		
Interest income drawn at effective interest rate		
Interest income from finance lease		
Interest income from impaired financial assets		
Total	800,811.34	728,678.09

35. Loss from asset impairment

Item	Current Amount	Previous Amount
Bad debt losses	7,417,460.47	-5,188,706.14
Inventory impairment loss		2,493,553.47
Total	7,417,460.47	-2,695,152.67

36. Investment income

Amount Incurred in

Item	Current Period	Amount Incurred in Previous Period
Long-term equity investment income calculated by equity method	-4,629,510.77	423,897.27
Investment income from disposal of long-term equity investment		
Total	-4,629,510.77	423,897.27

All investment incomes of this year are derived from unlisted investments, including RMB 1,720,959.23 received from investment in Shandong Tianhai High Pressure Container Co., Ltd. The investment in Jiangsu Tianhai Special Equipment Co., Ltd., after deducting RMB 6,350,470.00 of increment via assessment of intangible assets attributable to the parent company, is included in investment incomes.

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

37. Non-operating income

(1) Details of non-operating revenue

Item	Current Amount	Previous Amount
Gains from disposal of non-current assets	18,474,414.24	78,443,963.52
Including: gains from disposal of fixed assets	330,214.24	78,443,963.52
Gains from disposal of intangible assets	18,144,200.00	
Gains from debt restructuring		
Government subsidy	112,912.00	610,733.00
Others		31,815.80
Total	18,587,326.24	79,086,512.32

RMB 18,587,326.24 is included in non-recurring profit and loss in this period (previous period: RMB 79,086,512.32).

(2) Details of government subsidies

Item	Current Amount	Previous Amount	Source and Basis
Government subsidies for "double independent" enterprises		514,733.00	
Energy audit award from Beijing Energy Conservation and Environmental Protection Centre		80,000.00	
2013 post allowance allocated by Yanqing County Disabled Persons' Federation		16,000.00	Provisional Measures on Post Allowances to Beijing Employers for Employing the Disabled
Subsidy from Beijing Municipal Commission of Commerce	112,912.00		
Total	112,912.00	610,733.00	

38. Non-operating expenses

Item	Current Amount	Previous Amount
Total losses from disposal of non-current assets	134,864.96	207,810.95
Including: losses from disposal of fixed assets	134,864.96	207,810.95
Losses from disposal of intangible assets		
Others	1,022,295.69	1,286,972.80
Total	1,157,160.65	1,494,783.75

RMB 1,157,160.65 is included in non-recurring profit and loss in this period (previous period: RMB 1,494,783.75).

39. Income tax expenses

(1) Income tax expenses

Item	Current Amount	Previous Amount
Current income tax – Chinese corporate income tax	1,846,028.05	9,025,245.90
1. China		
2. Hong Kong		
3. Other regions		
4. Overstatements (understatements) from previous years		
Deferred income tax	65,850.31	1,220,059.33
Total	1,911,878.36	10,245,305.23

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

40. Earnings per share

(1) Basic earnings per share

Basic EPS is counted by the consolidated net profits of shareholders of ordinary shares of the parent company divided by the weighted average number of ordinary shares outstanding of the parent company.

Item	Current Period	Previous Period
Consolidated net profit attributable to shareholders of ordinary shares of the parent company	-47,824,744.93	20,818,005.76
Consolidated net profit attributable to shareholders of ordinary shares of the parent company (deducting non-recurring profit and loss)	-65,371,188.26	-45,140,213.05
Weighted average number of ordinary shares outstanding of the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (RMB/share)	-0.11	0.05
Basic earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.15	-0.11

Calculation of weighted average of ordinary shares:

Item	Current Period	Previous Period
Beginning balance of issued outstanding ordinary shares	422,000,000.00	422,000,000.00
Capital reserves transferred to capital		
Ending balance of issued outstanding ordinary shares	422,000,000.00	422,000,000.00

(2) Diluted earnings per share

Item	Current Period	Previous Period
Consolidated net profit attributable to shareholders of ordinary shares of the parent company after adjustment	-47,824,744.93	20,818,005.76
Consolidated net profit attributable to shareholders of ordinary shares of the parent company after adjustment (deducting non-recurring profit and loss)	-65,371,188.25	-45,140,213.05
Weighted average number of ordinary shares outstanding of the Company after adjustment	422,000,000.00	422,000,000.00
Diluted earnings per share (RMB/share)	-0.11	0.05
Diluted earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.15	-0.11

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

41. Other comprehensive incomes

Item	Current Amount	Previous Amount
1. Gains (losses) arising from financial assets available for sale Less: influence on income tax arising from financial assets available for sale Net amount previously included in other comprehensive income and currently carried over to current profits and losses		
Subtotal		
2. Share of other comprehensive income of invested entities at equity method Less: influence on income tax arising from share of other comprehensive income of invested entities at equity method Net amount previously included in other comprehensive income and currently carried over to current profits and losses		
Subtotal		
3. Gains (losses) arising from cash flow hedging Less: influence on income tax arising from cash flow hedging Net amount previously included in other comprehensive income and currently carried over to current profits and losses Adjusted amount transferred to initially recognized amount of hedged item		
Subtotal		
4. Translation difference of foreign currency financial statement Less: net gain/loss from disposal of foreign operations	-27,744.54	208,390.06
Subtotal	-27,744.54	208,390.06
5. Others Less: influence on income tax arising from other items included in other comprehensive income Net amount included in previous other comprehensive income and carried over to current profits and losses		
Subtotal		
Total	-27,744.54	208,390.06

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

42. Notes to cash flow statement

(1) Other cash received/paid related to operating/investing/financing activities

1) Other cash received related to operating activities

Item	Current Amount	Previous Amount
Security deposit	32,000,000.00	41,000,000.00
Interest revenue	800,811.34	728,678.09
Government subsidy	112,912.00	16,000.00
Open credit	2,274,356.54	2,625,947.77
Others		13,075.76
Total	35,188,079.88	44,383,701.62

