



京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

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

Annual Report 2015



A decorative sunburst graphic in the top right corner, consisting of numerous thin lines radiating from a central point, creating a starburst effect. The lines are light orange and white, blending into the background.

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IMPORTANT NOTES

1. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm that information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.

2. Directors did not attend the board meeting

Positions of directors who did not attend the board meeting	Name of directors who did not attend the board meeting	Reasons for not attending the board meeting	Appointee
Director	Chen Changge	Office duty	Li Junjie
Director	Jin Chunyu	Office duty	Xie Zhonghua

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

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

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

During the Reporting Period, as audited by the Shinewing Certified Public Accountants LLP, the net profits attributable to the parent company was RMB-207,817,400 and the undistributed profits at the end of the year was RMB-439,874,300. As the Company recorded negative undistributed profits, the Company proposed not to distribute any profit and not to capitalize from capital reserves for the year 2015. Such resolutions are required to be submitted at the AGM for consideration and approval.

6. Declaration on risk from forward-looking statements

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

Due to the optimism for domestic natural gas markets, factories of manufacturing gas storage and transportation equipment continued to expand the production scale, creating serious excess production capacity and making an increasingly competitive industry.

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

Due to the depressed world economy, technical advancement and political factors, the international futures price of crude oil halved, narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; the vehicle modification market is basically at a standstill state.

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

No

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

No

9. IMPORTANT RISK WARNINGS

Risks related to the Material Assets Reorganisation have been explained in full in the section "I. Risks relating to the Transaction" under "Warning on Major Risks" in the "Proposal In Relation To Acquisition Of Assets Through Issue Of Shares And Cash Payment As Well As Raising Of Supporting Funds And Connected Transaction For Beijing Jingcheng Machinery Electric Company Limited" disclosed by the Company on February 3, 2016. Shareholders are reminded to read the relevant contents carefully and to be aware of the investment risks.

1. Definitions

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

Definition of frequently used terms

Company	means	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Company Limited), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Beiren Holdings	means	Beiren Printing Machinery Holdings Limited (the former name of the Company)
Group	means	the Company and its subsidiaries
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
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Tianhai Industrial and Beijing Tianhai	means	Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a subsidiary of the Company
Jingcheng Compressor, Jingcheng Environment	means	Beijing Jingcheng Compressor Co., Ltd. (北京京城壓縮機有限公司), a subsidiary of the Company and its former name is Beijing Jingcheng Environmental Protection Development Co., Ltd. (北京京城環保產業發展有限責任公司)
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited, a subsidiary of the Company
Board	means	the board of directors of the Company
AGM	means	the 2014 Annual General Meeting convened on June 9, 2015
EGM	means	the first extraordinary general meeting for 2015 convened on December 10, 2015
Supervisory Committee	means	the supervisory committee of the Company
Director(s)	means	the director(s) of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Shareholder(s)	means	the holder of Shares
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
Reporting Period	means	the period from January 31, 2015 to December 31, 2015
SSE	means	Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government

SECTION 1 DEFINITION

1. Definitions *(cont'd)*

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

2. Important Risk Warnings

The Company has described related matters in which risks may occur in details in this report. Please refer to the Section 5 "Management Discussion and Analysis" for the risks that are exposed to the Company in the contents concerning discussion and analysis of future development of the Company.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I Information of the Company

Chinese name of the Company	北京京城机电股份有限公司
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	Wang Jun

II Contact Persons and Contact Methods

	Secretary to the Board	Representative in charge of securities affairs
Name	Jiang Chi	Chen Jian
Contact address	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC
Telephone	010-67365383	010-67365383
Facsimile	010-87392058	010-87392058
E-mail	jcgf@btic.com.cn	jcgf@btic.com.cn

III Basic Information

Registered address of the Company	Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing
Postal code of the registered address of the Company	100022
Office address of the Company	No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC
Postal code of the office address of the Company	101109
Company's international internet website	www.jingchenggf.com.cn
E-mail	jcgf@btic.com.cn

IV Dissemination of Company Information and the Place for Preparation and Reference

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

V Information of the Company's Shares

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI Changes in registration of the Company during the reporting period

(1) Basic information

Date of registration	December 23, 2013
Place of registration	Chaoyang District, Beijing, the PRC
Unified social credit code	91110000101717457X

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

Date of the first registration	July 13, 1993
Place of the first registration	Chaoyang District, Beijing, the PRC
Date of change of registration for the first time	December 24, 2003
Place of change of registration for the first time	Beijing, the PRC
Date of change of registration for the first time	December 23, 2013
Place of change of registration for the second time	Chaoyang District, Beijing, the PRC

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

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

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

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

During the Reporting Period, Beijing Jingcheng, the controlling shareholder of the Company, reduced its shareholdings by 21,000,000 shares, representing 42.80% of the Company's shares.

VII Other Related Information

Name of the accounting firm engaged by the Company (domestic)	Name Office address Names of signing accountant	Shinewing Certified Public Accountants LLP 9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC Pang Rongzhi, Zhan Jun
Name of the domestic legal adviser engaged by the Company	China Kang Da Law Firm	
Office address of the domestic legal adviser engaged by the Company	40-3C, No. 40, XingFu Ercun, Chao Yang District, Beijing, the PRC	
Name of the overseas legal adviser engaged by the Company	Woo, Kwan, Lee & Lo	
Office address of the overseas legal adviser of the Company	26/F, Jardine House, Central, Hong Kong	
Other basic information of the Company	Reception of shareholders enquiries: 10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturdays and Sundays) 9:00-11:00a.m. 2:00-4:00p.m.	

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

I. Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figure	2015	2014	Changes over the same period of the preceding year (%)	2013
Operation income	1,076,596,258.89	1,806,333,093.44	-40.40	2,828,194,349.87
Net profit attributable to shareholders of listed company	-207,817,373.56	21,416,206.70	-1,070.37	-107,597,719.91
Net profit attributable to shareholders of listed company after extraordinary items	-216,232,928.23	-156,817,432.32	N/A	-76,005,574.46
Net cash flow from operating activities	145,654,400.12	-107,897,373.68	N/A	-226,602,488.48
	At the year end of 2015	At the year end of 2014	Changes over the same period of the preceding year (%)	At the year end of 2013
Net assets attributable to shareholders of listed company	712,663,072.55	919,530,631.51	-22.50	775,271,687.06
Total assets	2,077,492,109.79	2,507,883,349.66	-17.16	2,829,360,876.07
Total equity at the end of the period	422,000,000.00	422,000,000.00	-	422,000,000.00

II. Key financial indicators

Key financial indicators	2015	2014	Changes over the same period of the preceding year (%)	2013
Basic earnings per share (RMB/share)	-0.49	0.05	-1,080.00	-0.25
Diluted earnings per share (RMB/share)	-0.49	0.05	-1,080.00	-0.25
Basic earnings per share after extraordinary items (RMB/share)	-0.51	-0.37	N/A	-0.18
Returns on net assets on weighted average basis (%)	-25.46	2.33	Decreased by 27.79 percentage points	-13.88
Return on net assets on weighted average basis after extraordinary items (%)	-26.50	-17.05	N/A	-9.80

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

In 2013, the Company conducted Asset Reorganisation, of which, all the assets and liabilities of the manufacturing business of printing machines were out gone, and at the same time, manufacturing business of gas storage and transportation equipment were come into the Company. The Completion was on October 31, 2013. Pursuant to the requirements of the Accounting Standards for Business Enterprise, the data of the Incoming Assets for the entire year and the data of the Outgoing Assets from January to October 2013 should included in the financial data of 2013.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IX ACCOUNTING DATA DIFFERENCES UNDER FOREIGN ACCOUNTING STANDARDS

- (i) **Difference in net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the PRC GAAP**
 Applicable Not Applicable
- (ii) **Difference in net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC GAAP**
 Applicable Not Applicable
- (iii) **Description of differences between PRC GAAP and foreign GAAP**
Nil

X Major financial data of 2015 by quarter

Unit: Yuan Currency: RMB

	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operation income	290,609,882.41	307,574,218.57	242,020,805.11	236,391,352.80
Net profit attributable to shareholders of listed company	-25,520,328.32	-22,304,416.61	-34,639,537.34	-125,353,091.29
Net profit attributable to shareholders of listed company after extraordinary items	-24,913,669.16	-40,457,519.10	-34,839,596.57	-116,022,143.40
Net cash flow from operating activities	-25,192,622.61	24,738,083.83	88,774,139.67	57,334,799.23

Description of differences between quarterly data and data in disclosed regular reports

Applicable Not Applicable

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XI Extraordinary Items and Amounts

√ Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Extraordinary items	Amount of 2015	Note (where applicable)	Amount of 2014	Amount of 2013
Profit and loss from disposal of non-current asset	12,045,657.31		81,540,465.35	-14,393.74
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax				
Government grants recognised in profit or loss, 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	450,032.00		1,548,580.56	2,668,633.80
Receipts from non-finance institutes on using state funds	400,701.19			
Income from the difference between the cost of investment in subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities				
Gain or loss from transferring of non-monetary assets				
Gain or loss from investments under entrust by others or assets under management by others				
Provision for impairment of assets due to force majeure such as nature disasters				
Gain or loss on debt restructuring				34,759.16
Gain or loss on corporation restructuring, such as employee relocation expenses and integration costs				
Gain or loss arising from the difference between the unfair price of a transaction which has a unfair trading price and the fair value of the price				
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date				-32,693,979.16
Gain or loss from non-related business operations or contingencies				
Profit or loss from changes of the fair value of tradable financial assets and liabilities held and investment income from disposal of tradable financial assets and liabilities and available for sale financial assets, except for hedging related to companies' daily operations				
Write back of impairment of receivables on individually impairment test				
Gain or loss from entrusted loans				
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement				
Impact on gain or loss from one-off adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations				
Entrusted fee income from entrusted operations	-5,224,026.85		-1,129,671.91	-75,174.26
Other non-operating income and expenses except for mentioned above				
Gain or loss from other extraordinary items			99,193,128.78	-641,637.99
Gain or loss from transferring of the long-term equity investments				
Effects on non-controlling interests	742,656.24		-2,925,187.60	-873,356.67
Effects on income tax	534.78		6,323.84	3,003.41
Total	8,415,554.67	-	178,233,639.02	-31,592,145.45

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XII Items measured at fair value

Not Applicable

XIII Others

History

The Company is a joint stock company established by Beiren Group Corporation as the sole promoter. On July 13, 1993, the Company incorporated in the Administration Bureau of Industry and Commerce. The Company was approved to become a joint stock limited company established by public offer of shares domestically and in Hong Kong on July 16, 1993 with regard to the approval document Ti Gai Sheng (1993) No. 118 from the State Commission for Restructuring Economic System. Pursuant to the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council and other relevant authorities, the Company issued H Shares in Hong Kong in 1993 and A Shares in Shanghai in 1994. The H Shares were listed on Stock Exchange in 1993 and the A Shares were listed on the SSE in 1994. Upon the approval of document Zheng Jian Fa Hang Zi [2002] No. 133 issued by CSRC in 2002, the Company issued 22,000,000 additional A Shares which were listed on the SSE on January 16, 2003. On March 20, 2006, the Company’s general meeting approved share segregation reform in the A-share market. Trading in the Company’s A shares resumed on March 31, 2006. On September 26, 2013, the Company received the approval in relation to the Material Assets Reorganisation of Beiren Printing Machinery Holdings Company Limited (Zheng Jian Xu Ke [2013] No. 1240) from the China Securities Regulatory Commission, whereby the Company’s material asset reorganisation and connected transaction matters have been approved. The Company exchanged all its assets and liabilities with 88.50% equity interest in Beijing Tianhai Industry Co., Ltd, 100% equity interest in Jingcheng Holding (Hong Kong) Company Limited and 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. held by Jincheng Holding, with the difference is to be paid in cash by Jincheng Holding. Since relevant businesses have been changed after material asset reorganisation, on December 23, 2013, after approved by the Beijing Municipality State Administration for Industry and Commerce, the name of the Company was changed to “Beijing Jingcheng Machinery Electric Company Limited” from “Beiren Printing Machinery Holdings Limited”.

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

SECTION 3 BUSINESS SUMMARY OF THE COMPANY

I. Principal Activities, Business Model and Industry Overview of the Company during the Reporting Period

1. Scope of business:

Licensed items of operation: general logistics; professional contracting.

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

2. Business model

- (1) Enhance management of and control over marketing strategies and implement strategic cooperation. Strategic partners shall be selected by giving priorities to outstanding supplies and customers with upstream and downstream resources, mainly major customers, vehicle assembly plants, gas companies and multinationals. Focus shall be placed on those with competitive strengths in a certain industry so that stable orders or raw materials with lower costs can be obtained for the Company in order to improve the competitiveness of the Company.
- (2) Enhance management of sales network. Internet, search engines including Baidu and Google, and business websites and platforms including Alibaba shall be made full use of to let customers all over the world easily locate the Company or its products and to quickly track the information on Internet customers and retain effective customer resources through various means. In particular, new markets, business forms and customers shall be actively developed by leveraging the State's policies for the "Integration of Beijing, Tianjin and Hebei", the "One Belt, One Road" and the Yangtze River Economic Belt, actively cooperating with energy companies, and shifting focus to regions with rich natural gas resources and great development potential, domestic vessel transportation and coal to gas conversion.
- (3) Enhance development of sales teams. Education and training shall be enhanced to improve the quality, market sensibility and services of sales persons. Sales teams shall be expanded to attract experts, technicians and skilled persons for the sales department. The mechanism for motivating and restraining sales teams shall be improved to become performance-driven and fully motivate marketing personnel.
- (4) Implement management of customer credit risks. High quality distributors shall be retained by assessing them based on operational and sales performance and revoking licenses to underperforming distributors. Distributors with poor market development ability, low loyalty and bad collection ability shall be removed and legal means shall be adopted for those in willful default of payment. Development of the customer resource information system shall be enhanced to convert customer resources of salespersons and distributors into those of the Company.
- (5) The after-sales service system shall be improved to incorporate after-sales services into the quality management system of the Company. An after-sales service workflow shall be established and improved to form a concise and plain system clearly defining duties and responsibilities. Development of after-sales service network of the Company shall be actively advanced by continuing to set up service stations in key regions in order to realize active one-stop services and continuing to improve the quality and efficiency of services.

3. Industry overview:

Affected by the international and domestic depressed macroeconomic situation, the demand for the gas storage and transportation industry decreased, which is particularly affected by the further reduced difference between the prices of oil and gas, adjustment of the oil to gas policy, market demand for products like model SI LNG cylinders, wrapped gas cylinders and small cryogenic tanks of the Company declined, leading to a decline in sales. The natural gas market is widely seen to have a promising future in the long term. Many major investment companies purchased land to build plants for manufacturing natural gas storage and transportation equipment, while existing manufactures continued to expand their scale of production, resulting in significant overcapacity and increasingly fierce competition.

SECTION 3 BUSINESS SUMMARY OF THE COMPANY

II. Description of material changes in major assets of the Company during the Reporting Period

No material changes

III. Analysis of core competitiveness during the Reporting Period

The brand of Tianhai has a high reputation in the global gas storage and transportation industry. The major economic indicators of the Company have been in the leading position in the industry for 20 consecutive years.

The Company has obtained ISO9001:2008, ISO/TS16949:2009 international quality management system certification and ISO14001:2004 environment management system, OHSAS18001:1999 OSH management system and 41 international product certifications such as American DOT, German TUV and Canadian TC. Seamless steel gas cylinders under JP brand received national quality award in 1984 and were honored "Famous Brand of Beijing" from 2002 to 2009.

The Company has established a complete sales network with over 30 distribution network points scattering across the country, realizing a full geographical coverage nationwide. The Company has also set up eight overseas sales network points mainly located in the United States, Singapore, Korea, India, Australia and other countries with value of direct export accounting for around 50% of total income.



I. Review

The year 2015 was the last year of the twelfth five-year strategic plan of the Company, and a year for planning for the strategies for the thirteen five-year period. With continuing depressed world economy, domestic economy to deal simultaneously with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of the previous economic stimulus policies, slowdown of emerging economies and depreciation of currencies of a number of countries, the commodities market saw wide fluctuations. Under the new normal with lack of internal motivation for development of the gas storage and transportation industry and national policies for electric vehicles, the Company faced a series of difficult problems including operating with heavy assets, overcapacity and relocation and adjustment. In the face of severe market conditions, the Company made strong efforts in adjusting industry structure, exploring new business forms and areas and research and development of new products by implementing its strategies, focusing on reform and innovation, and sticking to its goal of “lowering inventories, receivables, costs and expenses and improving financial performance” in order to seek development amid the adverse conditions. However, it was still unable to reverse the continuous downward trend, and there were considerable gaps between its economic indicators and the objectives set at the beginning of the year.

(I) Promoted the reform and adjustment as well as the transformation and upgrade

In order to better realize the transformation and upgrade of the Company, a leader ship team and a working group for preparing strategic plan for the “thirteen five-year period” were formed. After several discussion and repeated amendments, the plan was basically finalized. The “thirteen five-year period” strategy confirmed the direction of the future development and the measures for the transformation and upgrade.

(II) Actively adjusted the sales strategies with highlights in the market exploration

Facing the tough market conditions, the Company actively adjusted the sales strategies, especially by the various measures in a “thinking out of the box, expanding the market by all means” manner adopted in the fourth quarter. With the courage of “not losing a single order”, breakthroughs in the fields of fostering new market, finding new customers, promoting new products were achieved.

SECTION 4 CHAIRMAN'S STATEMENT

I. Review (cont'd)

(III) Being innovative in management to upgrade the level of corporate management

The Company is result-oriented and rounded out the content of letter of responsibilities on annual objectives as well as the department annual key business, strengthened the quantitative indicator and its weight, enhanced the maneuverability of performance appraisal. Using the task management module of OA office platform can conduct supervision and management for the key business in time.

(IV) Put the measures controlling all staff cost into effect

The cost has become a key factor which limits the market competitiveness of our products. Hence, the Company formulated the plan to lower the stock, receivables and costs and enhance economic efficiency as well as 95 measures for controlling the cost of all staff.

II. Outlook

The year 2016 is the first year of the Company's thirteen five-year Strategic plan. In the face of the complex and volatile economic conditions and fierce competition in the gas storage and transportation industry, the guiding principles for the development of the Company are as follows: thoroughly studying and implementing the spirits of the Central Economic Work Conference, striving to reduce or return to profitability and convert from expansion in scale to improved quality and results by adhering to the strategies for the 13th five-year plan and upholding the theme of industrial consolidation and development and utilization of resources; strengthening allocation of sales resources, improving market development ability, accelerating the transformation and upgrading of sale and service models to realize its conversion from a pure cylinder manufacturer to a provider of system solutions and services; developing an innovative assessment and motivation mechanism to stimulate organizational energy and improve work efficiency; taking the proposal for returning to profitability and tackling difficulties as the guide by implementing the division management model, subdivision of accounting units to improve the operational independence of its subsidiaries; expanding its thinking of product research and development, accelerating product research and development, shortening the lead time for the launch of its products, and improving the added-values and competitiveness of its products by utilizing the internet of things, the internet and technologies; and enhancing budgeting management, improving capital utilization, refining cost reduction measures, strengthening assessment in order to fully meet objectives, finish key work and ensure the continuous healthy operation of the Company.