2) Other cash paid related to operating activities

Item	Current Amount	Previous Amount
Miscellaneous expenses	32,565,585.66	77,241,949.76
Security deposit		67,335,000.00
Open credit	11,979,205.36	8,662,986.04
Others		44,083.33
Total	44,544,791.02	153,284,019.13

3) Other cash received related to investing activities

Item	Current Amount	Previous Amount
Open credit with Beiren Group		1,244,249.91
Received compensation		50,079,895.15
Total		51,324,145.06

4) Other cash paid related to investing activities

Item	Current Amount	Previous Amount
Open credit with Beiren Group		9,625,742.58
Total		9,625,742.58

5) Other cash paid related to financing activities

Item	Current Amount	Previous Amount
Loan payment to Jingcheng Holding		138,800,000.00
Total		138,800,000.00

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

42. Notes to cash flow statement (Continued)

(2) Supplementary information of consolidated cash flow statement

Item	Current Amount	Previous Amount
1. Reconciliation of net profit to cash flows from operation:		
Net profit	-66,774,862.04	17,275,548.04
Add: provision for impairment of assets	7,417,460.47	-2,695,152.67
Depreciation of fixed assets	34,839,703.55	39,855,547.10
Amortization of intangible assets	2,237,360.74	2,583,163.32
Amortization of long-term expenses to be amortized	320,072.40	494,293.57
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-23,264,793.78	-78,244,478.39
Loss on retirement of fixed assets (gains to be listed with "-")		8,807.82
Changes in fair value recognized in profit of loss (gains to be listed with "-")		
Financial expenses (gains to be listed with "-")	7,891,025.35	23,470,669.28
Investment income (loss to be listed with "-")	4,629,510.77	-423,897.27
Decrease of deferred income tax assets (increases to be listed with "-")	65,927.62	1,220,059.33
Increases of deferred income tax liabilities (decreases to be listed with "-")		
Decrease of inventory (increases are listed with "-")	35,996,981.25	8,314,269.46
Decreases of operational receivables (increases to be listed with "-")	522,314.60	-30,388,767.70
Increases of operating payables (decreases to be listed with "-")	-4,335,239.71	9,014,642.90
Others		
Net cash flows from operating activities	-454,538.78	-9,515,295.21
2. Significant investing and financing activities not related to cash deposit and withdrawal:		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets acquired under finance leases		
3. Net change in cash and cash equivalents:		
Ending balance of cash	115,438,434.16	220,405,743.05
Less: beginning balance of cash	125,462,823.33	305,897,025.49
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-10,024,389.17	-85,491,282.44

(3) Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash	115,438,434.16	125,462,823.33
Including: cash on hand	143,159.07	55,233.08
Bank deposit available for payments at any time	114,155,301.15	124,267,616.31
Other monetary capital available for payments at any time	1,139,973.94	1,139,973.94
Cash equivalents		
Including: bond investment due within three months		
Ending balance of cash and cash equivalents	115,438,434.16	125,462,823.33

SECTION 9 FINANCIAL REPORT

VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

43. Assets with limited ownership or use right

Item	Ending Carrying Amount	Reason
Monetary funds	6,500,000.00	Security deposit
Fixed assets	40,667,821.55	Mortgage
Intangible assets	1,338,073.75	Mortgage

44. Monetary items for foreign currency

Item	Ending Foreign Currency Balance	Translation Exchange Rate	Ending Equivalent RMB Balance
Monetary funds			31,491,222.82
Including: USD	4,969,039.68	6.1136	30,378,721.00
EUR	160,123.73	6.8699	1,100,034.01
HKD	15,810.06	0.7886	12,467.81
Accounts receivable			85,731,932.89
Including: USD	13,633,149.40	6.1136	83,347,622.17
EUR	347,066.00	6.8699	2,384,308.71
Prepayments			5,892,672.84
Including: USD	963,863.00	6.1136	5,892,672.84
Short-term loans			4,585,200.00
Including: USD	750,000.00	6.1136	4,585,200.00
Accounts payable			2,604,622.55
Including: USD	426,037.45	6.1136	2,604,622.55
EUR		6.8699	
HKD		0.7886	
Accounts received in advance			26,641,524.57
Including: USD	4,357,747.41	6.1136	26,641,524.57
Other payables			7,096.85
Including: USD	1,160.83	6.1136	7,096.85

SECTION 9 FINANCIAL REPORT

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business combination under different control

There was no business combination under different control this year.

2. Business combination under common control

There was no business combination under common control this year.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of Subsidiary	Main Premise	Registration Place	Proportion of Shareholding (%)		Acquisition Method
			Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	100.00		Business combination under common control
Langfang Tianhai High Pressure Container Co., Ltd.	Langfang, Hebei	Langfang, Hebei		82.08	Business combination under common control
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Tianjin Port Free Trade Zone	Tianjin Port Free Trade Zone		55.00	Business combination under common control
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai		89.32	Business combination under common control
Beijing Tianhai Low Temperature Equipment Co., Ltd.	Daxing District, Beijing	Daxing District, Beijing		75.00	Business combination under common control
Beijing Panni High-altitude Operation Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing		100.00	Business combination under common control
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing		38.51	Business combination under common control
BTIC AMERICA CORPORATION	Houston, USA	Houston, USA		51.00	Business combination under common control
Jingcheng Holding (Hong Kong) Company Limited	Hong Kong	Hong Kong	100.00		Business combination under common control

(Continued)

Name of Subsidiary	Type of Business	Nature of Business	Legal Representative	Organization Code
Beijing Tianhai Industry Co., Ltd.	Sino-foreign joint venture	Manufacture	Hu Chuanzhong	60000369-4
Langfang Tianhai High Pressure Container Co., Ltd.	Sino-foreign joint venture	Manufacture	Li Junjie	79956948-3
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Sino-foreign joint venture	Manufacture	Liu Guangling	74665239-8
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	Sino-foreign joint venture	Manufacture	Li Junjie	60742223-4
Beijing Tianhai Low Temperature Equipment Co., Ltd.	Limited Liability Company	Manufacture	Wang Pingsheng	67505219-1
Beijing Panni High-altitude Operation Equipment Co., Ltd.	Limited Liability Company	Manufacture	Wang Pingsheng	10248506-1
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	Limited Liability Company	Sales	Li Junjie	05733001-9
BTIC AMERICA CORPORATION	Foreign enterprise	Sales	Hu Chuanzhong	
Jingcheng Holding (Hong Kong) Company Limited	Limited Liability Company	Trade and investment	Wang Pingsheng	

Name of Subsidiary	Proportion of Minority Shareholding (%)	Profit and Loss Attributable to Minorities	Dividends Declared to Minorities in Current Period	Ending Balance of Minority Interests
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-3,291,966.10		13,241,485.70
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	-2,542,193.95		98,185,327.64
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	10.68	59,792.83		4,385,302.02
Beijing Tianhai Low Temperature Equipment Co., Ltd.	25.00	-1,390,270.42		15,950,292.69
BTIC AMERICA CORPORATION	49.00	1,643,483.87		16,774,037.60
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	61.49	-13,429,504.53		357,627,498.33

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Main financial information of important non-wholly-owned subsidiaries

Name of Subsidiary	Ending Balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	159,959,739.68	230,693,103.00	390,652,842.68	169,974,479.82		169,974,479.82
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	13,571,206.56	19,923,400.38	33,494,606.94	772,163.13		772,163.13
Langfang Tianhai High Pressure Container Co., Ltd.	90,662,378.85	243,585,850.10	334,248,228.95	190,409,729.65		190,409,729.65
Beijing Tianhai Low Temperature Equipment Co., Ltd.	89,205,454.39	11,132,410.68	100,337,865.07	36,451,777.90		36,451,777.90
BTIC AMERICA CORPORATION	46,295,886.01	377,781.78	46,673,667.79	12,440,938.00		12,440,938.00
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	148,350,323.38	582,729,064.87	731,079,388.25	152,505,167.55		152,505,167.55

(Continued)

Name of Subsidiary	Amount Incurred in Current Period				Cash flow generated in operating activities
	Operating revenue	Net Profit	Total comprehensive income		
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	166,197,214.60	-5,649,319.89	-5,649,319.89	1,829,160.30	
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	15,547,132.34	491,717.36	491,717.36	87,857.91	
Langfang Tianhai High Pressure Container Co., Ltd.	143,910,627.38	-18,928,382.24	-18,928,382.24	2,670,774.40	
Beijing Tianhai Low Temperature Equipment Co., Ltd.	34,001,975.10	-5,561,081.68	-5,561,081.68	922,307.16	
BTIC AMERICA CORPORATION	136,441,333.47	3,354,048.71	3,325,292.40	13,369,976.27	
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	46,171,763.43	-21,840,143.97	-21,840,143.97	-38,271,395.10	

2. Interest in joint ventures or associates

(1) Key joint ventures or associates

Name	Main Premise	Registration Place	Nature of Business	Proportion of Shareholding (%)		Accounting Treatment Method of Investments
				Direct	Indirect	
Jiangsu Tianhai Special Equipment Co., Ltd.	Zhenjiang, Jiangsu Province	Zhenjiang, Jiangsu Province	Manufacture	35		Equity method
Shandong Tianhai High Pressure Container Co., Ltd.	Linyi, Shandong Province	Linyi, Shandong Province	Manufacture	51		Equity method

Shandong Tianhai High Pressure Container Co., Ltd. was established on June 12, 2014, with a registered capital of RMB 30 million. Beijing Tianhai Industry Co., Ltd. Contributed RMB 15.3 million (51%) and Shandong Yong'an Heli Steel Cylinder Co., Ltd. contributed RMB 14.7 million (49%). After capital increments, the registered capital of Shandong Tianhai High Pressure Container Co., Ltd. was increased to RMB 114.55 million, including RMB 58,420,500 (51%) and RMB 56,129,500 (49%) contributed by Beijing Tianhai Industry Co., Ltd. and Shandong Yong'an Heli Steel Cylinder Co., Ltd. respectively. According to Articles of Association of Shandong Tianhai High Pressure Container Co., Ltd., it has 5 directors in the Board of Directors, of which Beijing Tianhai Industry Co., Ltd. nominates 3 members and Shandong Yong'an Heli Steel Cylinder Co., Ltd. nominates 2 members. All decisions made by the Board of Directors shall be valid only after being voted and approved by more than four-fifths of board members. Daily business operating is managed by delegates from Shandong Yong'an Heli Steel Cylinder Co., Ltd., Shandong Tianhai High Pressure Container Co., Ltd. is not actually controlled by Beijing Tianhai Industry Co., Ltd. therefore, Beijing Tianhai Industry Co., Ltd. is not included in the scope of consolidated statements and equity method is adopted for calculation.

Beijing Tianhai Industry Co., Ltd. contributed capital and established Jiangsu Tianhai Special Equipment Co., Ltd. on April 27, 2015. The registered capital of Jiangsu Tianhai is RMB 80,000,000, including RMB 28,000,000 contributed by Tianhai Industry, representing 35% of the equity.

SECTION 9 FINANCIAL REPORT

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interest in joint ventures or associates (Continued)

(2) Main financial information of significant joint ventures

1) Shandong Tianhai High Pressure Container Co., Ltd.