II. Outlook *(cont'd)*

(I) Regarding sales as the core to spare no effort in expanding market with constantly increasing sales revenue

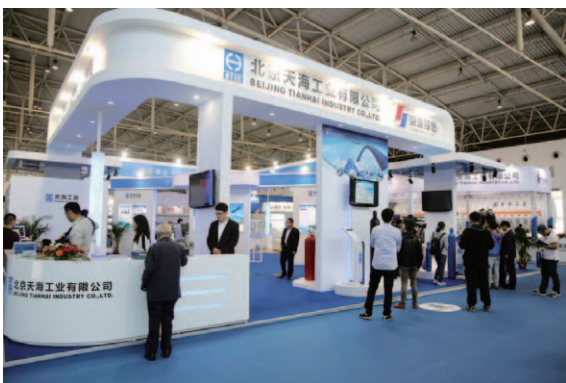
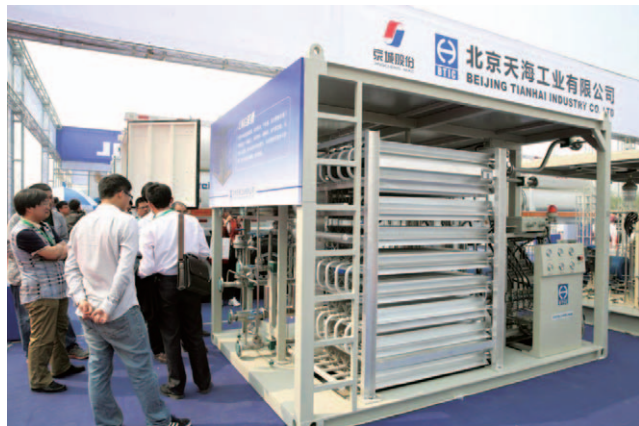
Firstly, sort out the plan for the brand by differentiate the trademark and product technique requirements among superior, middle-class and inferior products. High-end product needs to maintain its edge of technique quality and lead the industrial development. Secondly, work on market promotion to give publicity about Company's products and services through different channel like magazines, media and internet. Thirdly, work on trademark protection and apply patent for techniques in order to uphold legal rights of the Company by law.

(II) Sub-itemizing the assessment for boosting up working motivation

On one hand, implement integrated supply and marketing system to manage Minghui Tianhai which is suffering the most severe lost. On the other hand, delegate procurement authority to the subsidiaries. The head quarter is responsible for the supervision of subsidiaries' independent procurement. With the streamlining process, the Company control and supervise the procurement process on key material by the subsidiaries and at the same time, conduct assessment for the quality of the procurement by the subsidiaries. The communication about procurement should be strengthened among companies.

(III) Regarding product innovation as drive to prompt sustainability of the enterprise

Through the "Market-oriented, customer centric" mindset in new product development, the way of assessment on new product development has been improved and the motivation of the developers has been boost to prompt the entering of new products into the market.



II. Outlook (cont'd)

(IV) Enhancing comprehensive management on budgets

Firstly, continues the implementation of OA budget electronic management system and strictly separate the authority of online approval limits. Secondly, budget management committee and its institutions fully fulfill their mandate as to analysis the implementation of the budget regularly to establish the budget assessment system. The departments of the Company and its subsidiaries sign the letter of responsibilities on objectives as the base of assessment; enhance the budget implementation to avoid the occurrence significant discrepancy. Thirdly, tackle the existing problem in Company's management and suggest reasonable advises to it by financial audit and financial analysis.

(V) Strengthening the management of human resources

Compared to the targeted enterprises and the industrial level, the Company analyzed indicators such as the labor cost and the staff cost rate in detail and further carried out the fundamental work for human resources to strengthen human resources training and system formulation.

(VI) Enhancing the standard of corporate management by informatization

The Group management ERP software was introduced through tender in 2016 to integrate the existing software procedures for gradually implementing closed-loop management like research and development + planning + procurement + production + order and contract + delivery + receivable + payable, carrying out the standardized management and sophisticated management of the corporate, enhancing cooperation and operation efficiency, avoiding management loopholes and reducing waste as well as providing accurate support for the operational decision of the Company.

By the Order of the Board of Directors
Wang Jun
 Chairman

March 17, 2016




水溶汽化增压系统

北京天海工业有限公司研发的水溶汽化增压系统替代了传统片式空溶汽化增压系统，将增压汽化和制气液化融为一体，结构更紧凑更合理，水溶汽化增压系统供气能力可达30MPa，与传统片式增压系统相比，大大提升了汽化效率，使LNG汽化增压更加速。



泵式增压系统

北京天海工业有限公司自主研发的泵式增压系统，突破传统片式空溶汽化增压系统在设计上的局限性，突破了传统片式增压效率低的问题，有效提升了增压效率，有效避免了传统片式增压系统产生的噪音，通过压力传感器实时监控LNG流量和增压效率，有效稳定增压压力，实现连续、精确增压系统的供气压力和流量，LNG利用效率提高。



车用铝内胆碳纤维全缠绕复合气瓶

北京天海工业有限公司拥有技术先进的国内碳纤维全缠绕复合气瓶生产厂，先后取得了加拿大认证(DOT FM45534, ISO14224, ISO11119)以及国内的生产制造许可证，能够生产直径规格从φ370mm到φ525mm，容积从80L到300L的多种规格系列产品。该产品具有压力高、重量比小、安全性好和低温耐压能力强等优点。现已广泛应用于清洁能源汽车领域。



车载CNG供气系统

北京天海工业有限公司生产的车载CNG供气系统可以满足客户的需求进行定制，从气瓶结构到安全阀、控制系统的选型气路结构，可全方位满足客户使用需求。目前，公司已经为国内多家汽车厂进行供货，产品广泛应用于重卡、工程机械等大型车辆上。

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

Scope of the principal business during the Reporting Period

Licensed items of operation: general logistics; professional contracting.

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

II. Principal operation during the Reporting Period

As for the principal business of the Company during the Reporting Period, the Company recorded operating income of RMB 1,076,596,300, net profit attributable to shareholders of listed company of RMB-207,817,400, earnings per share of RMB -0.49 in accordance with the PRC Accounting Standards.

(i) Analysis on principal business

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

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operation income	1,076,596,258.89	1,806,333,093.44	-40.40
Operating cost	1,015,339,266.43	1,621,482,256.01	-37.38
Sales expense	75,076,845.20	102,661,594.08	-26.87
Management expense	162,725,545.83	182,887,041.22	-11.02
Financial expense	13,645,237.16	41,825,014.86	-67.38
Net cash flow from operating activities	145,654,400.12	-107,897,373.68	N/A
Net cash flow from investment activities	-12,645,538.74	87,653,788.55	-114.43
Net cash flow from financing activities	-85,729,740.42	-160,813,146.23	N/A
Research and development expenditures	14,150,447.32	16,003,399.28	-11.58
Business tax and surcharge	10,730,945.87	21,226,908.28	-49.45
Impairment loss on assets	98,799,794.37	859,862.98	11,390.18
Gain on investment	1,563,597.03	100,696,436.75	-98.45
Non-operating income	12,940,608.46	83,939,078.84	-84.58
Non-operating cost	5,668,946.00	1,979,704.84	186.35

1. Analysis on income and cost

During the Reporting Period, the sales of gas storage and transportation equipment declined as compared with 2014, which was mainly attributable to the following factors:

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

In 2015, due to the weak world economy, technical progress and political factors, the international futures price of crude oil dropped by half and the price of domestic product oil was reduced continuously; while the price of natural gas rose, narrowing down the price difference with oil price and reducing the endogenous power for the development of natural gas.

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

In 2015, affected by the decline of industries smelting, shipbuilding and construction industries, in which the industrial gas was used, the demand for the industrial gas declined, leading to the excess production capacity of seamless steel gas cylinders for industrial uses. The competition in the traditional market of seamless steel gas cylinders for industrial use became increasingly fierce. In order to compete for the limited market demand, a reduction on selling price was needed, leading to the declines in achievements of traditional industrial gas cylinders. Transportation expenses, labor costs and energy and power related expenses increased, leading to the decline of profits.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

(i) Analysis on principal business *(cont'd)*

1. Analysis on income and cost *(cont'd)*

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

Unit: Yuan Currency: RMB

Principal business by product

By product	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income over last year (%)	Increase/ decrease in operating cost over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Compressor business				-100.00	-100.00	Decreased by 12.04 percentage points
Seamless steel gas cylinders	520,020,428.88	465,208,504.31	10.54	-38.17	-38.53	Increased by 0.53 percentage points
Wrapped cylinders	141,525,779.70	128,901,751.30	8.92	-57.87	-54.98	Decreased by 5.85 percentage points
Cryogenic gas cylinders	116,927,446.22	141,271,926.49	-20.82	-48.17	-37.39	Decreased by 20.80 percentage points
Cryogenic devices for storage and transportation	70,270,824.89	64,262,919.65	8.55	-34.77	-22.28	Decreased by 14.69 percentage points
Other	188,772,839.85	177,095,301.28	6.19	-1.52	2.05	Decreased by 3.28 percentage points
Total	1,037,517,319.54	976,740,403.03	5.86	-40.51	-37.47	Decreased by 4.58 percentage points

Principal business by region

By region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income over last year (%)	Increase/ decrease in operating cost over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Domestic	597,473,991.27	580,633,349.18	2.82	-49.42	-44.02	Decreased by 9.38 percentage points
Overseas	440,043,328.27	396,107,053.85	9.98	-21.83	-24.55	Increased by 3.25 percentage points
Total	1,037,517,319.54	976,740,403.03	5.86	-40.51	-37.47	Decreased by 4.58 percentage points

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

Affected by the international and domestic depressed macroeconomic situation, the demand for the gas storage and transportation industry decreased, which is particularly affected by the further reduced difference between the prices of oil and gas, adjustment of the oil to gas policy, market demand for products like model SI LNG cylinders, wrapped gas cylinders and small cryogenic tanks of the Company sharply declined, leading to a steep decline in sales. Compared to the corresponding period last year, the domestic operating income decreased by 49.42%. Northern China, Southern China and Northwestern China remained the Company's principal marketing regions, whilst North America and Southeast Asia are the principal international marketing regions of the Company of which the operating income decreased by 21.83% as compared to the corresponding period last year.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

(i) Analysis on principal business *(cont'd)*

1. Analysis on income and cost *(cont'd)*

(2) Analysis table on production and sales volume

Principal product	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Seamless steel gas cylinders	869,813	549,787	81,068	-41.79%	-56.63%	-41.55%
Wrapped cylinders	73,808	75,275	12,080	-64.07%	-62.29%	-32.48%
Cryogenic gas cylinders	6,717	6,959	722	-62.12%	-50.00%	-71.72%

Description of production and sales volume

During the Reporting Period, the sales revenue from top five customers of the Company amounted to RMB 294,216,000, accounting for 27.34% of total revenue.

(3) Cost analysis table

Unit: Yuan

By product

By product	Component of cost	Current period	Proportion over total cost for the current period (%)	Corresponding period of last year	Proportion over total cost for the corresponding period of last year (%)	Change in amount over last year (%)	Note
Seamless steel gas cylinders	Materials	324,808,577.71	69.82	520,639,071.06	68.79	-37.61	
	Labor cost	31,448,094.89	6.76	63,272,897.72	8.36	-50.30	
	Manufacturing cost	108,951,831.71	23.42	172,940,874.75	22.85	-37.00	
	Total	465,208,504.31	100.00	756,852,843.53	100.00	-38.53	
Wrapped cylinders	Materials	61,022,089.07	47.34	190,594,610.44	66.57	-67.98	
	Labor cost	24,246,419.42	18.81	28,258,506.91	9.87	-14.20	
	Manufacturing cost	43,633,242.82	33.85	67,453,943.55	23.56	-35.31	
	Total	128,901,751.30	100.00	286,307,060.90	100.00	-54.98	
Cryogenic gas cylinders	Materials	85,088,081.32	60.23	189,164,963.86	83.83	-55.02	
	Labor cost	14,183,701.42	10.04	15,141,320.62	6.71	-6.32	
	Manufacturing cost	42,000,143.75	29.73	21,346,779.89	9.46	96.75	
	Total	141,271,926.49	100.00	225,653,064.37	100.00	-37.39	
Cryogenic devices for storage and transportation	Materials	30,717,675.59	47.80	59,745,750.90	72.26	-48.59	
	Labor cost	10,892,564.88	16.95	11,195,093.65	13.54	-2.70	
	Manufacturing cost	22,652,679.18	35.25	11,740,792.45	14.20	92.94	
	Total	64,262,919.65	100.00	82,681,637.00	100.00	-22.28	
Compressor business	Materials	-	-	27,939,591.51	75.30	-100.00	
	Labor cost	-	-	2,675,225.16	7.21	-100.00	
	Manufacturing cost	-	-	6,489,554.52	17.49	-100.00	
	Total	-	-	37,104,371.20	100.00	-100.00	

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

(i) Analysis on principal business *(cont'd)*

1. Analysis on income and cost *(cont'd)*

(3) Cost analysis table *(cont'd)*

Other information on cost analysis

The total purchase amount from top five suppliers of the Company amounted to RMB 226,593,200, accounting for 24.56% of the total purchase amount for 2015, of which purchase from the largest supplier Tianjin Runde Zhongtian Steel Tube Co., Ltd. accounted for 10.55% of the total purchase amount for 2015.

None of the Directors or their respective associates or any other shareholders who, to the knowledge of the Director, own more than 5% of the issued share capital of the Company, has any interests in the top five suppliers or the customers of the Company.

2. Expenses

Items	Current period	Corresponding period of last year	Change (%)
Sales expenses	75,076,845.20	102,661,594.08	-26.87
Management expenses	162,725,545.83	182,887,041.22	-11.02
Financial expenses	13,645,237.16	41,825,014.86	-67.38

Description: The financial expenses decreased by 67.38% compared to the corresponding period of last year, mainly due to the effects of reduction in loan of subsidiaries and the decrease in loan rate.

3. Research and development expenditures

Breakdown of research and development expenditures

Unit: Yuan

Research and development expenditures for current period	14,150,447.32
Capitalized research and development expenditures for current period	0
Total research and development expenditures	14,150,447.32
Percentage of total research and development expenditures over operating income (%)	1.31
Number of research and development staff	183
Number of research and development staff over total number of staff (%)	9.25
Percentage of capitalized research and development expenditures (%)	

Description

During the Reporting Period, the Company continued the comprehensive transformation to manufacturing of gas storage and transportation equipment and service sector. With the three dominant industries of "bottle, cylinder, station" as the core, the capabilities of independent product research and development and technological innovation are further enhanced, and one technical standard is at the leading position as always. The Company has actively responded to the national appeals of "Green, energy saving, environmental protection", developed products such as 300Bar high pressure light seamless cylinders, Type-III aluminum inner carbon fiber fully wrapped composite cylinder, portable oxygen supply unit for medical purpose, on-vehicle LNG fuel tanks, cryogenic gas cylinders, tank containers, on-board LNG fuel tanks, bottle gasifiers, cylinder gasifiers, refueling station, etc and the systematic solution. The products have already been applied to professions or fields such as automobile, chemicals industry, fire protection, medical care, urban construction, food, metallurgy, machinery and electronics, etc, which comprehensively raised the Company's competitiveness.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

(i) Analysis on principal business *(cont'd)*

4. Cash flows

Items	Current period	Corresponding period of last year	Change (%)
Cash inflow from operating activities	959,857,929.16	1,271,047,777.07	-24.48
Cash outflow from operating activities	814,203,529.04	1,378,945,150.75	-40.95
Net cash flow generated from operating activities	145,654,400.12	-107,897,373.68	N/A
Cash inflow in from investment activities	83,300.00	303,590,220.49	-99.97
Cash outflow from investment activities	12,728,838.74	215,936,431.94	-94.11
Net cash flow generated from investment activities	-12,645,538.74	87,653,788.55	-114.43
Cash inflow from financing activities	508,675,565.00	697,842,230.42	-27.11
Cash outflow from financing activities	594,405,305.42	858,655,376.65	-30.77
Net cash flow generated from financing activities	-85,729,740.42	-160,813,146.23	N/A

Description:

1. Net cash flow generated from operating activities increased RMB 253,551,800 as compared to the corresponding period of last year, mainly due to the significant decrease of the cash flow out from the operating activities, as a result of the Company's current policies in reasonable control of the production capacity which lowered the cost and expenses;
2. Net cash flow generated from investing activities decreased 114.43% as compared to the corresponding period of last year, mainly due to the consideration received by transferring equity interest of Jingcheng Compressor during the corresponding period of last year, but not during current period;
3. Net cash flow generated from financing activities increased RMB 75,083,400 as compared to the corresponding period of last year, mainly due to the net payment of the current loan was less than that of the corresponding period of last year.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

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

Applicable Not Applicable

(iii) Analysis of assets and liabilities

Assets and liabilities

Unit: Yuan

Name of item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change in amount over previous period (%)	Note
Monetary fund	182,276,574.47	8.77	163,962,823.33	6.54	11.17	
Notes receivable	3,228,891.44	0.16	13,148,883.12	0.52	-75.44	Mainly due to the increases in the notes endorsed and transferred for the payment of cargos for current period and decrease in notes received
Accounts receivable	273,293,153.87	13.15	404,135,634.03	16.11	-32.38	Mainly due to the decrease in current operational income
Prepayments	19,166,811.68	0.92	78,985,528.99	3.15	-75.73	Mainly due to the optimization of the Company's supplier payment policy
Other receivables	1,776,665.84	0.09	6,435,698.19	0.26	-72.39	Mainly due to the decrease in other current accounts
Inventories	390,738,839.19	18.81	572,992,423.57	22.85	-31.81	Mainly due to the Company policies in reasonable control over production by using up the inventories in hand
Long term equity investment	68,362,103.21	3.29	55,004,776.68	2.19	24.28	
Fixed assets	960,308,435.85	46.22	1,016,720,860.27	40.54	-5.55	
Construction in progress	8,037,077.84	0.39	22,888,621.63	0.91	-64.89	Mainly due to the transfer of the projects upon completion
Long-term deferred expenses	280,524.60	0.01	1,493,671.24	0.06	-81.22	Mainly due to part of the long-term deferred expenses has been amortized
Deferred tax assets	277,330.73	0.01	5,050,938.96	0.20	-94.51	Mainly due to the out gone of the deferred tax assets
Short-term loans	205,844,240.00	9.91	318,051,050.00	12.68	-35.28	Mainly due to the decrease in bank loans by the subsidiaries
Notes payable			105,000,000.00	4.19	-100	Mainly due to the not used bills for the Company's business settlement by the subsidiaries
Employees benefits	22,674,924.84	1.09	17,397,862.19	0.69	30.33	Mainly due to the increase in employees benefits payables at the end of the year
Other payables	166,579,358.42	8.02	109,898,562.61	4.38	51.58	Mainly due to the increase in borrowing by the subsidiaries to Jingcheng Holding
Other comprehensive income	1,068,547.60	0.05	118,733.00	0.00	799.96	Mainly due to the change in exchange rate
Undistributed profits	-439,874,304.42	-21.17	-232,056,930.86	-9.25	89.55	Mainly due to the increase of loss in current year

II. Principal operation during the Reporting Period *(cont'd)*

(iii) Analysis of assets and liabilities *(cont'd)*

Other descriptions:

Nil

(iv) Analysis of industry operation

1. Description of principal business by industry and product

- (1) In recent years, the growth of the demand for industrial gas slowed down due to weak macro-economy and depressed steel and photovoltaic industries. The supply of industrial gas outgrew the demand, aggravating the demand-supply imbalance and leading to the further decrease in the demand for gas storage and transportation equipment. In order to adapt to market competition, Tianhai Industrial lowered the prices of its certain products, leading to the decrease in the sale revenue and gross profit from these products.
- (2) As international oil price continued to fluctuate at a low level and domestic oil price was repeatedly lowered, while the price of natural gas remained at a high level despite modest reductions, the economic advantages of LNG were weakened. The promotion and adoption of LNG automobile cylinders in the heavy truck market was adversely affected. This, plus the impact of other renewable energy vehicles including pure electric vehicles on the passenger vehicle market, created obstacles for LNG automobile cylinders in the passenger vehicle market. As a result, sales revenue from low temperature of the Company recorded a steep decline.

2. Description of principal business by region

Domestic operating income decreased by 49.42% as compared with last year, principally attributable to slowed economic growth, keener competition and sharp shrinkage of domestic vehicular natural gas market. For the international market, the economic growth of major developed countries in the world was also not optimistic. While the Company's foreign business remained stable, its operating income decreased by 21.83% as compared with last year due to intense market competition.

(v) Analysis of investments

1. General analysis of external equity investments

During the Reporting Period, 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.

(1) Material equity investments

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 which is principally engaged in the production of asbestos-free acetylene cylinders and heptafluoropropane welding cylinders. It has a registered capital of RMB 80 million, in which Beijing Tianhai Industry Co., Ltd. owns 35% interests and Nanjing Bibo Industry and Trade Co., Ltd. owns 65% interests. As for the source of capital, Beijing Tianhai contributed RMB 28 million; Nanjing Bibo contributed RMB 52 million, and working capital of RMB 15 million was financed by bank loans.

(2) Material non-equity investments

Beijing Tianhai Cryogenic Equipment Co., Ltd. acquired the technologies for the design and manufacture of cryogenic tanks with volume over 100m³ from Beijing Kerui Nike Science Trading Co., Ltd. at a consideration of RMB 20 million.

(3) Financial assets at fair value

Nil

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

II. Principal operation during the Reporting Period *(cont'd)*

(vi) **Material disposal of assets and equity interest**

No material disposal of assets and equity interest

(vii) **Analysis of major subsidiaries and associates**

Name of company	Business nature	Principal products or service	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	USD61,401,800	2,073,155,639.98	794,582,548.15	-297,872,606.02
Jingcheng Holding (Hong Kong) Ltd.	Trade and investment	Import and export trade, investment holding and consultancy services, etc.	USD1,000	154,212,882.91	149,817,842.73	-127,321.92

(viii) **Structured entities under the control of the Company**

None

III. Discussion and analysis of the Company concerning the future development

(i) **Competition and development trend within the industry**

1. **Competition within the industry**

In 2015, there had been material changes in market competition and environment. Industrial environment showed an overall downward trend. In addition, the State promoted renewable energy projects and CNG/LNG was not included in the renewable energy subsidy plan. Vehicle gas market was substantially occupied by pure electric vehicles, and there was a lack of internal motivation for development of the gas storage and transportation industry. There had been severe oversupply in the industry and demand continued to be weak. With the continuous decrease in oil price and the shrinkage of domestic and overseas natural gas markets and related industries, natural gas products were still in a cold winter. With the imbalanced supply and demand, the gas storage and transportation industry had been trapped in hardship.

(1) **Industrial gas market**

Due to the combination of weak macro-economy and depressed real estate, steel, non-ferrous metal and photovoltaic industries, the industrial gas industry encountered "three lows" and market sentiment was lowered to freezing point. According to China Industrial Gas Association (工業氣體協會), the average utilization rate of air separation devices in the PRC was 74% in 2015, 5.3 points lower as compared with last year. Currently the steel, shipbuilding and non-ferrous metal industries in the PRC are all in a stage of lowering production capacity. Due to the lack of support for the demand for industrial gas, it is expected that the industrial gas industry will remain depressed in 2016 with a utilization rate of air separation devices of less than 70%.

(2) **Natural gas market**

The PRC natural gas market was depressed in overall in 2015. In the face of the pressure of energy, safety and environment protection, China's resolution on adjusting energy structure will be unwavering. Consumption of natural gas as a percentage of total consumption of primary energy will increase over time to over 10% by 2020, with an average growth rate of 15% for the 13th five-year period. Natural gas will become an important driver for China's energy revolution in the future.

(3) **Gas storage and transportation market**

Many private capital, listed companies and upstream raw material manufacturers entered the gas storage and transportation industry in recent years. In particular, with frenzied investments in the natural gas market in the past few years, the competition landscape is deteriorating. China now has 33 CNG cylinder manufactures with a total annual capacity of over 2 million units and more than 80 LNG cylinder manufactures with a total annual capacity of nearly 500,000 units. There has been fierce industry competition as the production capacity is much higher than the demand. However, the period of economic downturn is the key period for reshaping industry landscape and for enterprises to take the leading position by improving competitiveness. The industrial gas industry remained depressed and the LNG industry continued its downward trend due to low oil price. However, the LNG industry still has a promising prospect as China faces the pressure for environment protection and treating smog. China's resolution on adjusting energy structure is unwavering. As the plan for natural gas application continued to be implemented, there is sufficient supply of natural gas in the PRC. The transportation technique of non-piped natural gas will further develop, and many private enterprises in several provinces voluntarily invested in the LNG industry. Automobile manufacturers have a growing demand for light vehicles and modular system solutions for spare parts, which is beneficial for the high-end vehicle gas market.

III. Discussion and analysis of the Company concerning the future development of the Company *(cont'd)*

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

2. Development trend

In 2016, global demand for industrial gas cylinders will not be much higher than 2015, and domestic Industrial gas cylinders will still be unable to escape from the situation of excessive production capacity and competition through low prices. With the adjustment to national industrial structure, energy saving and environment protection, electronic information and renewable energy industries realized rapid development, leading to the significant increase in the demand for special gas and also in the demand for home-made highly pure cylinders.

The market demand for vehicle cylinders will hopefully increase. In November 2015, the price of existing gas for non-residential uses was lowered by RMB 0.7/cubic meter, which is a positive factor for the vehicle natural gas industry, in particular LNG commercial vehicles. Sales of natural gas heavy trucks were at a low level due to previous low oil price. The price adjustment lowered the costs of upstream plants, resulting in the decrease in the end retail price. The economic performance of vehicle LGN was demonstrated once again. With national policies for encouraging the promotion of environment-friendly automobiles and the announcement of subsidies for natural gas vehicles in multiple provinces and cities, these factors may help to revitalize the natural gas vehicle industry and the demand for vehicle gas cylinders is expected to gradually increase.

Undoubtedly the potential for the development of cryogenic tanks is huge in the coming years. Large cryogenic tanks are required for receiving stations, peak regulation stations, vessels, gas refueling stations and the construction of factory buildings. Meanwhile, along with the adjustment of internal mechanism of major domestic energy companies, projects previously suspended are gradually initiated. The market will gradually recover in the future.

In 2015 the LNG market continued to be depressed with weak demand, however the passion for building LNG refueling stations in the downstream had not apparently receded. It is expected 700 LNG refueling stations had been built across China in 2015. In 2016 as natural gas price reform continues to advance and the demand for natural gas continues to increase, the market will gradually recover in the future, but the competition will remain fierce.

For the industry, challenges and opportunities co-exist. The upcoming 13th five-year plans for the relevant industries showed positive signs for the industrial gas market. Strategic emerging industries including new chemical materials, bio-chemical, modern coal chemical and production service will remain the focus for cultivation during the 13th five-year period, enabling us to expand into higher-end areas. Despite certain relevant industries are in the trough, the industrial gas market, as the base for the manufacturing industry, still has great potential with the rapid development of other industries.

(ii) Development strategies of the Company

Thoroughly studying and implementing the spirits of the Central Economic Work Conference, striving to reduce or return to profitability and convert from expansion in scale to improvement in quality and results by adhering to the strategies for the 13th five-year plan and upholding the theme of industrial consolidation and development and utilization of resources; strengthening allocation of sales resources, improving market development ability, accelerating the transformation and upgrading of sale and service models to realize its conversion from a pure cylinder manufacturer to a provider of system solutions and services; research and development of high-end products by utilizing the internet of things, the internet and technologies, upgrading existing products, and improving the competitiveness of future products; and developing into a globally-leading gas storage and transportation equipment manufacturing and service enterprise.

III. Discussion and analysis of the Company concerning the future development of the Company *(cont'd)*

(iii) Operating plans

The year 2016 is the first year of the Company's thirteen five-year plan. In the face of the complex and volatile economic conditions and fierce competition in the gas storage and transportation industry, the guiding principles for the development of the Company are as follows: Thoroughly studying and implementing the spirits of the Central Economic Work Conference, striving to reduce or return to profitability by adhering to the strategies for the 13th five-year plan and upholding the theme of industrial consolidation and development and utilization of resources. Minghui Tianhai, Tianhai Cryogenic and Shandong Tianhai shall make contributions for realizing the goals set for 2016; Tianjin Tianhai and Langfang Tianhai shall take advantage of the product structural adjustment to return to profitability. The most critical point is Minghui Tianhai. How to operate Minghui Tianhai well will be the key to the successful completion of the targets in 2016.

Many strategic targets in the "twelfth five-year plan" are still to be realized. Except for tank products, vehicles and stations have failed to become the new growth points for the development of the Company. In the past two years, the strategic environment of the Company has changed a lot; it is especially important to make long-term plans for the next period. In 2016, the Company shall adhere to strategic planning for the "thirteenth five-year plan", focus on profitability, and based on the corrective and proactive analysis and assessment of the environment, stakeholders, the Company's resources and abilities, plan for three sectors for the "thirteen five-year plan": the first is the principal business of manufacturing; the second is the development and utilization of the land resources; and the third is to well utilize the listed company and Hong Kong company for investment and financing. Meanwhile, sub-strategies such as corresponding human resource development strategy, marketing strategy, production strategy, financial strategy, research and development strategy and information strategy are required for supports to guarantee the implementation of the strategies.

(iv) Potential risks

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

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

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

Due to the depressed world economy, technical advancement and political factors, the international futures price of crude oil halved, narrowing down the price difference with the oil price and reducing the internal motivation for the development of natural gas; the vehicle modification market is basically at a standstill state.

3. During the Reporting Period, due to the significant matter of the issue of shares in consideration of asset purchase, trading of the shares of the Company has been suspended since June 29, 2015 upon application. After discussion and negotiation among the parties concerned, the abovementioned could constitute material assets organization. According to the relevant regulations, the Company has entered into the material assets reorganisation procedures on July 13, 2015 upon application. During the period of suspension of trading, the Company has been actively carried out the relevant work such as due diligence, audit and valuation, communicated with Jingcheng Holding and the regulatory authorities, such as Beijing State-owned Assets Commission and released announcements in relation to the progress of material assets reorganisation at the interval of every five trading days.

The sixth meeting of the eighth session of the board of directors was held on November 26, 2015. Resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were considered and approved. Shares of the Company have resumed trading on December 14, 2015.

In accordance with the laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers, in order to prevent the trigger of any mandatory offer by Jingcheng Holding, ensure the listed position in Hong Kong, carry out reorganisation proposal of the H Shares of the Company successfully, further increase the capital strength of the Company and safeguard the long term development of the Company, the Company made modification to the reorganisation proposal. The trading of H shares of the Company was resumed at 1 pm on January 28, 2016. The sixteenth extraordinary meeting of the eighth session of the board of Beijing Jingcheng was held on February 3, 2016. Resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were again considered and approved. Shares of the Company have resumed trading on the Shanghai Stock Exchange on February 4, 2016.

III. Discussion and analysis of the Company concerning the future development of the Company *(cont'd)*

(iv) Potential risks *(cont'd)*

3. *(cont'd)*

The Company and the related parties are actively promoting the work of the Material Assets Reorganisation. As at the date of this announcement, the audit and valuation works for the relevant assets involved in the Material Assets Reorganisation are nearly completed. After the completion of the abovementioned works, pursuant to the relevant regulations for valuation and management of state-owned assets, the relevant valuation report has to comply with the state-owned assets assessment approval procedures. After the completion of the abovementioned works, the Company shall convene another board meeting to consider and approve the related matter in relation to the Material Assets Reorganisation, and shall comply with relevant announcement, approval procedures in accordance with the relevant laws and regulations.

Special Reminder:

According to the communication results between the Company and the parties involved in the transaction, at present, there are no related matters discovered by the Company, which may lead to the withdrawal or termination of the Material Assets Reorganisation by the board of directors of the Company or the parties involved in the transaction nor there is substantive change being made to the Material Assets Reorganisation.

Risks related to the Material Assets Reorganisation have been explained in full in the section "I. Risks relating to the Transaction" under "Warning on Major Risks" in the "Proposal In Relation To Acquisition Of Assets Through Issue Of Shares And Cash Payment As Well As Raising Of Supporting Funds And Connected Transaction For Beijing Jingcheng Machinery Electric Company Limited (Revised)" disclosed by the Company on February 3, 2016. Shareholders are reminded to read the relevant contents carefully and to be aware of the investment risks.

Pursuant to the Measures on the Administration of Material Assets Reorganisation of Listed Companies and related regulations of the Shanghai Stock Exchange, before the notice of general meeting to be convened for the consideration and approval of the Material Assets Reorganisation to be issued by the Company, progress announcements in relation to the reorganisation will be released in every 30 days.

The designated media for publication of Company information includes the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>), Shanghai Securities News, Securities Daily and the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>). Investors are advised to pay attention to the investment risks.

(v) Others

Analysis on Financial Position and Business Performance during the Reporting Period

1. Analysis on operating results

During the Reporting period, the total profits of the Company decreased by RMB 308,932,300 as compared with last year. The operating income decreased by 40.40% as compared with last year; the operating cost decreased by 37.38% as compared with last year and the operating profits increased by RMB 234,244,600 as compared with last year.

The decrease in operating income and the decrease in product profitability were mainly due to the decline in operation of the industry, excess production capacity in China and fall in sales number and unit price under the circumstances where the macro-economy is gloomy; the increase in the production cost per unit was a result of the decrease in production volume which caused the fixed cost cannot be spread over.

During the Reporting Period, the expenses recorded a decrease of RMB 75,926,000 as compared with last year, which was mainly due to the decrease in sale income, reduction of sales expenses and decreases in borrowings and interest expenses with the decrease in loan rates during the year.

During the Reporting Period, the assets impairment loss recorded an increase of RMB 97,939,900, as compared with last year, which was mainly attributable to the increase in provision for inventory impairment. Due to the low market demand as the continued weakness of the macro economy under "new normal" circumstances, the Company controlled the production volume by reduction or halt in production which increased the production cost per unit, hence the cost of the completed product was expected to be higher than its realizable value.

During the Reporting Period, the investment income recorded a decrease of RMB 99,132,800, which was mainly due to the income from transfer of equity interests of Jingcheng Compressor during the corresponding period of last year.

During the Reporting Period, the non-operating income recorded a decrease of RMB 70,998,500, which was mainly due to the income from sales of fixed assets such as the undergraduate's apartments and mechanical equipment during the corresponding period of last year.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

III. Discussion and analysis of the Company concerning the future development of the Company (cont'd)

(v) Others (cont'd)

Analysis on Financial Position and Business Performance during the Reporting Period (cont'd)

2. Analysis on assets, liabilities and shareholders' equity interests

The assets and liabilities as at the end of the year of the report both recorded decreases.

During the Reporting Period, the total assets as at the end of the period amounted to RMB 2,077,492,100, representing a decrease of 17.16% as compared with the beginning of the year; among others, monetary funds increased by 11.17%, accounts receivables decreased by 32.38%, inventories decreased by 31.81%, fixed assets decreased by 5.55%, construction in progress decreased by 64.89% and long-term equity investment increased by 24.28%.

The total liabilities amounted to RMB 927,518,600, representing a decrease of 12.76% as compared with the beginning of the year; among others, the short-term borrowing decreased by 35.28% while the notes payable decreased by -100% and the other payables increased by 51.58%.

The total shareholders' equity interests amounted to RMB 1,149,973,600, representing a decrease of RMB 294,785,800 or 20.40%, which was mainly due to the net loss of RMB 296,719,200 this year.

3. Financial position analysis

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

Liquidity and capital structure

	2015	2014
(1) Gearing ratio	44.65%	42.39%
(2) Quick ratio	61.44%	71.77%
(3) Current ratio	110.76%	133.46%

4. Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB 205,844,200, representing a decrease of 35.28% as compared with the beginning of the year. Long-term loan was nil.

5. Foreign exchange risk management

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

Principal Sources of Fund and Its Use

1. Cash flows from operating activities

The Company's cash inflows are mainly derived from the income of product sales. Cash outflow was mainly related to the production and operating activities. The Company's cash inflow from operating activities for the Reporting Period amounted to RMB 959,857,900, while cash outflow amounted to RMB 814,203,500. Net cash flow during the Reporting Period from operating activities amounted to RMB 145,654,400.

2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB 83,300 while cash outflows to investment activities amounted to RMB 12,728,800, which was mainly used for capital expense on the purchase of fixed assets and payment for long-term equity investment. Net cash flows from investment activities for the Reporting Period amounted to RMB-12,645,500.

III. Discussion and analysis of the Company concerning the future development of the Company (cont'd)

(v) Others (cont'd)

Analysis on Financial Position and Business Performance during the Reporting Period (cont'd)

5. Foreign exchange risk management (cont'd)

Principal Sources of Fund and Its Use (cont'd)

3. Cash flows from financing activities

Cash inflow from financing activities during the Reporting Period amounted to RMB 508,675,600, which was mainly derived from bank loans and borrowings from Jingcheng Holding. Cash outflow to financing activities during the Reporting Period amounted to RMB 594,405,300, which was mainly due to the repayment of bank loans and borrowings from banks and Jingcheng Holding and interests. Net cash flow from financing activities for the Reporting Period amounted to RMB-85,729,700.

Net cash flow from operating activities in 2015 recorded an increase of RMB 253,551,800 as compared with last year, which was due to the reinforcement in debts collection with the control in payment pace by the enhancement in cost and expenses budget management. Net cash flow generated from the investment recorded a decrease of RMB 100,299,300 as compared with last year, which was mainly due to increase in the income from transfer of equity interests during the corresponding period of last year. Net cash flow generated from financing activities recorded an increase of RMB 75,083,400, which was mainly due to the decrease in loans borrowed as compared with last year.

Net cash flow generated from operating activities for the year was RMB 145,654,400. Net profit for the year was RMB-296,719,200, which was mainly attributable to operating activities.

Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB 1,149,973,600, of which minority interests amounted to RMB 437,310,500, and total liabilities amounted to RMB 927,518,500. Total assets amounted to RMB 2,077,492,100. As at the end of the year, the Company's gearing ratio was 44.65%.

Capital structure by liquidity

Total current liabilities	792,308,300	Accounting for 38.14% of assets
Total equity interest attributable to shareholders	1,149,973,600	Accounting for 55.35% of assets
Of which: minority interests	437,310,500	Accounting for 21.05% of assets

Contingent liabilities

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

Details of the Group's charge on assets

Item	Book value at the end of year	Reason for restriction
Monetary Fund	6,500,000.00	Guarantee deposit
Fixed assets	38,884,833.35	Pledged
Intangible assets	1,274,034.12	Pledged

IV. Description of and explanations for disclosure not in compliance with standards due to standards not applicable or special reasons

Applicable Not Applicable

V. Material acquisition and disposals of subsidiary and affiliated company

During the Reporting Period, the Company had not entered into any material acquisitions and disposals of any subsidiary and affiliated company.