Item	Ending Balance/ Amount Incurred in Current Period	Beginning Balance/ Amount Incurred in Previous Period
Current assets:	81,314,996.44	50,786,830.06
Including: cash and cash equivalents	4,434,130.67	475,172.12
Non-current assets	115,048,071.18	103,076,320.18
Total assets	196,363,067.62	153,863,150.24
Current liabilities:	78,210,361.65	39,688,299.77
Non-current liabilities		
Total liabilities	78,210,361.65	39,688,299.77
Minority interest		
Equity attributable to shareholders of the parent company	118,152,705.97	114,174,850.57
Shares of net assets calculated as per the shareholding proportion	60,257,880.04	58,229,173.74
Adjustments		
– Goodwill		
– Unrealized profit of internal transaction		
– Others		
Carrying amount of the equity investment in associates		
Fair value of equity investment in joint ventures with public offer		
Operating revenue	262,381,236.06	
Financial expenses	1,178,455.62	
Income tax expenses	1,025,886.26	
Net Profit	3,374,429.87	

2) Jiangsu Tianhai Special Equipment Co., Ltd.

Jiangsu Tianhai Special Equipment Co., Ltd. is still in the preparation period and no amount has been incurred.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include loans, receivables, payables, etc. For details of each financial instrument, please refer to this note. The risks related to these financial instruments and the Group's risk management policies for risk mitigation are stated as below. The management of the Group manages and supervises the risk exposures to ensure that these risks mentioned above are controlled within a reasonable range.

1. Objectives and policies of risk management

The objective of the risk management activities of the Group is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the operational performance of the Group and to maximize interest of shareholders and other equity investors. Based on this objective of risk management, the basic strategy of risk management of the Group is to identify and analyze the risks of all kinds the Group faces, so as to set a proper bottom line of risk tolerance for risk management, and to supervise the risks of all kinds in a timely and reliable way, so as to control the risks to the limited range.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Objectives and policies of risk management (Continued)

(1) Market risk

1) Exchange rate risk

Foreign exchange risk refers to the risk of loss caused from the fluctuation in exchange rate. The Group's foreign exchange risk is mainly related to USD. Except for BTIC AMERICA CORPORATION as a subsidiary of the Group which uses USD for purchasing and sales transactions, other main business operations are settled in RMB. As of June 30, 2015, except for assets and liabilities with balances in USD, HKD and EUR 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	
	Original currency	RMB (Equivalent)	Original currency	RMB (Equivalent)
Monetary funds		31,491,222.82		16,909,533.55
USD	4,969,039.68	30,378,721.00	2,761,405.62	16,897,041.01
EUR	160,123.73	1,100,034.01	1.92	14.31
HKD	15,810.06	12,467.81	15,817.34	12,478.23
Accounts receivable				43,181,799.28
USD	13,633,149.40	83,347,622.17	6,935,885.58	42,440,683.86
EUR	347,066.00	2,384,308.71	99,403.86	741,115.42
Prepayments		5,892,672.84		1,440,934.43
USD	963,863.00	5,892,672.84	235,485.28	1,440,934.43
Accounts payable		2,604,622.55		5,548,375.10
USD	426,037.45	2,604,622.55	906,745.40	5,548,375.10
Accounts received in advance		26,641,524.57		9,619,803.08
USD	4,357,747.41	26,641,524.57	1,572,120.13	9,619,803.08
EUR				
Short-term loans		4,585,200.00		18,051,050.00
USD	750,000.00	4,585,200.00	2,950,000.00	18,051,050.00
Other payables		7,096.85		7,103.12
USD	1,160.83	7,096.85	1,160.83	7,103.12
Total		156,954,270.51		94,751,495.44

2) Interest rate risk

Fixed interest rate is adopted by the Group.

3) Price risk

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

(2) Credit risk

At end of the year, the Group's potential maximum credit risk exposure 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 responsible for confirming credit lines, performing credit review, and executing supervisory procedures, has been established in the Group in order to ensure that necessary measures are taken to retrieve expired claims. The Group reviews the recovery situation of each single receivable on each balance sheet date, to ensure drawing of sufficient provision for bad debts for irrecoverable amount. Therefore, the management believes that credit risks borne 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 of current funds is relatively low.

There is no significant centralized credit risk as the risk exposures are spread among a number of contract parties and customers. At the end of the period, 6.93% (previous period: 5.61%) and 14.94% (previous period: 20.03%) of accounts receivable are from the largest customer and the top five customers of the Group, respectively.

(3) Liquidity risk

For the management of liquidity risk, the Group keeps cash and cash equivalents to the extent that the management considers to be sufficient, and monitors such cash and cash equivalents for the operation of the Group, so as to mitigate the effect of the fluctuation in cash flow. The management of the Group monitors the utilization condition of bank loans, and ensures adherence to borrowing agreements.

The Group regards bank loans as one of the main sources of capital. At the end of the year, RMB 400 million of bank borrowing limit has not been used by the Group and RMB 273.8 in the beginning of the period.

SECTION 9 FINANCIAL REPORT

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Related parties relationship

(1) Controlling shareholder and ultimate controlling party

1) Controlling shareholder and ultimate controlling party

Name	Registration Place	Nature of Business	Registered Capital	Proportion of Shareholding (%)	Proportion of Voting Right (%)
Beijing Jingcheng Machinery Electric Holding Company Limited	Chaoyang District, Beijing	State-owned	RMB 1,905,587,100	42.80	42.80

2) Registered capital (RMB 10,000) of the controlling shareholder and changes

Controlling Shareholder	Beginning Balance	Increase	Decrease	Ending Balance
Beijing Jingcheng Machinery Electric Holding Company Limited	190,558.71			190,558.71

3) Shares or equity held by the controlling shareholder and changes

Controlling shareholder	Amount of Shareholding		Proportion of Shareholding (%)	
	Ending balance	Beginning balance	Ending proportion	Beginning proportion
Beijing Jingcheng Machinery Electric Holding Company Limited	18,062.00	20,162.00	42.80	47.78

(2) Subsidiaries

1) Subsidiaries

For details of subsidiaries, please refer to "Note VIII. 1. (1) Composition of the Group".