SECTION 6 REPORT OF THE DIRECTORS

(I) Details of board meetings and resolutions

During the Reporting Period, a total of 15 board meetings were convened and the details of the meetings and resolutions were as follows:

1. The third extraordinary meeting of the eighth session of the Board was convened on January 15, 2015, at which the resolution in relation to the connected transaction regarding the purchase of large cryogenic tanks by Beijing Tianhai Cryogenic Equipment Co., Ltd. from Beijing Kerui Nike Science Trading Co., Ltd. (for details, please refer to the announcement Lin No. 2015-003); the resolution on the ordinary connected transactions between Beijing Tianhai Industry Co. Ltd. and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of its major shareholder Beijing Jingcheng Machinery Electric Holding Co., Ltd. (for details, please refer to the announcement Lin No. 2015-004); the resolution on the application made by the Company to banks for financing facility and loans for 2015; and the resolution on the change of directors of Beijing Tianhai Industry Co. Ltd. and Jingcheng Holding (Hong Kong) Company Limited were considered and passed; management reported the overall operation of the Company for 2014; and it was announced that the Shanghai Stock Exchange issued a regulatory work letter to the Company urging the Company to issue estimated results and warn of risks.
2. The fourth extraordinary meeting of the eighth session of the Board was convened on February 12, 2015, at which the resolution on financial leasing by the subsidiaries of the Company was considered and passed.
3. The third meeting of the eighth session of the Board was convened on March 17, 2015, at which the 2014 Annual Report of the Company and its summary, the 2014 Annual Work Report of the Board, the 2014 audited financial report of the Company, the 2014 Self-Assessment Report on the Company's Internal Control, the 2014 Internal Control Audited Report of the Company, the 2014 Social Responsibility Report of the Company, the resolution on the report of the independent non-executive Directors for the year 2014, the resolution on the performance of functions by the Audit Committee for 2014, a resolution on the payment for the audit fee for 2014 to Shinewing Certified Public Accountants (special general partnership), and the resolution on the payment for the audit fee for 2014 to Shu Lun Pan Certified Public Accountants LLP were considered and passed, the reappointment of Shinewing as the audit organization for the 2015 financial report of the Company, and the authorization of the Board to enter into letter of appointment and determine its remuneration at the annual general meeting was proposed; the reappointment of Shu Lun Pan as the audit organization for the 2015 internal control report of the Company was considered and approved, and the authorization of the Board to enter into letter of appointment and determine its remuneration at the annual general meeting was proposed; the 2014 proposal of the Company not to distribute profit, the resolution on provision for impairment of the Company for the year 2014, the 2015 Audit Plan of the Company, the 2015 Internal Control Plan of the Company, the 2015 Operating Plan of the Company, the 2015 Research and Development Plan of the Company, and the resolution on the result of remuneration and performance assessment for the senior management of the Company in 2014 were considered and passed; the 2015 Performance Assessment Contract for the Senior Management was considered and approved, and authorizations were given to the Chairman of the Board to enter into contracts with the senior management of the Company; the resolution on filing an application to the Shanghai Stock Exchange for cancelling the delisting risk warning imposed on the A shares of the Company, the resolution on application of the newly issued or amended Accounting Standards for Relevant Business Enterprises in 2014 was considered and approved (the opinions of the Supervisory Committee were set out in the "Announcement of the application of newly issued or amended Accounting Standards for Business Relevant Enterprises promulgated by the Ministry of Finance in 2014" (Announcement Lin No. 2015-013)), the resolution on the impact on the financial statements in 2014 due to the changes of accounting estimation, and the resolution regarding the convening of the 2014 annual general meeting of the Company on Tuesday, June 9, 2015 were considered and passed.
4. The fifth extraordinary meeting of the eighth session of the Board was convened on April 2, 2015, at which the resolution on the establishment of Jiangsu Tianhai Special Equipment Co., Ltd. by Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, and the welding cylinder and acetylene cylinder construction project was considered and passed.
5. The sixth extraordinary meeting of the eighth session of the Board was convened on April 22, 2015, at which the resolution on the change of Supervisors of the eighth session of the Supervisory Committee and the amendment to the Articles of Association was considered and passed.
6. The seventh extraordinary meeting of the eighth session of the Board was convened on April 30, 2015, at which the first quarterly report of the Company for 2015 was considered and passed.
7. The eighth extraordinary meeting of the eighth session of the Board was convened on June 10, 2015, at which the resolution on the election of the members of special committees of the eighth session of the Board, the resolution on the change of directors of Beijing Tianhai Industry Co. Ltd. and the resolution on the provision of guarantee by the Company for Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, were considered and passed.

(I) Details of board meetings and resolutions *(cont'd)*

8. The fourth extraordinary meeting of the eighth session of the Board was convened on August 11, 2015, at which the 2015 Interim Report of the Company and its summary, the resolution on provision for impairment of the Company for the half-year of 2015, the resolution on the ordinary connected transactions between Beijing Tianhai Industry Co. Ltd. and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of its major shareholder Beijing Jingcheng Machinery Electric Holding Co., Ltd., and the resolution on the appointment of the securities affairs representative of the Company were considered and passed.
9. The ninth meeting of the eighth session of the Board was convened on September 8, 2015, at which the resolution on the provision of a bridge loan of RMB 50 million by Beijing Jingcheng Machinery Electric Holding Co., Ltd., being the controlling shareholder, to Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, the resolution on the provision of a borrowing of RMB 88 million by Beijing Jingcheng Machinery Electric Holding Co., Ltd., being the controlling shareholder, to Langfang Tianhai High Pressure Containers Co., Ltd., a subsidiary of the Company, the resolution on the provision of borrowings by the Company to Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, and the resolution on the continuous suspension of trading of the shares of the Company for major assets restructuring were considered and passed.
10. The tenth extraordinary meeting of the eighth session of the Board was convened on September 30, 2015, at which the resolution on the continuous suspension of trading of the shares of the Company for major assets restructuring was considered and passed.
11. The eleventh extraordinary meeting of the eighth session of the Board was convened on October 14, 2015, at which the resolution on the change of directors and chairman of Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, the resolution on the change of directors and chairman of Jingcheng Holding (Hong Kong) Company Limited, a subsidiary of the Company, the resolution on the election of Mr. Li Junjie, a director and general manager to acting chairman, and the resolution on the election of the eighth session of the remuneration and monitoring committee of the Company were considered and passed.
12. The twelfth extraordinary meeting of the eighth session of the Board was convened on October 23, 2015, at which the resolution on candidates for directors of the eighth session of the Board and the resolution on the change of chief engineer of the Company were considered and passed. The Company will convene the first extraordinary meeting of the Company for 2015 on December 10, 2015.
13. The fifth extraordinary meeting of the eighth session of the Board was convened on October 29, 2015, at which the third quarterly report of the Company for 2015 and the resolution on provision for impairment of the Company for the period from July to September 2015 were considered and passed.
14. The sixth meeting of the eighth session of the Board was convened on November 26, 2015, at which the resolution in relation to the issue of shares and payment of cash in consideration of asset purchase and fund raising in compliance with the requirements as stipulated in relevant laws and regulations, the resolution in relation to the issue of shares and payment of cash in consideration of asset purchase and fund raising to specific persons meeting the conditions, the resolution in relation to the issue of shares and payment of cash in consideration of asset purchase and fund raising of the Company constituting connected transaction, the resolution on the entering into of the "Agreement of the Issuance of Shares and Purchase of Assets between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng Machinery Electric Company Limited" and the "Conditional Non-Public Offering Share Subscription Agreement between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng Machinery Electric Company Limited", the resolution on the entering into of the "Equity Transfer Framework Agreement" between Jingcheng Holding (Hong Kong) Company Limited, a subsidiary of the Company, and Jingcheng Holding Europe GmbH, the resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal, the resolution in relation to the compliance of this asset reorganization with the requirement of Article 4 of the Regulation in relation to Certain Issues of Material Asset Reorganization of Listed Companies, the resolution in relation to the compliance of the Transaction with the requirement of Article 43 of the Measures on the Administration of Material Asset Restructuring of Listed Companies, and the resolution in relation to the completeness and compliance of legal procedures performed and the validity of legal documents submitted for the Transaction were considered and passed. The resolution in relation to the Transaction constitute a material asset reorganization but not constitute backdoor listing, the resolution in relation to whether the share price fluctuation of the Company reached the relevant standard under Article 5 of "notice of standardization of information disclosure of listed companies and act of each relevant party", the resolution in relation to the appointment of agencies by the Company to provide services for the Transaction, the resolution in relation to temporally not convening general meeting after this Board meeting, the resolution in relation to the transfer of the physical assets from Beijing Tianhai Industry Co., Ltd. to Jiangsu Tianhai Special Equipment Co., Ltd. and the resolution in relation to the transfer of idle equipment from Beijing Minghui Tianhai Gas Storage Equipment Trading Co., Ltd. to Jiangsu Tianhai Special Equipment Co., Ltd. were considered and approved.

SECTION 6 REPORT OF THE DIRECTORS

(I) Details of board meetings and resolutions *(cont'd)*

15. The thirteen extraordinary meeting of the eighth session of the Board was convened on December 11, 2015, at which the resolution on the election of chairman of the eighth session of the Board, the resolution on the appointment of general manager of the Company, the resolution on the election of the members of special committees of the eighth session of the Board, and the resolution on the change of authorised representative of the Company in Hong Kong were considered and passed.

(II) Discussion and analysis of the Board concerning the principal operation during the Reporting Period

For details, please refer to Part II of Section 5.

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

1. **Competition and development trend within the industry**
For details, please refer to Part III of Section 5.
2. **Development strategies of the Company**
For details, please refer to Part III of Section 5.
3. **Operating plans**
For details, please refer to Part III of Section 5.
4. **Fund requirement for maintaining existing business and establishing a project company in process**
The Company has no newly added large amount investment projects under construction in 2015. The outstanding project payment (for Minghui Tianhai) can be basically made with privately-owned funds.
5. **Potential risks**
For details, please refer to Part III of Section 5.

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

For details, please refer to Part IV of Section 7.

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

For details, please refer to Part I of Section 7.

(VI) Financial information

1. **Fixed Assets**
Movements in fixed assets for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
2. **Construction in Progress**
Particulars and movements in construction-in-progress for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
3. **Investments in Subsidiaries**
Particulars of the subsidiaries are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
4. **Associated Companies' Interest**
Particulars of the associated companies are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
5. **Other Assets**
Particulars of other assets are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
6. **Reserves**
Movements in reserves for the year are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.
7. **Bank Loan**
Details of bank loans as at December 31, 2015 are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

(VI) Financial information (cont'd)**8. Tax Relief**

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

(VII) The Company's pension scheme

In accordance with the relevant regulations of the "State Council's Decisions Regarding Reform of Employee Retirement Insurance Scheme", the Company is required to pay the PRC government an amount equivalent to 20% of the total amount of salary as the basic contribution to the Employee Retirement Insurance Scheme. In 2015, a total of RMB 27,640,000 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

Beijing Tianhai has established enterprise annuities for its employees since January 2011. In August 2014, the enterprise annuities were suspended after approval at the general membership meeting and by the management committee of the enterprise annuity due to the impact from the annuity income and tax rate policy. In addition, the company bore the barber and bath fees and housing allowances for the employees retired before December 2010 at the rates of RMB 50 and RMB 70 – RMB 90 per month respectively, totaling RMB 1,470,000 for these two expenditures incurred in 2015.

(VIII) Connected transactions

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

(IX) Staff quarters

The Company did not sell any public housing flats to staff in 2015. In accordance with State policies, the Company contributed to the public housing fund on the basis for 12% of the average monthly salary of the existing employees for the previous year, which did not pose any significant impact on the Company's business performance. In accordance with the spirit of the "(2000) Jing Fang Gai Ban, Zi Document No. 080", Notice in relation to issues of the Increase in Beijing's Public Housing Rentals and Allowances, issued by the Housing Reform Office of Beijing Municipal Government, the Beijing Financial Bureau, the Beijing State Land Resources Bureau and the Housing Administration Bureau, and the Commodity Price Bureau of Beijing, as well as integrating with the Company's actual situation, the Company provided a housing allowance of RMB 70 to RMB 90 per month to its staff starting from April 1, 2000 onwards.

Beijing Tianhai established special housing subsidies for its youth and middle-aged core technical members at RMB 200 to RMB 2,000 per month in November 2000 and issued subsidies for housing rent to non-local employees of RMB 130 to 300 since November 2000.

The student's apartment was canceled and subsidy of RMB 1,000 was issued in May 2015.

(X) Employees' basic medical insurance

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

(XI) Annual general meeting

The Board of Directors proposed that the Annual General Meeting for 2015 to be held on June 16, 2016 (Thursday), for details of which please refer to the Notice of 2015 Annual General Meeting.

(XII) Report on performance of social responsibility and environmental policy by the Company

For details, please refer to Part XV of Section 7.

(XIII) Important relationships with employees, suppliers and customers

For details, please refer to Part XV of Section 7.

SECTION 6 REPORT OF THE DIRECTORS

(XIV) Legal compliance with laws and regulations

During the Reporting Period, the Company operated strictly in compliance with laws, regulations, Articles of Association and other relevant regulatory requirements with lawful decision making procedures and discipline operation.

(XV) Management contracts

During the Reporting Period, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

(XVI) Permitted indemnity provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

(XVII) Equity-linked agreement

Saved as disclosed above/in this annual report, no equity-linked agreement were made during the year or subsisted at the end of the year.

(XVIII) Distributable Reserves

As at December 31, 2015, the distributable reserves of the Company amounted to RMB 0 could be distributed to the shareholders.

(XIX) Donations

During the Reporting Period, the Group made donations for charitable purposes and other purposes amounting to RMB 0.

(XX) Directors rights to acquire shares or debentures

At no time during the Reporting Period was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

I. Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital

(i) Formulation, implementation or adjustment of cash dividend policy

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

(ii) Profit Distribution Plan or pre-arranged plan or Plan or pre-arranged plan to Convert Surplus Reserves into Share Capital in the Previous Three Years (inclusive of the reporting period)

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (including tax)	Net profit attributable to shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the listed companies in the consolidated financial statement (%)
2015	0	0	0	0	-207,817,373.56	0
2014	0	0	0	0	21,416,206.70	0
2013	0	0	0	0	-107,597,719.91	0

(iii) Repurchase of shares under cash offer included in cash dividend

Not Applicable

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

Applicable Not Applicable

SECTION 7 IMPORTANT MATTERS

II. FULFILLMENT OF COMMITMENTS

√ Applicable □ Not Applicable

(i) **Undertakings made by Company, its shareholders, beneficial controllers, acquirers, directors, supervisors, senior management or other related parties during or up to the Reporting Period**

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Settlement of connected transactions	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "As for the connected transactions for us and the companies under our control with the Listed Company and the companies under its control that cannot be avoided or have reasonable grounds, these connected transactions will be conducted in the principles of openness, fairness and justice for market transactions at fair and reasonable prices by us and the companies under our control, and the decision-making procedures for and information disclosure obligations in respect of connected transactions will be performed in accordance the requirements of laws, regulations and regulatory documents. We warrant that we and the companies under our control will not obtain any improper benefits or subject the Listed Company or any of the companies under its control to any improper obligations by way of any connected transactions with the Listed Company or any of the companies under its control. We will indemnify the Listed Company and any of the companies under its control against any losses incurred by them as a result of any transaction with them in violation of the undertakings above. "	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 substantial shareholder	Jingcheng Holding undertakes: "In relation to the businesses or business opportunities similar to those of the Listed Company including that we and other companies under our control anticipate or substantially in place to conduct, and assets and businesses of such businesses or business opportunities that may constitute potential competition.	Long term	Yes	Yes		
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes that after the completion of this Material Asset Reorganisation, it will warrant the independence of the personnel, assets, finances, organizations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company.	Long term	Yes	Yes		

II. FULFILLMENT OF COMMITMENTS *(cont'd)*

(i) Undertakings made by Company, its shareholders, beneficial controllers, acquirers, directors, supervisors, senior management or other related parties during or up to the Reporting Period *(cont'd)*

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

SECTION 7 IMPORTANT MATTERS

II. FULFILLMENT OF COMMITMENTS *(cont'd)*

(i) **Undertakings made by Company, its shareholders, beneficial controllers, acquirers, directors, supervisors, senior management or other related parties during or up to the Reporting Period *(cont'd)***

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the 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		
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder	According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beiyong Casting Co., Ltd." jointly signed by listed company, Jingcheng Holding and Beiren Group, they jointly confirmed "Each party confirms that the equity transfer is deemed to be completed. 京城股份 would no longer record such equity interest as a longterm investment which means that all shareholder's rights (including but not limited to equity return, voting right and election right), obligations, risks and liabilities of shareholders under such equity interest have been enjoyed or assumed by Beiren Group and 京城股份 has to act correspondingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities assumed or loss suffered by 京城股份 as a result of lacking defensive power shall be actually taken by Jingcheng Holding."	Long term	Yes	Yes	Jingcheng Holding completed the transfer of 17.01% equity interests in Beijing Beiyong on December 18, 2015, and it has not committed any act in violation of the undertaking.	

II. FULFILLMENT OF COMMITMENTS *(cont'd)*

(i) **Undertakings made by Company, its shareholders, beneficial controllers, acquirers, directors, supervisors, senior management or other related parties during or up to the Reporting Period *(cont'd)***

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company has not suffered 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 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		

(ii) **There have been profit forecast for the assets or projects of the Company and the Reporting Period is still in the period of profit forecast, explanations have been made on whether the profit forecast was met and its reasons.**
Not Applicable

III. Embezzlement of funds and repayment of debt during the Reporting Period

Applicable Not Applicable

SECTION 7 IMPORTANT MATTERS

IV. Explanation of the Directors on “Non-Standard Auditors’ Report” issued by the auditors

- (i) **Explanation of the Board and the Supervisory Committee on “Non-Standard Auditors’ Report” issued by the auditors**
 Applicable Not Applicable
- (ii) **Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method**
 Applicable Not Applicable
- (iii) **Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period**
 Applicable Not Applicable

V. Appointment and dismissal of accounting firms

Unit: Yuan Currency: RMB

Currently appointed	
Name of domestic accounting firm	Shinewing Certified Public Accountants LLP
Compensation of domestic accounting firm	90
Number of years of audit by domestic accounting firm	9

	Name	Compensation
Accounting firm for internal control audit	BDO China Shu Lun Pan Certified Public Accounts LLP	38

Description of appointment and dismissal of accounting firms

Applicable Not Applicable

Description of change of accounting firms during the audit period

During the Reporting Period, there was no change and dismissal of accounting firms during the audit period.

VI. Risk for suspended listing

- (I) **Reasons for possible suspended listing and countermeasures adopted by the Company**
During the Reporting Period, the Company was not subject o any risk of suspended listing.

VII. Matters relating to bankruptcy and reorganization

Applicable Not Applicable

VIII. Material actions and arbitrations

Applicable Not Applicable

IX. Punishment and Rectification against Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Beneficial Controller and Buyer

Applicable Not Applicable

X. Description of the reputation of the Company and its controlling shareholders, beneficial controller during the Reporting Period

During the reporting period, the Company and the controlling shareholders was with good reputation.

XI. Share incentive scheme, employee share scheme and other incentives for employees and their impacts

Applicable Not Applicable

XII. 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	Index for enquiry
Purchase of large cryogenic tank technologies by Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, from Beijing Kerui Nike Science Trading Co., Ltd.	For details, please refer to the announcements published on Shanghai Securities News and Securities Daily and http://www.sse.com.cn on January 15, 2015 and HKEx: http://www.hkexnews.hk on January 15, 2015
Conducting of financial leasing business by Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of its major shareholder Beijing Jingcheng Machinery Electric Holding Co., Ltd.	For details, please refer to the announcements published on Shanghai Securities News and Securities Daily and http://www.sse.com.cn on August 12, 2015 and HKEx: http://www.hkexnews.hk on August 11, 2015

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

- In relation to the conducting of financial leasing business by Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of its major shareholder Beijing Jingcheng Machinery Electric Holding Co., Ltd., the change of the cap for the provision of financial leasing services to be provided by the financial leasing company to Tianhai Industrial to RMB 3,160,000,000 was not approved at the general meeting. For details, please refer to the announcements published on Shanghai Securities News and Securities Daily and <http://www.sse.com.cn> on June 9, 2015. and HKEx: <http://www.hkexnews.hk> on the same day.
- The sixth meeting of the eighth session of the board of directors was held on November 26, 2015. Resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were considered and approved. Shares of the Company have resumed trading on December 14, 2015.

SECTION 7 IMPORTANT MATTERS

XII. Material connected transactions *(cont'd)*

(i) **Connected transactions related to daily operation *(cont'd)***

In accordance with the laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers, in order to prevent the trigger of any mandatory offer by Jingcheng Holding, ensure the listed position in Hong Kong, carry out reorganisation proposal of the H Shares of the Company successfully, further increase the capital strength of the Company and safeguard the long term development of the Company, the Company made modification to the reorganisation proposal. The trading of H shares of the Company was resumed at 1 pm on January 28, 2016. The sixteenth extraordinary meeting of the eighth session of the board of Beijing Jingcheng was held on February 3, 2016. Resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were again considered and approved. Shares of the Company have resumed trading on the Shanghai Stock Exchange on February 4, 2016.

The Company and the related parties are actively promoting the work of the Material Assets Reorganisation. As at the date of this announcement, the audit and valuation works for the relevant assets involved in the Material Assets Reorganisation are nearly completed. After the completion of the abovementioned works, pursuant to the relevant regulations for valuation and management of state-owned assets, the relevant valuation report has to comply with the state-owned assets assessment approval procedures. After the completion of the abovementioned works, the Company shall convene another board meeting to consider and approve the related matter in relation to the Material Assets Reorganisation, and shall comply with relevant announcement, approval procedures in accordance with the relevant laws and regulations.

3. Matters which were not disclosed in extraordinary announcements

Applicable Not Applicable

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

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

Not Applicable

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

Not Applicable

3. Matters which were not disclosed in extraordinary announcements

Applicable Not Applicable

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

Not Applicable

(iii) **Material connected transactions relating to common external investments**

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

Not Applicable

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

Not Applicable

3. Matters which were not disclosed in extraordinary announcements

Applicable Not Applicable

XII. Material connected transactions (cont'd)**(iv) Related creditor's right and debt transactions**

- 1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**
Not Applicable
- 2. Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation**
Not Applicable
- 3. Matters which were not disclosed in extraordinary announcements**
√ Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Related party	Relationship with related party	Provision of funding to related party			Provision of funding by related party to listed company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Beijing Jingcheng Electric Management Co., Ltd.	Wholly-owned –subsidiary of parent company	756,603.33	-756,603.33				
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture	2,853,391.68	4,084,891.19	6,938,282.87			
Jiangsu Tianhai Special Equipment Co., Ltd	Associated Company		7,301,886.17	7,301,886.17			
Beijing Jingcheng Industrial Logistics Co., Ltd	Wholly-owned –subsidiary of parent company				1,202,227.27		1,202,227.27
Beijing Jingcheng Holdings Beiren Group Corporation	Controlling shareholder				202,900,000.00	50,000,000.00	252,900,000.00
Beijing First General Machinery Plant	Wholly-owned –subsidiary of parent company				1,139,975.21	-1,139,975.21	
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party				585,359.09	-273,707.00	311,652.09
Tianjin TPCO Investment Co., Ltd.	Other related party				29,905,275.77	8,502,390.13	38,407,665.90
Total		3,609,995.01	10,630,174.03	14,240,169.04	236,728,794.42	58,010,063.28	294,738,857.70
Reasons for occurrence of related creditor's right and debt transactions		Normal Operation					
Effects of related creditors' rights and debts on the Company		None					

(v) Others

As at December 31, 2015, the Group has entered into connected transactions with the following entities which was regarded as the connected person of the Company according to the Listing Rules.

- (1) Tianhai Seamless is a controlling shareholder of Tianjin Tianhai holding 45% interest in Tianjin Tianhai. Both Tianhai Seamless and Tianjin Pipe are the wholly-owned subsidiaries of Tianjin Pipe Group. Therefore, Tianjin Pipe is an associate of Tianjin Seamless and also a connected person of the Company.
- (2) Jingcheng International Financial is 75% owned by Jingcheng Holding while Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Accordingly, Jingcheng International Financial is an associate of Jingcheng Holding and a connected person of the Company.
- (3) Asset Management Company is a direct wholly-owned subsidiary of Jingcheng Holding. Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Accordingly, Asset Management Company is an associate of Jingcheng Holding and a connected person of the Company.

SECTION 7 IMPORTANT MATTERS

XII. Material connected transactions (cont'd)

(v) Others (cont'd)

The details of the connected transaction and the continuing connected transaction for the year ended December 31, 2015 were set out below:

1. On January 15, 2015, Tianhai Cryogenic, an indirect non-wholly owned subsidiary of the Company, as the transferee and Kerui Nike as the transferor entered into the Technology Transfer Agreement pursuant to which 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. Kerui Nike is a substantial shareholder of Tianhai Cryogenic holding 25% interest in Tianhai Cryogenic. Tianhai Cryogenic is an indirect non-wholly owned subsidiary of the Company, therefore, Kerui Nike became the connected person. This transaction is made for the purpose of the steady development of Tianhai Cryogenic, upgrading the product and increasing the core competitiveness. The total consideration for the Technology Transfer Agreement is RMB 20,000,000. The material terms of the Transfer Agreement is that Kerui Nike will sell the design and manufacturing technology for the cryogenic tank equipment with volume over 100m³ to Tianhai Cryogenic. Kerui Nike guaranteed that the transfer of Cryogenic Tank Technology will be completed before December 31, 2019. After the technical information in relation to the cryogenic tank equipment with volume over 100m³ are delivered to the project inspection team of Tianhai Cryogenic, Tianhai Cryogenic will pay the consideration to Kerui Nike under the Technology Transfer Agreement in five years by yearly installments of RMB 4,000,000 each.
2. On November 26, 2015, the Company entered into the conditional Asset Purchase Agreement with Jingcheng Holding, the controlling shareholder of the Company, pursuant to which Jingcheng Holding conditionally agreed to sell, and the Company conditionally agreed to purchase, 75% of the equity interest of Jingcheng International Financial. The estimated consideration in the sum of RMB 373,788,620.75 (subject to finalisation) will be satisfied by allotting and issuing 34,418,842 Consideration Shares (subject to finalisation) by the Company, credited as fully paid at an issue price of RMB 10.86 per Consideration Share (subject to finalisation), to Jingcheng Holding. Further, on November 26, 2015, Jingcheng (HK), a wholly-owned subsidiary of the Company, entered into the conditional Equity Interests Transfer Framework Agreement with Jingcheng Europe, an indirect non-wholly owned subsidiary of Jingcheng Holding, pursuant to which Jingcheng Europe conditionally agreed to sell, and Jingcheng (HK) conditionally agreed to purchase, 25% of the equity interest of Jingcheng International Financial. The estimated consideration in the sum of RMB 124,596,206.92 (subject to finalisation) will be satisfied by payment in cash.

PROPOSED NON-PUBLIC ISSUE OF A SHARES

On November 26, 2015, the Board resolved to propose a non-public issuance of A Shares, pursuant to which, the Company will issue not more than 50,000,000 A Shares (nominal value of RMB 1.00 each) to Jingcheng Holding and not more than nine specific investors (independent third parties of the Company and Jingcheng Holding) and the total funds raised are expected to be not more than RMB 200,000,000. The number of A Shares to be issued under the Non-public Issuance will be determined by reference to bidding results. The issue price shall be determined based on the prices quoted by the specific investors (except Jingcheng Holding), which is not less than 90% of the average trading price of the A Shares over the 20 trading days preceding the Issue Price Benchmark Date (formula: the average trading price of the A Shares over the 20 trading days preceding the Issue Price Benchmark Date = the total turnover of the A Shares over the 20 trading days preceding the Issue Price Benchmark Date/the total trading volume of the A Shares over the 20 trading days preceding the Issue Price Benchmark Date). The Non-public Issuance has been considered and approved by the Board on November 26, 2015, but is still subject to the approval at the Shareholder's meetings, A Shares Class Meeting and H Shares Class Meeting of the Company, approval of Beijing SASAC, and approval of the CSRC and other securities regulatory authorities (if applicable).

PROPOSED SUBSCRIPTION OF A SHARES BY THE CONTROLLING SHAREHOLDER

As part of the Non-public Issuance, the Company and Jingcheng Holding, the controlling shareholder of the Company, entered into the Subscription Agreement on November 26, 2015, pursuant to which Jingcheng Holding agreed to subscribe in cash for a number of A Shares with a total subscription price of RMB 30,000,000 issued by the Company under the Non-public Issuance at price identical to that offered to other target subscribers under the Non-public Issuance.

Jingcheng Holding holds 180,620,000 A Shares, representing approximately 42.80% of all Shares in issue. Jingcheng Holding is a controlling shareholder of the Company and thus a connected person of the Company. Jingcheng Europe is an indirect nonwholly owned subsidiary of Jingcheng Holding, and thus is also a connected person of the Company. Accordingly, the Proposed Acquisition also constitutes a connected transaction of the Company.

On February 3, 2016, the Company will adopt the modification on the proposal of Material Assets Reorganization to ensure not to trigger the requirements of Takeovers Code in Hong Kong. For details, please refer to the announcements of the Company dated February 3, 2016 on Shanghai Securities News, Securities Daily, the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>).

XII. Material connected transactions (cont'd)**(v) Others (cont'd)****Continuing connected transaction**

On March 3, 2014, Tianjin Tianhai, a subsidiary of the Company, entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Pipe, pursuant to which Tianjin Tianhai will purchase gas cylinder pipes from Tianjin Pipe for a term of one year commencing January 1, 2014 to December 31, 2014 with a cap of RMB 300,000,000. On March 27, 2014, Tianjin Pipe entered into a supplemental agreement to the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Tianhai to extend the term of the Gas Cylinder Pipe Sale and Purchase Framework Agreement from the original 1 year ending December 31, 2014 to 3 years ending December 31, 2016. On June 26, 2014, the continuing connected transaction in relation to the Gas Cylinder Pipe Sale and Purchase Framework Agreement and the supplemental agreement were considered and approved in the general meeting.

On January 15, 2015, the Finance Lease Cooperation Framework Agreement was entered into between Tianhai Industrial and Jingcheng International Financial pursuant to which Tianhai Industrial would sell and Jingcheng International Financial would purchase the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers. The annual cap of the proposed continuing connected transaction for the year ended December 31, 2015 under the Finance Lease Cooperation Framework Agreement was expected to be RMB 360,000,000. Such resolution was not passed at the AGM of 2014 which was convened on June 9, 2015. On August 11, 2015, the Finance Lease Cooperation Framework Agreement was entered into between Tianhai Industrial and Jingcheng International Financial pursuant to which Tianhai Industrial would sell and Jingcheng International Financial would purchase the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers. The annual cap of the proposed continuing connected transaction for the year ended December 31, 2015 under the Finance Lease Cooperation Framework Agreement was expected to be RMB 29,000,000.

On March 3, 2014, Asset Management Company (as lessor) and Tianhai Industry (as lessee), a wholly-owned subsidiary of the Company, entered into a contract with respect to the lease of plants and equipment of Asset Management Company for certain plants and production facilities for a period of three years from January 1, 2014 to December 31, 2016. The annual rent is RMB 680,000 and the rent for half a year is RMB 340,000.

On June 26, 2014, Asset Management Company (as lessor) and the Company (as lessee) entered into Asset Management Company Property Lease Contract for a period of one year from June 1, 2014 to May 31, 2015 with an annual rent of RMB 1,815,856.02. The contract was expired and has not been renewed. During the Reporting Period, the above continuing connected transactions were processed in accordance with their contractual agreements. The independent non-executive directors have reviewed each continuing connected transaction and confirmed that:

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

The auditors have issued letters without reservation in relation to the disclosed continuing connected transactions of the Group in accordance with Rule 14A.38 of the Listing Rules, which contain their findings and conclusions.

Such transactions were entered into in the ordinary and usual course of business of the Group, which were necessary for and continued during the operation of the Company. Also, such transactions would in no way affect the independence of the Company and harm the interests of the Company and shareholders, and in particular, the medium-sized shareholders and the minority shareholders.

Save as disclosed above, the Directors consider that the related party transactions disclosed in Note X of the Notes to the Financial Statement do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

SECTION 7 IMPORTANT MATTERS

XIII. Contracts of significance and their execution

- (i) **Trust, contracting and lease matters**
 Applicable Not Applicable
- (ii) **Guarantee**
 Applicable Not Applicable
- (iii) **Cash assets entrusted to be managed by others**
- 1. Entrusted wealth management**
 Applicable Not Applicable
 - 2. Entrusted loans**
 Applicable Not Applicable
 - 3. Other investments in wealth management and derivatives**
 Applicable Not Applicable
- (iv) **Other contracts of significance**
None

XIV. Explanation on other important matters

Applicable Not Applicable

1. Receipt of government subsidies

Item	Amount for the year	Source
The subsidy for guidance of the energy saving development by the Zhaoyang district	204,000.00	The subsidy for guidance of the energy saving development by the Zhaoyang district
The subsidy for the employment of disabled	40,000.00	The subsidy for the employment of disabled
The subsidy for the patent right by the Zhaoyang district	21,120.00	Finance Bureau of Zhaoyang district – The subsidy for the patent right for hi-tech enterprises
Short-term export credit insurance support fund	112,912.00	Short-term export credit insurance support fund by the Business Committee of Beijing
The subsidy for the anti-dumping and anti-subsidy by the government	72,000.00	The Business Committee of Beijing
Total	450,032.00	

2. The change in condition of subsidiaries included in consolidation during the Report Period

None

3. The applicable rate of enterprise income tax for the Company was 25% during the Reporting Period.

4. The Audit Committee review the financial report during Reporting Period

The Audit Committee of the Board has reviewed and confirmed the financial report of 2015.

5. The Corporate Governance Practices

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

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

During the Reporting Period, the Company has adopted a Model Code which the standard is not lower than the Model Code for Securities Transactions set out in Appendix 10 of the Listing Rules as the code of conduct for Directors and Supervisors' securities transactions. After having the specific enquiry of all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the requirements as set out in the Model Code in relation to the securities transactions for the twelve months ended December 31, 2015.

7. Share Capital

(1) There was no change in the total number of share capital of the Company during the reporting period.

(2) Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

XV. Report on Performance of Social Responsibility by the Company

(i) Social responsibility works

1. Overview of social responsibility

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

In 2015, the Company continuously perfected its governance structure as a legal person to regulate the operation of the Company, enhanced its internal control system, strictly complied with the related requirements of CSRC, meticulously performed its corporate responsibilities, and perfectly protected the interests of its shareholders and creditors. The Company strictly complied with the Labor Laws and the Articles of Association of the Company and protected the legal interests of its staff in accordance with the relevant laws. The Company has established a healthy and effective quality control system and focused on the enhancement of product quality. In the meantime, we, together with the party, organized different caring activities to listen to the thoughts of staff and do actual work for staff. The Company participated in the community welfare activities, and made donations to charity.

2. Report of performance of social responsibility and environmental policy

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

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

Along with the deterioration of air pollution in China, especially in the capital Beijing, Beijing took the air quality improvement, which focused on control of PM 2.5 (particular matters), as a significant livelihood project and put it in the first place. As a State-owned enterprise in the capital, the Company actively fulfilled the social responsibilities, and developed deep cooperation with Beijing Public Transportation Group to provide supporting products of LNG cylinders for Beiqi Foton clean energy demonstration buses. At present, what are equipped on the buses with important routes that pass Changan Street and Tiananmen are LNG automobile cylinders. The Company’s LNG products are safely served in the buses in Beijing, and play an irreplaceable role in the environment control in the capital and represent a good social image of the Company. The Company captured the opportunities brought by the coal to gas conversion by introducing the gasification station series of products. It has established cooperation with major domestic energy customers including Huagang Gas and Beijing Gas. Its gasification station products for the coal to gas conversion have been sold to Beijing, Hebei and Shanxi and are well received by its customers.

In line with the positioning of the core functions of the capital, the Company took the initiative to relocate and accelerate its transformation and upgrading by finishing the strategic transfer of its production lines to its subsidiaries and the relocation of its functional departments at the headquarters of Beijing Tianhai to its production base in Huo County.

3. Public welfare and caring

In 2015, in the activity of “Communist party members show love” and through the wide propaganda and organization of various levels of the party organizations, the communist party members, activists and other people made 359 donations which raised RMB 17,160.

It used a variety of forms, combined with the requirements of disclosure of corporate affairs and those for listed companies, actively carried out special situation and task education, stressed the situation and the task, transferred market pressures to each employee, carried forward the courage to play, dared to tackle tough problems, dared to innovate, made strong efforts to solve the most practical problems of employees that relate to their interest and are most concerned about by them and their most difficult problems. The Company strived to care for all employees and attract more employees to the labour union and its activities so that employees can really feel that the labour union is the home of employees and cadres of the labour union are their most reliable family members.

SECTION 7 IMPORTANT MATTERS

XV. Report on Performance of Social Responsibility by the Company *(cont'd)*

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

3. Public welfare and caring *(cont'd)*

The Company takes care of staff life and creates a harmonious atmosphere. The Company continued on “heart-warming” activities, personally visited model workers, overseas Chinese, retired executives and employees with difficulties or serious illness. This year, the Company actively conducted “heart-warming” activities in accordance with the arrangements made by the Municipal General Labour Union and the labour union of its controlling company. During the “heart-warming” activities, branches of the labour union collected comprehensive information on employees having difficulties or long-term diseases and injuries. Together with the Party Committee Work Department and the human resources department, the labour union visited key labour models, targets of the United Front, returned overseas Chinese and their spouses, retired old cadres and retired old employees having financial difficulties and serious diseases, and branches of the labour union also visited and expressed condolence to key production and technical staff and employees in their own departments having difficulties. In 2015 to date, a total of 137 family visits were conducted and subsidies totalling RMB 137,000 were provided to 121 persons. During the festival period, a condolence meeting was convened for employees living off-site. The labour union, on behalf of the Company, purchased spring festival gifts for 555 migrant workers to express condolence to them.

(ii) Important relationships with employees, suppliers and customers

1. Protection of employees’ interests

(1) In accordance with laws, regulations and rules, the Company participates in pension and social insurances such as medical, unemployment, work injuries and pregnancy insurances etc and housing fund. The Company pays the social insurance fees on time, fulfils the fees payments obligations on behalf of the employees, discloses the payment of social insurance fees every month and accepts the supervision of the employees.