(3) Joint ventures and associates

Please refer to Note VIII. 3 (1) for details of significant joint ventures and associates. Joint ventures and associates that performed transactions with the Company in this year or have amount due to related party transaction with the Company in previous period are listed as below:

Name	Relationship
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture
Jiangsu Tianhai Special Equipment Co., Ltd.	Joint venture

(4) Other related parties

Name	Relationship
Beiren Corporation Group	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing Jingcheng Industrial Logistics Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing Jingcheng Machinery Assets Management Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Beijing No. 1 Machine Tool Plant	Other enterprise controlled by the same controlling shareholder and ultimate controlling party
Tianjin Steel Pipe & Steel Trade Co., Ltd.	Related party of minority shareholder of subsidiary
TPCO Investment Co., Ltd.	Minority shareholder of subsidiary
Zheng Guoxiang	Minority shareholder of subsidiary
Guo Zhihong	Minority shareholder of subsidiary

X. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

2. Related party transaction

(1) Related party transactions of purchasing goods and offering or accepting labor services

1) Purchasing goods and accepting labor services

Related Party	Content of Related Transaction	Amount Incurred in Current Period	Amount Incurred in Previous Period
Tianjin Steel Pipe & Steel Trade Co., Ltd.	Raw materials	70,440,655.00	
Shandong Tianhai High Pressure Container Co., Ltd.	Products	16,618,100.43	
Total		87,058,755.43	

2) Selling goods and offering labor services

Related Party	Content of Related Transaction	Amount Incurred in Current Period	Amount Incurred in Previous Period
Associate Shandong Tianhai High Pressure Container Co., Ltd.	Equipment selling	369,761.15	
Total		369,761.15	

(2) Related lease

1) Lease

Lessor	Lessee	Leased Assets	Lease Expense Recognized in Current Period	Lease Expense Recognized in Previous Period
Beijing No. 1 Machine Tool Plant	Beijing Panni High-altitude Operation Equipment Co., Ltd.	Tenement	120,000.00	120,000.00
Beijing Jingcheng Machinery Assets Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Tenement	680,000.00	680,000.00
Beijing Jingcheng Machinery Assets Management Co., Ltd.	The Company	Tenement	756,603.33	

(3) Related guarantees

Guarantor	Guarantee	Amount	From	To	Whether Executed Completely
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	40,000,000.00	2015/2/26	2015/8/25	No
		50,000,000.00	2015/3/2	2015/9/1	No
		30,000,000.00	2015/5/14	2016/5/13	No
		30,000,000.00	2015/1/23	2016/1/22	No
		30,000,000.00	2015/1/27	2016/1/27	No
		20,000,000.00	2015/1/21	2016/1/21	No
		20,000,000.00	2014/8/7	2015/8/6	No
		50,000,000.00	2014/9/5	2015/9/4	No
		30,000,000.00	2014/11/26	2015/11/26	No
Total		300,000,000.00			

(4) Capital lending between related parties

Lender	Borrower	Amount	From	To	Rate of Interest
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	July 29, 2014	July 28, 2015	6.00%
		38,000,000.00	August 2, 2014	August 1, 2015	6.00%
		10,000,000.00	September 17, 2014	September 16, 2015	6.00%
		10,000,000.00	December 21, 2014	December 21, 2015	6.00%

SECTION 9 FINANCIAL REPORT

X. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

2. Related party transaction (Continued)

(5) Interest expense between related parties

Name	Current Amount	Previous Amount
Jingcheng Holding	2,640,000.00	10,354,166.64

3. Related party transactions of the parent company

(1) Related lease

Lease			Lease Expense Recognized in Current Period	Lease Expense Recognized in Previous Period
Lessor	Lessee	Leased Assets		
Beijing Jingcheng Machinery Assets Management Co., Ltd.	The Company	Tenement	756,603.33	

4. Consolidation and the parent company

(1) Remuneration of key management personnel

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Remuneration of key management personnel	1,676,426.97	2,900,032.31
Emoluments	458,656.51	1,072,397.34
Salary and other benefits	1,145,832.38	1,752,423.77
Contribution to retirement fund plan	71,938.08	75,211.20
Total	1,676,426.97	2,900,032.31

Analysis of remuneration of key management personnel:

Name and Post	Current Amount			Total
	Emoluments	Salary and other benefits	Contribution to retirement fund plan	
Executive Director				
Hu Chuanzhong		154,168.10	8,341.92	162,510.02
Li Junjie		154,168.10	8,341.92	162,510.02
Liu Zhe		121,768.06	8,341.92	130,109.98
Jiang Chi		121,666.06	8,341.92	130,109.98
Non-executive Director				
Xia Zhonghua	54,000.00	124,995.08	8,341.92	187,337.00
Jin Chunyu		13,488.68	1,390.32	14,879.00
Fu Hongquan		15,180.68	1,390.32	16,571.00
Independent Non-executive Director				
Wu Yan	60,000.00			60,000.00
Liu Ning	60,000.00			60,000.00
Yang Xiaohui	60,000.00			60,000.00
Fan Ning	60,000.00			60,000.00
Supervisor				
Chang Yun	54,000.00	84,171.40	6,951.60	145,123.00
Wang Yiqing		91,597.08	8,341.92	99,939.00
Wang Weijing		9,166.24	1,031.76	10,198.00
Other Senior Management Personnel				
Jie Yuemei (Chief Engineer)		89,464.58		89,464.58
Zhou Yongjun (Former Non-executive Director)	110,656.51	52,662.72	5,561.28	168,880.51
Han Bingkui (Former Supervisor)		113,335.60	5,561.28	118,896.88
Total	458,656.51	1,145,832.38	71,938.08	1,676,426.97

SECTION 9 FINANCIAL REPORT

X. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Consolidation and the parent company (Continued)

(1) Remuneration of key management personnel (Continued)

(Continued)