(2) The labor union completely fulfils its function to represent the interests of employees. Representatives of the labor union and employees participate in formulating, revising or deciding rules or systems related to work compensation which directly involve the interests of the employees and other important matters; the Company has assiduously implemented the “Rules and regulations of the Labor Contract Law” and renewed a “Collective Contract” for the year so as to further clarify the interests and rights of the employees. Relying on the opportunities brought by the implementation of the Measures for Implementing the Labour Union Law of the People’s Republic of China in Beijing, the Company actively advanced the implementation of the democratic management system for enterprises with the staff representative meeting as a basic form in order to uphold their right of access to information, right to participate in decision-making, right of expression and right of monitoring. The Company further improved its mechanism of expressing requests by employees. While advocating reform proposals and transformation objectives, the Company shall have more thorough understanding of the thinking and needs of its employees at low level and report to the party and government in a timely manner so that problems can be reasonably negotiated and effectively solved. It shall improve its mediation work by making use of the organizational function of the labour union.

It adopted reasonable advices, Tianhai newsletter and opinion box to widely listen to the opinions and advices of its employees and receive the monitoring by its employees. This year, the labour union organized the fourth to sixth staff representative meetings of the fourth session by sticking to the philosophy of building a successful enterprise with the support from employees. At the fourth staff representative meeting of the fourth session, the measures for the management of total remuneration with cap were passed by secret ballot. This has laid a solid foundation for further transformation and upgrading of the Company and motivation of its employees.

(3) In the training of employees, the Company has established effective training mechanism, prepared the annual training plan and implemented it. In the development of employees, based on the platform of enterprise-school cooperation, the Company continuously provides professional technicians to the front line of production and its technical expert team is increasingly enlarged. The Company has formulated a rewarding system toward the employees who obtained technical grades, which greatly motivated the passion of frontline employees to learn techniques and increase abilities. The Company actively constructed the platform for its employees to realize their own value and organized welder skills contest within the Company and the job exercising and skill competition activities in the affiliated company. In order to meet the innovation and development requirements from the LNG market in which the Company’s new products were promoted and do better in identifying, developing and reserve of skillful talents in weld, the Company set up a platform for our staffs to display their talents.

(4) The Company has set up the platform for the growth of its young talents. Based on the 135 Growth Plan for the Youth, the Company has targeted to provide career planning services for the young employees who joined the Company from 1 to 5 years, which has created favorable conditions for expanding personal development.

XV. Report on Performance of Social Responsibility by the Company *(cont'd)*

(ii) Important relationships with employees, suppliers and customers *(cont'd)*

1. Protection of employees' interests *(cont'd)*

(5) The Company has intensified labor protection to safeguard the safety and health of its employees. Under the guideline of "safety first, precaution crucial, comprehensive treatment", the Company has established and improved the life safety-focused safe production responsibility system and material technology support system to protect the interest of the employees. In order to protect the health of its employees, the Company provided physical examination for all the servicing employees and occupational health examination to the employees taking dangerous work, as well as pre-service health examination and off-job health examination to employees who contact occupational hazard factors.

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

(6) The Company has been caring about the life of its employees and done actual work for them. According to the demand of employees, new parking area was vacated, to ease parking problem for its employees; fitness equipment were purchased and installed; basketball courts and the small courts for five-a-side football were constructed in the Huo County production base, and the thyroid gland inspection was arranged for all employees. The Company also strived to do better in the heatstroke prevention and cooling in summer.

(7) The Company has been doing well in the work related to the employees' wellbeing mutual help insurance. In 2015, there were a total of 1,200 employees joining the insurance. There were 1,200 employees participating in hospitalization insurance and 218 employees participating in the female employee mutual help insurance. As of the end of 2015, employees of the Company had claimed their insurance for a total of 15 times and were compensated RMB 13,581.

(8) The Company has been actively protecting the rights and interests of off-farm workers. Most of off-farm workers of the Company have worked for rather long time in the Company and have become key persons in the production posts. All of the workers have signed labor contract with the Company. The Company pays various insurance for them according to regulations. The Company has not delayed any payment for the salaries of the off-farm workers. All salaries are paid on time and in right amount to the personal bank card of the workers every month. The Company does not discriminate against off-farm workers.

(9) Active organization of cultural and sport activities strengthens the cultural construction of the company. During the year, the Company organized different cultural and sport activities according to the corporate features and its employees' demands in different time, which mainly include: knowledge contest, Poker contest, table chess contest, tennis contest, football contest, basketball contest, badminton contest and sports meeting. Such activities are rich, various and widely-participated. Apart from increasing fund contribution, with the combination of current sites and rented sites, large-scale activities and small-range activities, the Company made innovations in the type and content of activities and spent lots of energy in the novelty, dynamic and variety of activities. Through these activities, the Company better met the increasing spirit demands of employees, built an up-beat environment and the employees were encouraged to accept difficulties and challenges and became more motivated, cohesive and inspired.

2. Interests of suppliers and customers

The Company looks for a long term strategic cooperation with customers and suppliers and aims to achieve good quality. In 2015, the Company put emphasis on quality and supply of goods management. It has strengthened the construction of mechanism and tightened the control over product quality and goods supply cycle. Through holding seminars with suppliers, site assessment, training and annual evaluation, the Company has innovated demanding-supplying mode and continuously improved product quality to ensure that the products meet the demand of the company and market.

(1) The Company strengthened management over suppliers and improved the supply quality. Through quality evaluation on arrival and site assessment of suppliers, the Company treated those qualified and faithful enterprises as long-term strategic partners and included them into the list of qualified suppliers as first-chosen purchasing suppliers. Through annual assessment and competitively selection, the supply quality and service level of suppliers were effectively improved. At the same time, the Company adopted competition mechanism and purchased commodity after assessing several suppliers and compared their prices. The Company implemented a classified management over the purchase of outsourced parts based on market price mechanism and product properties so as to realize the monitoring of quality and price of purchased parts. The Company continuously facilitated the improvement of market price comparison system in order to realize mutual benefit and joint development.

SECTION 7 IMPORTANT MATTERS

XV. Report on Performance of Social Responsibility by the Company *(cont'd)*

(ii) Important relationships with employees, suppliers and customers *(cont'd)*

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

- (2) Based on the principle of “openness, fairness and transparency”, the Company vigorously implemented fair and honest purchase, enhanced anti-corruption education toward salesman to ensure “no desire of violating operation”, perfected systems and supervision mechanism to ensure “no ability of violating operation”, and strengthened punishment to ensure “no courage of violating operation”. In addition, the Company positively cooperated with suppliers to defend corruption, in order to achieve effective control over the source and eliminate harmful practice during the procurement.
- (3) During the procurement, the Company actively led its suppliers to improve their social responsibility awareness, requiring them to enhance environmental protection awareness when manufacturing products, such as adopting measures regarding the recycle and re-use of the material of package. The Company has added social responsibility into the annual assessment of quality system toward suppliers, to drive them to perform social responsibilities.
- (4) The Company carried out special rectification for procurement and enhanced prevention and control of risk from clean governance. In 2015, The Company formed a special rectification working team in aspect of material procurement chaired by the person-in-charge of the Company, and a joint steering team comprising of relevant members from the Discipline Inspection Commission, Department of Supervision, Department of Business Administration and Operations, the Audit and Legal Affairs Department and the Finance Department, which had implemented special rectification for procurement of the supply department and every subsidiaries. With the combination of self-checking and supervision, the Company conducted a comprehensive combing by way of on-site inspection, sampling and individual interview, towards items focusing on whether the material purchasing management system and procedures are sound and perfect and their implementation are well-positioned or not, and formulated corresponding rectification measures so as to further strength the management of prevention of risks from clean governance in the field of materials procurement.
- (5) Enhanced supervision by the Party. The Company carefully carried out the examination by the Party committee and self-examination and self-correction. It has developed the Measures for Implementation of Inspection by the Party Committee of Beijing Tianhai Industry Co. Ltd. and established a disciplinary committee inspection group led by the Party Committee of the Company, formulated the plan and proposal for inspection work for 2015 and conducted relevant inspection. The inspection work commenced on June 11, 2015 and ended on July 29, 2015. A total of 15 departments of the Company and its subsidiaries have been inspected and audited, covering 12 areas including material procurement, construction, bidding, selection and employment, property rental, disposal of assets, fund management, outsourcing, restructuring and reorganizing, implementing eight requirements and rectification of the Four Winds. A total of 50 issues were identified and notices of rectification have been issued accordingly, setting out the deadline for rectification. The inspection group followed up on the rectification and checked the results of rectification.
- (6) Through various ways such as mutual visit and communication with key customers, regular customer satisfaction survey, after-sale visit, the Company maintained sales channel, collected customers' opinion and provided premium service to customers on time and respond quickly to the changes in the market. The domestic business department has established a work hour quoting system of spare parts and repair items necessary for outsourcing services and improved its management of after-sales services. It set the goal of “improving performance through services” within on year. The Company pushed forward its service work with trans-positional consideration, and implemented the strategy of joint development of new markets cooperating with main engine plants by adopting “the promotion of sales by service” as the principle of service works. By deepening the service of stable and already occupied sales market and developing new sales market, the Company realized the continuous development of its sales work. Over the year, facing the furious competitive market environment, the Company constantly kept its the high-end services, earnestly done better in pre-sale, sale and after-sale services so as to enhance relations with customers. The Company jointly discussed the market strategies with its agents and key customers, surrendering part of its profits but no share of market, conducting negotiation for every order to capture various opportunities to maintain customers and secure orders as well as protect the market share of products of the Company to the greatest extent.

In addition, “Tianhai Cylinders” successfully passed the expert review for the protection of products from ecological origin. The passage of the review for the protection of products from ecological origin indicates that the products of Beijing Tianhai Industry Co. Ltd. enjoy strong advantages in product quality, technical strengths and ecology-friendliness and are ecological products recognized and protected by the State. It also demonstrates that the products of Tianhai have the ability to lead the tide and are representative of high-end manufacturing in the PRC.

XV. Report on Performance of Social Responsibility by the Company *(cont'd)***(ii) Important relationships with employees, suppliers and customers** *(cont'd)***2. Interests of suppliers and customers** *(cont'd)*

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

(8) The Company adapted to market demand and built quality team. In order to adapt to the complex and volatile market conditions, the Company actively promoted the building and transformation of its sales teams. In 2015, the Company arranged trainings for after-sales service staff in leadership, product technology and service awareness and improved its services. The Company insisted on orienting towards market demand and individualized needs of the customers and actively provided quality product and service. In 2015, the Company has offered quality products and services to some well-known enterprises and nation-wide automobile repacking companies and received wide recognition from customers. In relation to the international market development, the Company actively participated in international professional exhibits to get closer to its overseas end customers and enhanced its understanding of traditional and emerging markets through the exhibits. In addition, the Company made full use of internet platforms to convey information online and connect online and offline transactions and timely converted the customer information collected at exhibits and the internet into potential customer resources. As at the end of 2015, these measures had produced good results.

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

Not Applicable

XVI. Convertible bonds of the Company

Applicable Not Applicable

SECTION 8 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

I. Changes in ordinary shares

(i) Statement of changes in ordinary shares

1. Statement of changes in ordinary shares

Unit: shares

	Pre-movement		Increase/Decrease (+,-)				Post-movement		
	Number of Shares	Proportion (%)	New issued shares	Bonus share	Conversion from reserve	Others	Subtotal	Number of Shares	Proportion (%)
(I) Share subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including: shares held by domestic corporations									
shares held by domestic individuals									
4. Foreign invested shares									
Including: shares held by overseas corporations									
shares held by overseas individuals									
(II) Share not subject to trading moratorium	422,000,000	100						422,000,000	100
1. Ordinary domestic shares	322,000,000	76.3						322,000,000	76.3
2. Domestically listed foreign invested shares	0	0						0	0
3. Overseas listed foreign invested shares	100,000,000	23.7						100,000,000	23.7
4. Others	0	0						0	0
(III) Total Shares	422,000,000	100						422,000,000	100

2. Explanation on the changes in ordinary shares

During the Reporting Period, the controlling shareholders reduced the shareholding by 21,000,000 Shares which changed the proportion of shareholding from 47.78% to 42.80%. There is no change in the total number of ordinary shares and structure of shares of the Company

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

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

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

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

(ii) Changes in trade-restricted shares

Applicable Not Applicable

SECTION 8 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

II. Issuance and listing of securities

(i) Issuance of securities as at the reporting period

Description of securities issued during the Reporting Period (please specify the bonds with different interest rates during their duration)

During the reporting period, the Company has not issued or listed any securities.

(ii) Changes in the total number of ordinary shares of the Company and shareholders' structure and changes in the asset and liability structure of the Company

During the reporting period, there is no change in the total number of shares and structure of shares of the Company due to bonus shares or allotment of shares.

(iii) Existing internal employee shares

As of the end of the reporting period, the Company does not have internal employee share.

III. Shareholders and beneficial controllers

(i) Total numbers of shareholders

Total number of ordinary shareholders as of the end of the reporting period	31,510 in which: 31,444 holders of A shares, 66 holders of H shares
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	27,858
Total number of shareholders of preference shares with restored voting right as at the end of the reporting period	0
Total number of shareholders of preference shares with restored voting right as at the end of the month preceding the date of publication of annual report	0

(ii) Shareholding of top ten shareholders, top 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 (full name)	Increase/decrease during the reporting period	Number of shares held at end of the period	Shareholding ratio (%)	Shareholdings subject to trading moratorium	Pledged or frozen		Shareholder Nature
					Share Status	Numbers	
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	-21,000,000	180,620,000	42.80	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	122,001	99,155,200	23.50	0	Unknown	-	Unknown
Penghua Epitaxial Growth of Flexible Configuration Hybrid Securities Investment Fund	2,691,434	2,691,434	0.64	0	Unknown	-	Unknown
Putian Income Fund	2,463,209	2,463,209	0.58	0	Unknown	-	Unknown
Rising Securities Co., Ltd.	-2,598,726	1,706,739	0.40	0	Unknown	-	Unknown
Zeng Youquan	47,985	1,684,574	0.40	0	Unknown	-	Unknown
Hong Kong Securities Clearing Company Limited	744,399	744,399	0.18	0	Unknown	-	Unknown
Sun Gang	637,200	637,200	0.15	0	Unknown	236,900	Unknown
Wang Zhihong	600,000	600,000	0.14	0	Unknown	-	Unknown
Liu Shuizhen	557,500	557,500	0.13	0	Unknown	-	Unknown

SECTION 8 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

III. Shareholders and beneficial controllers *(cont'd)*

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

Particulars of top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium	Class and number of shares	
		Type	Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	180,620,000	Ordinary shares denominated in RMB	180,620,000
HKSCC NOMINEES LIMITED	99,155,200	Overseas listed foreign shares	99,155,200
Penghua Epitaxial Growth of Flexible Configuration Hybrid Securities Investment Fund	2,691,434	Ordinary shares denominated in RMB	2,691,434
Putian Income Fund	2,463,209	Ordinary shares denominated in RMB	2,463,209
Rising Securities Co., Ltd.	1,706,739	Ordinary shares denominated in RMB	1,706,739
Zeng Youquan	1,684,574	Ordinary shares denominated in RMB	1,684,574
Hong Kong Securities Clearing Company Limited	744,399	Domestic listed foreign shares	744,399
Sun Gang	637,200	Ordinary shares denominated in RMB	637,200
Wang Zhihong	600,000	Ordinary shares denominated in RMB	600,000
Liu Shuizhen	557,500	Ordinary shares denominated in RMB	557,500

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

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

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

N/A

Description:

- (1) Among the top ten shareholders of the Company, Jingcheng Holding is the controlling shareholder of the Company.
- (2) HKSCC Nominees Limited held H Shares on behalf of its clients and the Company has not received notification from HKSCC Nominees Limited that any of the single clients has held more than 5% of the total share capital of the Company.
- (3) Save as disclosed above, the Directors have not been informed that any persons (neither Directors nor supervisors nor chief executives) who have interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the designated register required to be kept by the Company under Section 336 of the SFO.
- (4) Purchase, sale or redemption of the Company's listed shares
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the reporting period.
- (5) Pre-emptive rights
There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- (6) Convertible securities, options, warrants or other similar rights
As at December 31, 2015, the Company did not issue any convertible securities, options, warrants or any other similar rights.

III. Shareholders and beneficial controllers *(cont'd)*

Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares
Not Applicable

IV. Controlling shareholders and beneficial controller

(i) **Controlling shareholder**

1. Legal person

Name	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
The person in charge of the unit or legal representative	Ren Yaguang
Date of establishment	September 8, 1997
Principal businesses	Within the scope of authorization, management of state-owned assets; management of equities; external fundraising and investment. The Company has six major business sectors including numerical control machine, engineering machine, storage and transportation of gas, environment protection industry, new energy and thermal power generation. It has six business units including logistics industry, hydraulic industry, switch industry, printing machine, electrical machine industry and electric wires and cables. It combines engineering design, product development, manufacture of equipment and technical service together, provides high quality professional integrated mechanics and electrics equipment and services to industrial fields such as electricity, metallurgy, shipping, transportation, engineering construction, manufacture of machines and aerospace.
Shareholdings in other domestic and overseas listed companies of which it has holding rights and joint-stocks	Nil
Other matters	Nil

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

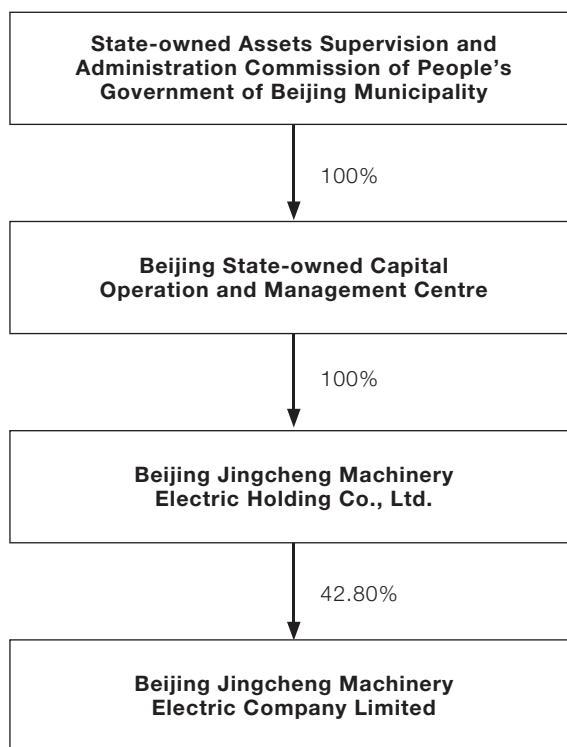
3. Index and date of changes of controlling shareholder of the Company during the reporting period
During the reporting period, there was no change in controlling shareholders.

SECTION 8 CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS

IV. Controlling shareholders and beneficial controller *(cont'd)*

(i) Controlling shareholder *(cont'd)*

4. Property right and controlling relationship between the Company and controlling shareholder



V. Description of restrictions in reduction of shareholding

Applicable Not Applicable

SECTION 9 INFORMATION ABOUT PREFERENCE SHARES

(I) **Pre-emptive rights**

According to the Article of Association of the Company and the laws of PRC, the Company is not subject to any pre-emptive rights requiring it to offer new issue of its share to its existing shareholders in proportion to their shareholdings.

SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

I. Change of shareholding and remuneration

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

√ Applicable □ Not Applicable

Unit: share

Name	Position (note)	Sex	Age	Date of appointment	End of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change in the amount of shareholdings in the year	Reason for change	Total remuneration received from the Company during the Reporting Period (RMB '0'000)	Total remuneration receivable from the Shareholders	Whether receiving compensation from rated parties of the Company
Wang Jun	Chairman	Male	44	2015.12.10	2017.06.25	0	0	0	-	0	1.62	Yes
Chen Changge	Executive Director, General Manager	Male	48	2015.12.10	2017.06.25	0	0	0	-	5.14		No
Li Junjie	Executive Director	Male	37	2014.06.26	2017.06.25	0	0	0	-	60.77	0	No
Du Yuexi	Executive Director	Male	57	2015.12.10	2017.06.25	0	0	0	-	0	1.63	Yes
Xia Zhonghua	Non-executive Director	Male	51	2014.06.26	2017.06.25	0	0	0	-	0	35.84	Yes
Jin Chunyu	Non-executive Director	Female	44	2015.06.09	2017.06.25	0	0	0	-	0	16.51	Yes
Fu Hongquan	Non-executive Director	Male	51	2015.06.09	2017.06.25	0	0	0	-	0	14.05	Yes
Wu Yan	Independent non-executive Director	Female	68	2014.06.26	2017.06.25	57,301	43,001	14,300	-	6	0	NO
Liu Ning	Independent non-executive Director	Male	57	2014.06.26	2017.06.25	0	0	0	-	6	0	No
Yang Xiaohui	Independent non-executive Director	Male	47	2014.06.26	2017.06.25	0	0	0	-	6	0	No
Fan Yong	Independent non-executive Director	Male	43	2014.06.26	2017.06.25	0	0	0	-	6	0	No
Chang Yun	Chairman of the Supervisory Committee	Female	41	2015.06.10	2017.06.25	0	0	0	-	0	29.74	Yes
Liu Zhe	Supervisor	Female	37	2015.12.10	2017.06.25	0	0	0	-	48.19	0	No
Wang Yiqing	Supervisor(s)	Male	43	2015.01.04	2017.06.25	0	0	0	-	29.35	0	No
Jiang Chi	Chief accountant, secretary to the Board	Female	40	2014.06.26	2017.06.25	0	0	0	-	47.26	0	No
Shi Fengwen	Chief Engineer	Male	44	2015.10.23	2017.06.25	0	0	0	-	8.98	0	No
Hu Chuanzhong	Former Chairman	Male	46	2014.06.26	2015.10.14	0	0	0	-	50.50	0	No
Zhou Yongjun	Former non-executive Director	Male	49	2014.06.26	2015.04.22	0	0	0	-	0	16.73	Yes
Wang Weijing	Former supervisor	Female	43	2015.06.09	2015.12.10	0	0	0	-	3.26	0	No
Han Bingkui	Former supervisor	Male	60	2014.06.26	2015.06.09	0	0	0	-	23.89	0	No
Xie Yuemei	Former Chief Engineer	Female	57	2014.06.26	2015.10.23	0	0	0	-	34.16	0	No
Total	/	/	/	/	/	57,301	43,001	14,300	/	335.50	116.12	/

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

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

Notes:

- (1) The remuneration of Wang Jun, Chen Changge and Du Yuexi is the aggregate amount of 1 month; the remuneration of Shi Fengwen is the aggregate amount of 2 months; the remuneration of Jin Chunyu and Fu Hongquan is the aggregate amount of 7 months; the remuneration of Hu Chuanzhong and Xi Yuemei is the aggregate amount of 10 months; the remuneration of ZhouYongju is the aggregate amount of 4 months; the remuneration of Han Bingkui is the aggregate amount of 6 months; the remuneration of Wang Weijing is the aggregate amount of 3 months.
- (2) The remuneration of other Directors, Supervisors and chief executives is the aggregate amount of 12 months.
- (3) During the Reporting Period, no Directors, Supervisors and chief executives were granted any incentive shares by the Company.
- (4) Save as disclosed above, as at December 31, 2015, none of the directors, supervisors or chief executives of the Company nor their respective associates, had any interests in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and none of the directors or supervisors, or their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.
- (5) Save as those set out in the register required to be maintained by directors and supervisors under the SFO of Hong Kong, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors had any interest which was required to be recorded in the register under the SFO.
- (6) Save as disclosed above, as at December 31, 2015, none of the directors, supervisors or chief executives of the Company nor their respective associates, had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.
- (7) Save as disclosed above, none of the directors, supervisors or chief executives of the Company nor their respective associates, nor their respective subsidiaries was granted the rights to acquire Company's shares or debentures, or have exercised such rights before December 31, 2015.

SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

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

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

Name	Main work experiences
Wang Jun	Chinese, male, aged 44, Chairman. He is an economist with a bachelor's degree and MBA. Mr. Wang was a sales clerk, director of export department, director of international business department and deputy general manager of Beijing Tianhai Industry Co., Ltd., party secretary, chairman of the Board of Beijing Beikai Electric Co., Ltd., head of the office, head of the office of the Board of Directors, director of the legal affairs department, secretary to the Board of Directors, member of the party of Beijing Jingcheng Machinery Electric Holding Co., Ltd. Currently, he is a standing committee member of party committee, deputy general manager and general counsel of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. He has been an executive Director of the Company since December 10, 2015 and chairman of the Company since December 11, 2015.
Chen Changge	Chinese, male, aged 48, executive Director, general manager. He is a senior policy advisor with a bachelor's degree and MBA. Mr. Chen was an assistant to production manager of No. 3 Factory of Single and Double Color Machine Branch Company of Beiren Holdings Limited, party secretary, manager and party secretary of Web Offset Printing Machine Manufacturing Branch Company, member of the party committee, deputy general manager of Beiren Holding Limited, secretary, member of the party and deputy general manager of Beiren Group Corporation. He also was a director of human resource department, head of the office and secretary to the board of directors of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. Currently, he is the party secretary and chairman of the board of Beijing Tianhai Industry Co., Ltd.. He has been an executive Director of the Company since December 10, 2015 and general manager of the Company since December 11, 2015.
Li Junjie	Chinese, male, aged 37, executive director. He obtained a bachelor degree in economics from Taiyuan Heavy Machinery Institute and an EMBA degree from Guanghua School of Management of Peking University. He was an accountant of finance department, salesman of marketing department, deputy manager of human resources department and deputy general manager in Beijing Tianhai Industry Co., Ltd. He served as the general manager of the Company from June 26, 2014 to December 10, 2015. He is currently the deputy party secretary and general manager of Beijing Tianhai Industry Co., Ltd. He has been an executive director of the Company since December 16, 2013.
Du Yuexi	Chinese, male, aged 57, executive Director. He is a senior policy advisor with a MBA. Mr. Du was a cadre of Beijing Tong County Maizhuang Community, vice factory director of Beijing Construction Machinery Factory, general manager of Huaxin Metal Structure Company, a Sino-Japanese joint venture, deputy general manager of Beijing Xihai Company, general manager of Chinese Party and secretary of Beijing Modern Jingcheng Construction Machinery Co., Ltd., deputy general manager and secretary of Beijing Jingcheng Heavy Industry Co., Ltd.. Currently, he is the secretary of the branch of party and general manager of Beijing Jingcheng International Financing Lease Co., Ltd.. He has been an executive director of the Company since December 10, 2015.
Xia Zhonghua	Chinese, male, aged 51, non-executive director. He obtained a bachelor's degree in Engineering from Hefei University of Technology. He is a senior engineer. Mr. Xia was designer of construction of Beijing Metal Structure Factory (new factory) of Beijing Machinery Industrial Engineering Contract Corporation (北京機械工業建設工程承發包公司) and its technical director, project assistant manager and project manager, director in basic construction of Beijing Jingcheng Machinery Electric Holding Co. Ltd., director of the construction project planning department of Beijing Jianji Real Estate Co., Ltd. (北京建機房地產公司) (Part-time), head of Resource Allocation and Restructuring of Beijing Jingcheng Machinery Electric Holding Co., Ltd., head of project investment of Beijing Jingcheng Machinery Electric Holding Co., Ltd., vice-president of Party School of Beijing Machinery Industry Administrative Bureau (北京機械工業管理局黨校), deputy minister of the asset management department of Beijing Jingcheng Holding, the head of the securities and reform department of Beijing Jingcheng Holding, director of Beijing Xihai Industrial and Trading Company and Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd. He is currently the head of the property resource department of Jingcheng Holding. He has been a non-executive director of the Company since June 26, 2014.

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

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

Name	Main work experiences
Jin Chunyu	Chinese, female, aged 44, non-executive Director. She obtained a bachelor's degree in engineering and a master's degree in business administration, and is a senior accountant. Ms. Jin previously served as clerical officer in the Finance Department and vice director of Beijing Electric Motor General Corporation, deputy director of assets, finance and audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., director and chief accountant (of the Chinese partner) of Babcock & Wilcox Beijing Company Ltd., and convener of Supervisory Committee of Beijing B.J. Electric Motor Co., Ltd. Currently, she is the department head of planning and finance department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. She has been a non-executive director of the Company since June 9, 2015.
Fu Hongquan	Chinese, male, aged 51, non-executive Director, a graduate and a senior engineer. Mr. Fu previously served as construction technician, smithing engineer, construction service technician of cast steel factory, deputy general engineer and deputy plant manager of Beijing Heavy Electrical and Mechanical Plant (cast steel factory), deputy general manager of general affairs of Beijing Turbine Motor Co., Ltd., deputy director of human resource department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the deputy party secretary, chairman of labour union and secretary of discipline inspection commission, deputy plant manager of Beijing No.1 Machine Tool Plant, deputy general manager of Beijing Beiyi Digital Control Machine Tool Co., Ltd. and deputy general manager of Beijing Beiyi Machine Tool Co., Ltd. Currently, he is a director of Beijing No. 1 Machine Tool (Gaobei Branch) Casting Co., Ltd., the chairman of Beiyi Heavy Machinery Casting Co., Ltd., and chairman of Beijing No. 1 Machine Tool (Gaobei Branch) Casting Co., Ltd. and the deputy party secretary, secretary of discipline inspection commission and chairman of labour union of Beijing Beiyi Machine Tool Co., Ltd., and head of the securities and reform department of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. She has been a non-executive director of the Company since June 9, 2015.
Wu Yan	Chinese, female, aged 68, independent non-executive director, graduated from Xi'an Jiaotong University majoring in boiler design and manufacturing. Ms. Wu was the technician of the First Research & Design Institute of Nuclear Industry (核工業第一設計研究院), technician of Tianjin Bureau of Labor, deputy director and director in the Boiler and Pressure Vessel Detection & Research Center under the Ministry of Labour, director and assistant inspector of Boiler and Pressure Vessel Safety Supervision Bureau under the State Bureau of Quality Technical Supervision, assistant inspector of Special Equipment Safety Supervision Bureau under the State Administration for Quality Supervision and Inspection and Quarantine, deputy secretary general and secretary general of China Gas Cylinders Standardization Technical Committee, and currently serves as the consultant of the committee. She has been an independent non-executive director of the Company since June 26, 2014.
Liu Ning	Chinese, male, aged 57, independent non-executive director. He obtained a bachelor of laws from China University of Political Science and Law. He was the postgraduate in international economic law of Institute for International Economics of Nankai University and a lawyer. Mr. Liu obtained his qualification of lawyer in 1984 and have been practicing as a lawyer for over thirty years, during which he had dealt with various representative cases and legal affairs, and participated in legislation and other work. Mr. Liu served as director of Tianjin Dongfang Law Office and Beijing New Era Law Firm. He is currently the director and senior partner of B.J.H & New Era Law Firm (北京市公元博景泓律師事務所), member of the Economics Committee of All-China Lawyers Association, member of the Legislative Committee of the Central Committee of China Democratic League, researcher of Food and Drug Industry Development and Regulatory Research Center of Chinese Academy of Social Sciences, legislative consultant of Beijing Municipal People's Congress, member of the Eighth Committee of Chinese People's Political Consultative Conference of Haidian District of Beijing, member of Beijing Municipal Committee of China Democratic League, deputy director of the Social and Legal Affairs Committee of Beijing Municipal Committee of China Democratic League and executive member of Beijing Federation of Industry & Commerce. He has been an independent non-executive director of the Company since June 26, 2014.

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

Name	Main work experiences
Yang Xiaohui	Chinese, male, aged 47, independent non-executive director. He has a bachelor's degree and is a certified public accountant, certified tax agent, certified public valuer (non-practicing member) and senior accountant in China. Mr. Yang was a teacher of North China University of Technology, department manager, deputy general manager and partner of Zhonghengxin, China Rightson Certified Public Accountants and RSM China Certified Public Accountants, and also served as the member of the technical committee of Beijing Institute of Certified Public Accountants. He is currently the senior partner of Ruihua Certified Public Accountants. He has been an independent non-executive director of the Company since June 26, 2014.
Fan Yong	Chinese, male, aged 43, independent non-executive director. He obtained a master degree from Tsinghua University. Mr. Fan worked as the head of Investment Banking Division in Qinghai Securities, deputy director of general office of Shengli Oil Field Dynamic Group Co., Ltd. (Dynamic), deputy general manager of Felsted (Beijing) Investment Co., Ltd. (佛爾斯特(北京)投資有限責任公司), general manager of Capital Investment Department of Rising Securities Co., Ltd., business director of Investment Bank Headquarters of Qilu Securities Co., Ltd., director of Investment Banking of Zhong De Securities Co., Ltd. He is currently a founding partner of Beijing Yi Hui Jin Tong Asset Management Co., Ltd. (北京易匯金通資產管理有限責任公司). He has been an independent non-executive director of the Company since June 26, 2014.
Chang Yun	Chinese, female, aged 41, chairman of the Supervisory Committee. She obtained a Bachelor's Degree in economics from China Coal Economic College (中國煤炭經濟學院), and MBA of China Europe International Business School. She is a senior accountant, certified public accountant and certified tax agent. Ms. Chang was the cost accounting supervisor, deputy director of the finance department of Beijing Research Institute of Mechanical & Electrical Technology, finance manager of BMEI Co., Ltd. and chief financial officer of Beijing Jingcheng Heavy Industry Co., Ltd. She is currently the minister of the audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. (the headquarters). She has been a non-executive director of the Company from June 26, 2014 to April 22, 2015 and chairman of the Supervisory Committee of the Company since June 9, 2015.
Liu Zhe	Chinese, female, aged 37, Supervisor, is a senior policy advisor with a bachelor's degree in engineering. Ms. Liu was a teacher, group leader in teaching and research, branch secretary of student party of Light Industry Branch of Beijing Industry and Trade Technicians College, Youth League secretary and director of publicity department of the party/company of Beijing Jingcheng Machinery Electric Holding Co., Ltd., Party secretary of Beijing Jingcheng Compressor Co., Ltd.. Currently she is deputy party secretary, secretary of discipline inspection commission, chairman of labour union and general counsel of Beijing Tianhai Industry Co., Ltd.. She served as chairman of the Supervisory Committee of the Company from December 16, 2013 to June 9, 2015, executive Director of the Company from June 9, 2015 to October 22, 2015 and has been a Supervisor of the Company since December 10, 2015.
Wang Yiqing	Chinese, male, aged 43, is a university graduate, engineer. Mr. Wang worked at Beijing Tianhai Industry Co., Ltd. as the technician, division head and chief engineer head of the sixth production division, chief engineer head of equipment and energy department, deputy director of human resources department, general counsel and the head of legal affairs department and at Tianjin Tianhai High Pressure Container Co., Ltd as the director of equipment and energy department. Mr. Wang is now the assistant to the general manager and the director of human resources department of Beijing Tianhai Industry Co., Ltd. as well as the director of human resources department of Beijing Jingcheng Machinery Electric Company Limited. Mr. Wang has considerable work experience in human resources management and corporate legal affairs. He has been a Supervisor of the Company since January 4, 2015.

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

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

Name	Main work experiences
Jiang Chi	Chinese, female, aged 40, chief accountant and secretary to the Board. She graduated from Beijing Technology and Business University with a degree in Economics and is a senior accountant. She worked in Beijing DoubleCrane Pharmaceutical Co., Ltd. as the accountant, Century Industry Investment Co., Ltd. as financial officer, China National Pharmaceutical Group Corporation as assistant to financial manager, Huayi Pharmaceutical Co. Ltd. as financial manager, Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. as budget financial officer and deputy head of Financial Planning Department. Ms. Jiang has served Beiren Printing Machinery Holdings Limited (currently renamed as Beijing Jingcheng Machinery Electric Company Limited) as chief accountant since October 2011. At present, Ms Jiang is director and chief accountant of Beijing Tianhai Industry Co. Ltd. and director and financial controller of Jingcheng Holding (Hong Kong) Company Limited. She served as an executive Director of the Company from May 29, 2012 to October 22, 2015, and has been the secretary to the Board since June 26, 2014.
Shi Fengwen	Chinese, male, aged 44, chief engineer. He is a senior engineer with a bachelor's degree. Mr. Shi was an assistant engineer, engineer, vice-chief and chief of technical department, vice-chief engineer and vice director of technology and quality department, vice-chief engineer and director of technology department of Beijing Tianhai Industry Co. Ltd.. Currently, he is the chief engineer and director of technology department of the board of Beijing Tianhai Industry Co., Ltd.. He has been the Chief Engineer of the Company since October 23, 2015.
Hu Chuanzhong	Chinese, male, aged 46, former chairman of the Board. He obtained a bachelor degree in mechanical engineering from Tsinghua University and an EMBA from the University of Texas at Arlington, US. He is a senior engineer. Mr. Hu was a technician, assistant engineer, deputy director, director, vice president of engineering, deputy manager of technical quality department, deputy general manager and general manager of Tianhai Industry Co., Ltd. He was also the chairman of Tianjin Tianhai High Pressure Containers Co., Ltd. He was the general manager of the Company. He is currently the chairman and party secretary of Beijing Tianhai Industry Co., Ltd, director of Jingcheng Holding (Hong Kong) Company Limited as well as the director of Tianjin Tianhai High Pressure Containers Co., Ltd. and Langfang Tianhai High Pressure Containers Co., Ltd. He served as a director of the Company from December 16, 2013 to October 14, 2015, and served as the chairman of the Company from June 26, 2014 to October 14, 2015.
Zhou Yongjun	Chinese, male, aged 49, former non-executive director. He obtained a bachelor's degree of Engineering from Xi'an Jiaotong University and Master's Degree from Cheung Kong Graduate School of Business. He is a senior engineer. Mr. Zhou was deputy director, director, deputy chief engineer, and deputy general manager of the Technology Department of Beijing BEIZHONG Steam Turbine Generator Co., Ltd. He served as a non-executive director of the Company from June 26, 2014 to April 22, 2015.
Han Bingkui	Chinese, male, aged 60, former supervisor, graduate of economics and management and is a senior accountant. Mr. Han was chief of finance division and accountant of Beijing High Pressure Gas Cylinder Factory (北京高壓氣瓶廠), and the director, chief accountant and deputy department head of finance department of Beijing Tianhai Industry Co., Ltd. She served as a Supervisor of the eighth session of the Supervisory Committee of the Company from June 26, 2014 to June 9, 2015.