Name and Post	Previous Amount			Total
	Emoluments	Salary and other benefits	Contribution to retirement fund plan	
Executive Director				
Wang Pingsheng	461,100.00	188,411.03	7,521.12	657,032.15
Hu Chuanzhong	459,400.00	328,171.00	7,521.12	795,092.12
Jiang Chi	8,000.00	172,787.98	7,521.12	188,309.10
Wu Yanzhang	140,866.32	7,521.12	148,387.44	
Li Junjie	78,228.34	98,254.66	7,521.12	184,004.12
Supervisor				
Liu Zhe	7,200.00	169,449.64	7,521.12	184,170.76
Han Bingkui	11,671.00	194,816.22	7,521.12	214,008.34
Ruan Aihua	26,988.00	96,922.32	7,521.12	131,431.44
Other Senior Management Personnel				
Jiao Ruifang (Board of Directors Secretary)	8,800.00	172,570.56	7,521.12	188,891.68
Jie Yuemei (Chief Engineer)	11,010.00	190,174.04	7,521.12	208,705.16
Total	1,072,397.34	1,752,423.77	75,211.20	2,900,032.31

The Group pays neither bonus nor remuneration to attract key management personnel to join the Group in current period and previous period. No demission compensation was paid to key management personnel. Key management personnel of the Group do not give up any remuneration in current period and previous period.

(2) Employee remuneration:

Eight individuals with the highest remunerations in the Group were members of key management personnel whose remunerations are disclosed in Note X. 4 (1) above.

5. Balance of transactions with related parties

(1) Consolidated

1) Receivables from related parties

Item	Related Party	Ending Balance		Beginning Balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	1,980,944.00	19,809.44		
	Shandong Tianhai High Pressure Container Co., Ltd.			2,853,391.68	28,533.92
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	9,811.62	98.12		
Prepayments	Shandong Tianhai High Pressure Container Co., Ltd.	7,608,394.50			
	Beijing Jingcheng Machinery Assets Management Co., Ltd.			756,603.33	

2) Payables of related parties

Name	Related Party	Ending Balance	Beginning Balance
Accounts payable	Beijing Jingcheng Industrial Logistics Co., Ltd.	1,202,227.27	1,202,227.27
	Tianjin Steel Pipe & Steel Trade Co., Ltd.	45,488,343.20	29,905,275.77
Other payables	Jingcheng Holding	88,000,000.00	88,000,000.00
	Beiren Corporation Group	1,139,975.21	1,139,975.21
	Beijing No. 1 Machine Tool Plant		585,359.09
	TPCO Investment Co., Ltd.		995,957.08
Special payables	Jingcheng Holding	114,900,000.00	114,900,000.00

SECTION 9 FINANCIAL REPORT

X. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

5. Balance of transactions with related parties (Continued)

(2) Company

1) Receivables from related parties

Item	Related Party	Ending Balance		Beginning Balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Other receivables	Beijing Tianhai Industry Co., Ltd.	340,000,000.00		340,000,000.00	
Prepayments	Beijing Jingcheng Machinery Assets Management Co., Ltd.			756,603.33	

2) Payables of related parties

Item	Related Party	Ending Balance	Beginning Balance
Other payables	Beiren Corporation Group	1,139,975.21	1,139,975.21

XI. SHARE-BASED PAYMENT

The Group has no share-based payment as of June 30, 2015.

XII. CONTINGENCIES

There are no material contingencies for the Group to disclose as of June 30, 2015.

XIII. COMMITMENTS

1. Significant commitments

Lease contract signed that is being executed or ready for execution, and financial impact

On June 30, 2015, the future minimum payments on irrevocable operating leases of Mulin plants and other projects, in which the Group entered as lessee, are scheduled to be paid in the following period:

Period	Current Amount	Previous Amount
Within 1 year (T+1)	4,186,860.00	4,774,560.00
1-2 years (T+2)	4,186,860.00	4,186,860.00
2-3 years (T+3)	1,886,860.00	4,186,860.00
Over 3 years (T+3)	19,548,600.00	20,755,460.00
Total	29,809,180.00	33,903,740.00

2. There is no other significant commitment to be disclosed for the Group as of June 30, 2015, except for the commitments above.

XIV. EVENTS AFTER BALANCE SHEET DATE

Until the date of approval on the financial statements, there are no events after the balance sheet date for the Group to disclose.

XV. OTHER MAJOR MATTERS

1. Exchange of non-monetary assets

The Group has no exchange of non-monetary assets as of June 30, 2015.

2. Debt restructuring

The Group has no significant debt restructuring as of June 30, 2015.

3. Annuity plan

According to the Notice of State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality on Issues Concerning Implementation of Enterprise Annuity Implementation (JLSYF [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 paid to China Life Pension Company Limited for operation and management.

In August 2014, as the result of changes in tax rate and return on annuity, annuity was suspended after approval by the Workers Congress and the Annuity Administration Committee.

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS

1. Monetary funds

Item	Ending Balance	Beginning Balance
Cash	118.00	
Bank deposit	7,692,755.98	10,775,926.54
Other monetary funds	1,139,973.94	1,139,973.94
Total	8,832,847.92	11,915,900.48

2. Prepayments

(1) Age of prepayment

Item	Amount	Ending Balance		Beginning Balance	
		Proportion (%)	Amount	Proportion (%)	Amount
Within 1 year			756,603.33	100.00	
1-2 years					
2-3 years					
More than 3 years					
Total			756,603.33	100.00	

3. Interests receivable

Item	Ending Balance	Beginning Balance
Beijing Tianhai Industry Co., Ltd.	7,663,333.45	6,595,555.56
Total	7,663,333.45	6,595,555.56

4. Other receivables

Item	Ending Balance	Beginning Balance
Other receivables	340,000,000.00	340,000,000.00
Less: provision for bad debt		
Net amount	340,000,000.00	340,000,000.00

(1) Classification of other receivables

Category	Ending Balance				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item					
Other receivable with bad debt provision drawn by portfolio of credit risk features	340,000,000.00	100.00			340,000,000.00
Combination of related parties within the consolidation scope	340,000,000.00	100.00			340,000,000.00
Account age combination					
Other receivables with insignificant amount but drawn bad debt provision on single item					
Total	340,000,000.00	100.00			340,000,000.00

SECTION 9 FINANCIAL REPORT

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables

(1) Classification of other receivables

(Continued)

Category	Beginning Balance				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item					
Other receivable with bad debt provision drawn by portfolio of credit risk features	340,000,000.00	100.00			340,000,000.00
Combination of related parties within the consolidation scope	340,000,000.00	100.00			340,000,000.00
Account age combination					
Other receivables with insignificant amount but drawn bad debt provision on single item					
Total	340,000,000.00	100.00			340,000,000.00

1) In combination, other receivables of related parties in the consolidation scope

Entity Name	Ending Balance		
	Other receivables	Provision for bad debt	Drawing proportion (%)
Beijing Tianhai Industry Co., Ltd.	340,000,000.00		100.00
Total	340,000,000.00		100.00

5. Long-term equity investments

(1) Classification

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	694,842,724.41		694,842,724.41	694,842,724.41		694,842,724.41
Investment in joint ventures and associates						
Total	694,842,724.41		694,842,724.41	694,842,724.41		694,842,724.41

(2) Investment in subsidiaries

Invested Entity	Beginning Balance	Increase	Decrease	Ending Balance	Provision for Impairment Drawn in 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		
Total	694,842,724.41			694,842,724.41		

SECTION 9 FINANCIAL REPORT

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments

(3) Analysis of long-term equity investment:

Item	Ending Balance	Beginning Balance
Listed		
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Subtotal		
Unlisted	694,842,724.41	694,842,724.41
Total	694,842,724.41	694,842,724.41

6. Tax payable

Item	Ending Balance	Beginning Balance
VAT	-140,181.80	58,008.62
Business tax	146,444.45	329,777.78
City maintenance and construction tax	10,251.11	27,145.04
Educational surcharges	7,322.22	19,389.32
Personal income tax	70,848.26	
Total	94,684.24	434,320.76

7. Other payables

(1) Classification of other payables by nature

Nature	Ending Balance	Beginning Balance
Funds disbursed for others, etc.	8,688,817.85	4,545,647.21
Total	8,688,817.85	4,545,647.21

(2) Details of accounts payable with an age of over 1 year

Entity Name	Ending Balance	Reasons for not repaying and carrying forward
Beiren Corporation Group	1,139,975.21	In the process of title transfer
Beijing Guoxingjiye Land Planning Co., Ltd.	1,000,000.00	In process
Total	2,139,975.21	

8. Capital stock

Unit: RMB 1,000

Shareholder's Name/Category	Beginning Balance		Current Change				Ending Balance		
	Amount	Proportion (%)	New shares issued	Share Allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
Conditioned share									
Share held by state-owned legal person									
Total conditioned shares									
Unconditioned shares									
Ordinary shares (RMB)	322,000.00	76.30					322,000.00	76.30	
Overseas listed foreign shares	100,000.00	23.70					100,000.00	23.70	
Total unconditioned shares	422,000.00	100.00					422,000.00	100.00	
Total shares	422,000.00	100.00					422,000.00	100.00	

SECTION 9 FINANCIAL REPORT

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Capital reserves

Item	Beginning Balance	Increase	Decrease	Ending Balance
Capital stock premium	565,619,913.60			565,619,913.60
Other capital reserves	101,020,074.25			101,020,074.25
Total	666,639,987.85			666,639,987.85

10. Surplus reserves

Item	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	38,071,282.24			38,071,282.24
Total	38,071,282.24			38,071,282.24

11. Undistributed profits

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-77,580,454.28	
Add: adjustment of beginning undistributed profit Including: retrospective adjustment in accordance with new provisions of Accounting Standards for Business Enterprises Change in accounting policies Corrections of significant previous period errors Other adjustment factors		
Beginning balance of current year	-77,580,454.28	
Add: net profits in current period	-6,575,412.12	
Less: appropriation of legal surplus reserves Appropriation of discretionary surplus reserve Drawing of provision for general risk Common stock dividends payable Common stock dividends turned into capital stock		
Ending balance of current period	-84,155,866.40	

12. Operating revenues and costs

(1) Breakdown

Item	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Revenue	Cost	Revenue	Cost
Main operation				
Other operation	1,079,002.31			
Total	1,079,002.31			

(2) Other operating revenues and costs

Item	Current Amount		Previous Amount	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Consultation expenses	11,000.00			
Fund utilizing fee	1,068,002.31			
Total	1,079,002.31			

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

13. Notes to cash flow statement

(1) Other cash received/paid related to operating/investing/financing activities

1) Other cash received related to operating activities

Item	Current Amount	Previous Amount
Interest revenue	22,281.51	70,548.72
Open credit	1,161,473.01	203,942.40
Total	1,183,754.52	274,491.12

2) Other cash paid related to operating activities

Item	Current Amount	Previous Amount
Miscellaneous expenses	2,272,249.04	1,375,596.14
Open credit		2,671,471.55
Total	2,272,249.04	3,993,067.69

(2) Supplementary information to cash flow statement

Item	Current Amount	Previous Amount
1. Reconciliation of net profit to cash flows from operation:		
Net profit	-6,575,412.12	-1,101,105.02
Add: provision for impairment of assets		
Depreciation of fixed assets		
Depletion of oil and gas assets		
Depreciation of productive biological assets		
Amortization of intangible assets		
Amortization of long-term expenses to be amortized		
Amortization of expenses to be amortized		
Drawn expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")		
Loss on retirement of fixed assets (gains to be listed with "-")		
Changes in fair value recognized in profit of loss (gains to be listed with "-")		
Financial expenses (gains to be listed with "-")		
Investment income (loss to be listed with "-")		
Decrease of deferred income tax assets (increases to be listed with "-")		
Increases of deferred income tax liabilities (decreases to be listed with "-")		
Decrease of inventory (increases are listed with "-")		
Decreases of operational receivables (increases to be listed with "-")	-311,174.56	
Increases of operating payables (decreases to be listed with "-")	3,803,534.12	-2,617,471.55
Others		
Net cash flows from operating activities	-3,083,052.56	-3,718,576.57
2. Significant investing and financing activities not related to cash deposit and withdrawal:		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets acquired under finance leases		
3. Net change in cash and cash equivalents:		
Ending balance of cash	8,832,847.92	3,039,938.42
Less: beginning balance of cash	11,915,900.48	9,537,212.51
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-3,083,052.56	-6,497,274.09

SECTION 9 FINANCIAL REPORT

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

13. Notes to cash flow statement (Continued)

(3) Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash	8,832,847.92	3,039,938.42
Including: cash on hand	118.00	
Bank deposit available for payments at any time	7,692,755.98	3,039,938.42
Other monetary capital available for payments at any time	1,139,973.94	
Accounts deposited in central bank available for payments		
Deposits in other banks		
Interbank loans		
Cash equivalents		
Including: bond investment due within three months		
Ending balance of cash and cash equivalents	8,832,847.92	3,039,938.42

XVII REPORT APPROVAL

This financial report is approved by the Board of Directors of the Company on August 11, 2015.

XVIII SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

1. Statement of non-recurring profit and loss in current period

In accordance with the Explanatory Announcement of China Securities Regulatory Commission on Information Disclosure by Companies Offering Securities to the Public No.1 – Non-recurring Profit and Loss (2008), the Group states its non-recurring profit and loss as following:

Item	Current Amount	Notes
Profits and losses from disposal of non-current assets	18,339,549.28	
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document		
Government subsidy included in current profits and losses	112,912.00	
Capital occupation fee charged from non-financial enterprises and included in current profits and losses		
Gains from the fair value of the net identifiable assets of the invested company for acquiring a subsidiary, joint venture, or associate with investment cost less than the gains		
Loss/profit of non-monetary assets exchange		
Profits and losses of assets commissioned others to invest or manage		
Provisions for impairment of assets accrued due to force majeure (e.g. natural disasters)		
Loss/profit out of debt restructuring		
Restructuring charges (e.g. charges for employees resettlement and consolidation)		
Loss or profit out of the fair value from transactions with unfair price		
Net gains or losses from the beginning of a subsidiary from merger of companies under the same parent company to the date of merger in the current period		
Gains or losses from contingencies unrelated to normal operations		
In addition to the effective hedging related to normal operations, losses and profits from changes in fair value for holding of trading financial assets or trading financial liabilities, and gains from dispose of trading financial assets, trading financial liabilities, or marketable financial assets		
Reversal for impairment provision of receivables subject to separate impairment test		
Gains or losses from external entrusted loans		
Gains or losses from changes in fair value of investment property subsequently measured in fair value		
Influence on the current gains or losses for once adjustment of the current gains or losses as required by the relevant taxation or accounting laws and regulations		
Loss/profit from transfer of long-term equity investment held		
Other non-Operating incomes or expenditures except the above items	-1,022,295.69	
Other losses and profits conforming to the definition of non-recurring profit and loss		
Subtotal	17,430,165.59	
Effect of income tax	-36,964.42	
Impact on minority interest income (after-tax)	-79,313.32	
Total	17,546,443.33	

SECTION 9 FINANCIAL REPORT

XVIII SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS (CONTINUED)

2. Differences between foreign and domestic accounting standards (Unit: RMB 1,000)

Item	Net Profit		Net Assets	
	Current Amount	Previous Amount	Ending Balance	Beginning Balance
HK GAAP	-66,775	17,275	871,692	1,133,798
Accounting Standards for Business Enterprises	-66,775	17,275	871,692	1,133,798

3. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted Average ROA (%)		EPS			
	2015 Jan.-Jun.	2014 Jan.-Jun.	Basic EPS		Diluted EPS	
			2015 Jan.-Jun.	2014 Jan.-Jun.	2015 Jan.-Jun.	2014 Jan.-Jun.
Net profit attributable to shareholders of the parent company	-5.34	2.56	-0.11	0.05	-0.11	0.05
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	-7.30	-5.55	-0.15	-0.11	-0.15	-0.11

XIX OTHER INFORMATION TO BE DISCLOSED

1. Turnover

Turnover is the net value of received and received from sales of different types of printing machines, cold storage containers, compressors, spare parts and services rendered. Breakdown details are as follows:

Item	Current Amount	Previous Amount
Compressors		30,480,900.00
Seamless steel gas cylinders	298,971,754.06	414,963,770.46
Winding cylinders	57,436,328.79	184,961,365.18
Low temperature cylinders	80,137,659.39	132,839,611.65
Low temperature storage and transportation equipment	33,051,097.99	54,324,174.50
Others	93,716,428.34	93,443,560.37
Total sales amount	563,313,268.57	911,013,382.16
Less: sales tax and other surcharges	105,207,867.95	165,909,415.24
Total	458,105,400.62	745,103,966.92

2. Taxes

Item	Current Amount	Previous Amount
Current income tax	1,846,028.05	9,025,245.90
Deferred income tax	65,850.31	1,220,059.33
Total	1,911,878.36	10,245,305.23

3. Dividend

No dividend paid or declared from January to June of 2015. No dividend is declared during this reporting period (2014: none).



SECTION 10 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the interim report signed by the Chairman
2. The financial statements signed and sealed by the legal representative, in-charge of financial and financial manager of the Company
3. Original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, Securities Daily, the website of Shanghai Stock Exchange and the website “HKExnews” of the Stock Exchange
4. The Articles of Association of the Company
5. The above documents are available for inspection at the office of the Board of Directors of the Company, whose address is No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing

Chairman: **Hu Chuanzhong**

Date of approval by the Board: 11 August 2015