SECTION 10 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND EMPLOYEES

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

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

Name	Main work experiences
Wang Weijing	Chinese, female, aged 43, former Supervisor. She obtained a bachelor's degree, and is a registered risk analyst. Ms. Wang was accountant of finance, principal officer, deputy department head of audit department, department head of audit department, department head of supervisory department, secretary of discipline inspection commission, department head of audit and supervisory department, the department head of audit and legal department of Beijing Tianhai Industry Co., Ltd., a supervisor of Beijing Panni Gaokong Equipment Co., Ltd. and the head of Secretariat of the Audit Committee of Beijing Jingcheng Machinery Electric Company Limited. She served as a supervisor of the eighth session of the Supervisory Committee of the Company from June 9, 2015 to December 10, 2015.
Xie Yuemei	Chinese, female, aged 57, chief engineer. She graduated with a bachelor's degree in engineering (with specialization in mechanical engineering). She served as a senior engineer of professor grade. Ms. Xie served as a technician responsible for institutional product design at Beijing High Pressure Gas Cylinder Factory (北京高壓氣瓶廠), the deputy head of Technology Section, the head of Technology Department of Beijing Tianhai Industry Co., Ltd. as well as the chief engineer, the head of Technology and Quality Department and the quality assurance engineer of Containers Company (容器公司). She served as the Chief Engineer of the Company from November 5, 2013 to October 23, 2015.

Other information

Long position in shares

Name of director	Capacity	Number of shares held	Approximate percentage of the shareholding in the entire share capital of the Company (A Shares and H Shares)
Wu Yan	Beneficial owner	43,001 A Shares	0.01%

Save as disclosed above, as at December 31, 2015, none of the directors, the supervisors and chief executive of the Company or their respective associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Information on incentive share option granted to directors, supervisors and senior management during the Reporting Period

Applicable Not Applicable

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

(i) Positions in Shareholder Entities

Applicable Not Applicable

Name	Name of shareholder entity	Position(s) in Shareholder Entities	Date of appointment	End of appointment
Wang Jun	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Standing committee member of party committee, deputy general manager and general counsel	September 19, 2011	
Xia Zhonghua	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Head of the property resource department	April 28, 2015	
Jin Chunyu	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Head of planning and finance department	March 27, 2014	
Fu Hongquan	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	head of the securities and reform department	April 28, 2015	
Chang Yun	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	head of the Audit Department	April 1, 2014	
Zhou Yongjun	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	head of the Strategic and Investment Department	November 27, 2013	December 24, 2014
The positions in shareholder entities	N/A			

(ii) Positions in Other Entities

Applicable Not Applicable

III. Remunerations of Directors, Supervisors and Senior Management Officers

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

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

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

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

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

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

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

RMB 3,355,000

IV. Changes in Directors, Supervisors and Senior Management Officers

Name	Position	Change	Reason for change
Wang Jun	Chairman	Elected	Elected as chairman of the eighth session of the Board
Chen Changge	Executive Director	Elected	Elected as director of the eighth session of the Board
Chen Changge	Managing Director	Appointed	Appointed as General Manager of the Company
Du Yuexi	Executive Director	Elected	Elected as director of the eighth session of the Board
Jin Chunyu	Non-executive Director	Elected	Elected as director of the eighth session of the Board
Fu Hongquan	Non-executive Director	Elected	Elected as director of the eighth session of the Board
Chang Yun	Chairman of the Supervisory Committee	Elected	Elected as chairman of the Supervisory Committee of the eighth session of the Board
Liu Zhe	Supervisor(s)	Elected	Elected as supervisor of the eighth session of the Board
Wang Yiqing	Supervisor(s)	Elected	Elected as supervisor of the eighth session of the Board
Shi Fengwen	Chief Engineer	Appointed	Appointed as Chief Engineer of the Company
Hu Chuanzhong	Former Chairman	Resigned	Resigned, with effect from October 14, 2015
Li Junjie	Former General Manager	Resigned	Reason for change of job
Zhou Yongjun	Former non-executive Director	Resigned	Reason for change of job
Chang Yun	Former non-executive Director	Resigned	Reason for change of job
Jiang Chi	Former executive Director	Resigned	Reason for change of job
Liu Zhe	Former executive Director	Resigned	Reason for change of job
Liu Zhe	Former chairman of the Supervisory Committee	Resigned	Reason for change of job
Han Bingkui	Former supervisor	Resigned	Retired
Wang Weijing	Former supervisor	Resigned	Resigned, with effect from October 10, 2015
Xie Yuemei	Former Chief Engineer	Resigned	Retired

V. Description of penalties imposed by securities regulatory bodies in the past three years

Applicable Not Applicable

VI. Details of staff of the Parent Company and major subsidiaries

(i) Details of staff

Number of existing employees of the Parent Company	42
Number of existing employees of major subsidiaries	1,936
Total number of existing employees	1,978
Number of retired staff who incurred expenses of the Parent Company and major subsidiaries	452

Profession

Type of professions	Number of persons
Production staff	1,133
Sales staff	113
Technical staff	183
Financial staff	24
Administrative staff	170
Others	355
Total	1,978

Educational Background

Education level	Number of persons
University graduates or above	331
Associate degree	196
Secondary technical graduates	320
Senior high school graduates and below	1,131
Total	1,978

(ii) Remuneration Policies

The Company implemented diversified salaries system based on the performance of positions as the main remuneration system. On the basis for performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to labor market for confirming the relative value of the post, so as to ensure the internal and external equality of salaries level. On this basis, the remuneration policy is to be implemented subject to different personnel and nature of work to undertake a diversified salaries system such as the implementation of broadband compensation and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework wage system for production workers and annual salary system for the senior management. The proposal for department remuneration with cap was implemented in June 2015, which has improved the remuneration management system of the Company, truly reflects more gains for more efforts made and motivates the employees.

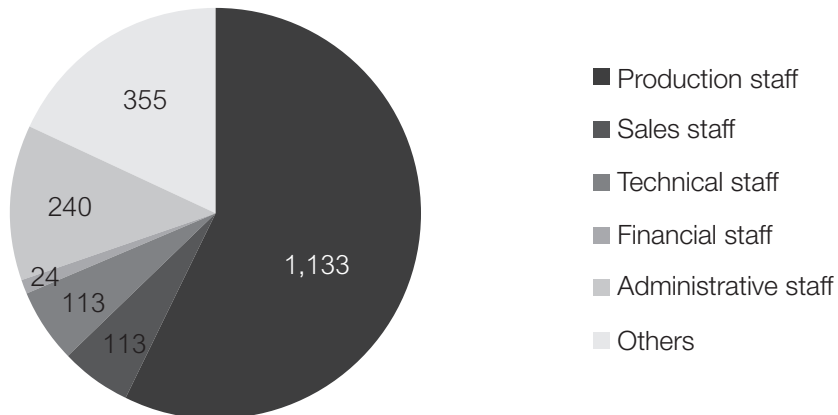
(iii) Training Plan

Throughout 2015, a total of 102 trainings covering 994 persons were organized according to the annual training program, and the number of training hours per staff reached 26.77 hours. In the first of the year, the Company started the gradual transformation and division of production staff of normal products in accordance with the requirements of the Company on transformation and upgrading, and arranged trainings on cryogenic products, trainings for staff holding key positions, and trainings for position change.

VI. Details of staff of the Parent Company and major subsidiaries (cont'd)

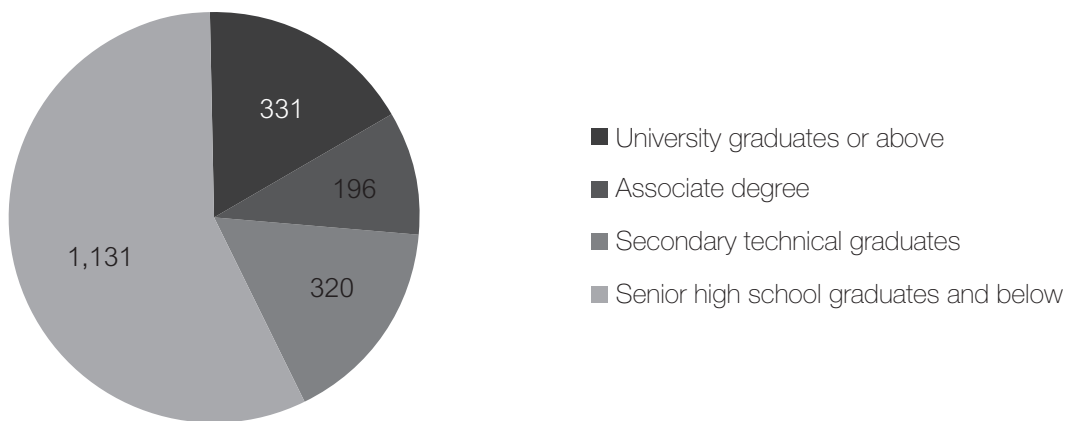
(iv) **Chart of Professions**

Type of professions



(v) **Chart of Education level**

Education level



(vi) **Labour outsourcing**

Total working hours for labour outsourcing
Total remuneration paid for labour outsourcing

86,033 hours
RMB 1,362,186

VII. Others

Nil

I. Information on Corporate Governance

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 remuneration and monitoring committee and the nomination committee and the supervisory committee carried out their work according to their responsibilities. The information of the Company was disclosed on a true, accurate, complete and timely basis. The actual situation of the Company's governance complied with the Company Law and the requirements of China Securities Regulatory Commission.

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

1. **Shareholders and general meetings** The Company was able to treat all Shareholders equally with due respect and to safeguard their interests. In particular, medium-sized and minority Shareholders were entitled to their status and to fully exercise their rights with their legal interests being protected. The Company ensured that shareholders were entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. In accordance with the relevant requirements set out in the Rules of Procedure for the General Meeting, it could be ensured that general meetings were convened and held in a legal, regulated and orderly manner and, in respect of voting for connected transactions, the relevant persons were arranged to abstain from voting pursuant to the relevant requirements in such manner that connected transactions are open, equal and fair.
2. **Directors and the Board** The Board of Directors of the Company comprised 11 directors, of whom 4 were independent non-executive directors. The Board set up the strategic committee, the Audit Committee, the Remuneration and Monitoring Committee and the Nomination Committee. During the Reporting Period, all directors were able to strictly perform their duties of good faith and due diligence. The Board exercised its power and authority in strict compliance with the requirements of laws and regulations and the Articles of Association to ensure the regulated operation of the Company. Resolutions put forward at the Board meetings were sufficiently discussed and resolved in a scientific, prompt and cautious manner. Directors of the Company were selected and appointed in strict compliance with the required procedures set out in the Articles of Association. According to the requirements of the Standard of Corporate Governance for PRC Listed Companies, the Company gave full play to the functions of the Special Committees of the Board and the four independent non-executive directors pursuant to the relevant requirements of the Rules of Procedure for the Board of Directors, Detailed Implementation Rules for the Special Committees of the Board of Directors and Working System for Independent Directors.
3. **Supervisors and the Supervisory Committee** The Supervisory Committee of the Company comprised 3 supervisors, of whom two were supervisors for shareholder representatives and one was supervisor for staff representative. The supervisory committee appointed one secretary for the supervisory committee. The supervisory committee of the Company was committed to being accountable to all shareholders. Taking the financial controller as the core, the supervisory committee supervised the Directors, general managers and senior management officers of the Company to protect the safety of the assets of the Company, reduced financial risks and safeguarded the legal interests of the Company and the shareholders. The supervisory committee had the capacity to carry out extensive communication with shareholders, staff and other stakeholders so as to ensure the launch of the supervisory work. The Rules of Procedure for the supervisory committee formulated by the Company facilitated the exercising of power of all supervisors. The supervisory committee convened regular meetings and extraordinary meetings in strict compliance with the rules and procedures.
4. **Stakeholders** The Company can fully respect and protect the legal interests of stakeholders so as to achieve a coordinated balance among the interests of various parties including shareholders, staff and the community for purposes of jointly facilitating the continuous and healthy development of the Company.
5. **Information disclosure and investor relations** The secretary to the Board of Directors was designated by the Company for being responsible for handling information disclosure, and receiving shareholders' visits and enquiries. The Company disclosed the relevant information in a true, accurate, complete and timely manner in accordance with the Listing Rules of the SSE and the Stock Exchange to practicably ensure that investors will be able to obtain the relevant information equally.
6. **During the Reporting Period, the Company did not need to make any rectification regarding governance.**

Is there any significant difference between the corporate governance and the requirements by China Securities Regulatory Commission; if there is, indicate the reasons for such differences

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

SECTION 11 CORPORATE GOVERNANCE

II. Introduction to the General Meetings

Meeting	Date	Index for enquiry of websites designated for publishing resolutions	Date of Disclosure
2014 Annual General Meeting	June 9, 2015	website of the Shanghai Stock Exchange (www.sse.com.cn) and website of the Stock Exchange (www.hkexnews.hk)	June 10, 2015
first extraordinary meeting for 2015	December 10, 2015	website of the Shanghai Stock Exchange (www.sse.com.cn) and website of the Stock Exchange (www.hkexnews.hk)	December 11, 2015

General meetings

During the Reporting Period, the Company convened two general meetings. All resolutions were considered and passed by poll except that the No. 12 resolution was not passed at the 2014 Annual General Meeting. The directors, supervisors, senior management officers, members of the Board's committees, attorneys and auditors of the Company were present at the meeting. The directors and senior management officers answered all questions raised by investors at the meeting.

III. Performance of Duties by Directors

(i) Attendance of directors at the Board meetings and the general meetings

Director Name	Independent or not	Required attendance during the year	Attendance at the Board meetings				Absence from two consecutive meetings or not	Attendance at general meetings
			Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence		
Wang Jun	No	1	1	0	0	0	No	0
Chen Changge	No	1	1	0	0	0	No	0
Li Junjie	No	15	12	3	0	0	No	2
Du Yuexi	No	1	1	0	0	0	No	0
Xia Zhonghua	No	15	10	3	2	0	Yes	2
Jin Chunyu	No	9	6	2	1	0	No	1
Fu Hongquan	No	9	7	2	0	0	No	1
Wu Yan	Yes	15	9	3	3	0	Yes	2
Liu Ning	Yes	15	12	3	0	0	No	2
Yang Xiaohui	Yes	15	10	3	2	0	Yes	2
Fan Yong	Yes	15	10	3	2	0	Yes	2
Hu Chuanzhong	No	11	8	3	0	0	No	1
Zhou Yongjun	No	4	2	1	1	0	No	0
Chang Yun	No	4	3	1	0	0	No	0
Liu Zhe	No	5	3	2	0	0	No	0
Jiang Chi	No	11	8	3	0	0	No	0

Description of absence from two consecutive Board meetings in person

Other director(s) were appointed to exercise voting rights due to business commitments.

Number of Board meetings during the year	15
Including: number of meetings convened on-site	12
Number of meetings convened by communication equipment	3
Number of meetings by combining the above two ways	0

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

(ii) **Objection of Independent Non-executive Directors to the Relevant Matters of the Company**

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

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

(iii) **Others**

Appointment or removal of Directors, Supervisors and Senior Management Officers during the Reporting Period

- (1) The Company convened an employee meeting on January 4, 2015, at which the appointment of Mr. Wang Yiqing as an employee supervisor of the eighth session of the Supervisory Committee of the Company until the expiry of the term of current session of the Supervisory Committee was considered and passed.
- (2) Mr. Zhou Yongjun and Ms. Chang Yun have tendered their resignation to the Board and ceased to be the director of the Company on April 22, 2015.
- (3) The Company convened the 2014 Annual General Meeting on June 9, 2015, at which the election of Ms. Liu Zhe as the executive Director of the eighth session of the Board and the election of Ms. Jin Chunyu and Mr. Fu Hongquan as the non-executive Directors of the eighth session of the Board for a term commencing on June 9, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed.

The election of MS. Chang Yun and Ms. Wang Weijing as the Supervisor of the eighth session of the Supervisory Committee for a term on June 9, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed. Ms. Liu Zhe ceased to be the supervisor or the chairman of Supervisory committee. Mr. Han Bingkui ceased to be the Supervisor of the Company.

- (4) The Company convened the tenth meeting of the eighth session of the Supervisory Committee, at which the election of Ms. Chang Yun as the chairman of the Supervisory Committee for a term commencing on June 10, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed.
- (5) Mr. Hu Chuanzhong has tendered his resignation to the Board and ceased to be the director of the Company or the chairman of the eighth session of the Board on October 14, 2015.
- (6) The Company convened the twelfth extraordinary meeting of the eighth session of the Board on October 23, 2015, at which the appointment of Mr. Shi Fengwen was the Chief Engineer of the Company was considered and passed. Ms. Xie Yuemei ceased to be the Chief Engineer of the Company.

Ms. Jiang Chi and Ms. Liu Zhe have tendered their resignation to the Board and ceased to be the Director of the Company.

- (7) The Company convened the first extraordinary general meeting for 2015 on December 10, 2015, at which the election of Mr. Wang Jun, Mr. Chen Changge and Mr. Du Yuexi as the executive Directors of the eighth session of the Board for a term commencing on December 10, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed.

The election of Ms. Liu Zhe as the supervisor of the eighth session of the Supervisory Committee for a term commencing on December 10, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed. Ms. Wang Weijing ceased to be the Supervisor of the Company.

- (8) The Company convened the thirteenth extraordinary meeting of the eighth session of the Board, at which the election of Mr. Wang Jun as the Chairman of the eighth session of the Board for a term commencing on December 11, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed.

The appointment of Mr. Chen Changge as the General Manager of the Company for a term commencing on December 11, 2015 and ending on the closing of the 2016 Annual General Meeting was considered and passed.

SECTION 11 CORPORATE GOVERNANCE

IV. Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period. Details of any objections shall be disclosed

The Board has set up four special committees, namely, the Strategic Committee, the Audit Committee, the Remuneration and Monitoring Committee and the Nomination Committee. Each committee has formulated its own implementation rules, which were approved by the Board.

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

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

- (1) On January 15, 2015, the resolution on the purchase of technologies for large cryogenic tank with volume over 100m³ by Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of the Company, from Beijing Kerui Nike Science Trading Co., Ltd. was considered and passed.
- (2) On April 2, 2015, the resolution on the establishment of Jiangsu Tianhai Special Equipment Co., Ltd. by Beijing Tianhai Industry Co. Ltd. and the welding cylinder and acetylene cylinder construction project was considered and passed.

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

Name	Description	Required attendance in 2015	Actual attendance
Wang Jun (chairman)	Chairman of the committee	0	0
Li Junjie (executive Director)	Member of the committee	2	2
Du Yuexi (executive Director)	Member of the committee	0	0
Xia Zhonghua (non-executive Director)	Member of the committee	2	2
Wu Yan (independent non-executive Director)	Member of the committee	2	2
Hu Chuanzhong (former Chairman)	Former chairman of the committee	2	2
Zhou Yongjun (former non-executive Director)	Former member of the committee	2	2
Du Yuexi (former executive Director)	Former member of the committee	0	0

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

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

- (1) On January 15, 2015, the resolution in relation to the connected transaction regarding the purchase of large cryogenic tanks by Beijing Tianhai Cryogenic Equipment Co., Ltd., a subsidiary of Beijing Tianhai Industry Co. Ltd., from Beijing Kerui Nike Science Trading Co., Ltd., the resolution on the ordinary connected transactions between Beijing Tianhai Industry Co. Ltd. and Beijing Jingcheng International Financial Leasing Co., Ltd., a subsidiary of its major shareholder Beijing Jingcheng Machinery Electric Holding Co., Ltd., the resolution on the application made by the Company to banks for financing facility and loans for 2015, the resolution on the budget of the Company for 2015 were considered and passed by the Audit Committee and management reported the overall operation of the Company for 2014. The aforesaid resolutions had been submitted to the Board for consideration and approval.
- (2) On March 6, 2015, the Audit Committee communicated with the auditors of the Company regarding the preparation of the annual report and the internal control and audit.
- (3) On March 17, 2015, the Audit Committee considered and passed the internal control and audit report issued by BDO China Shu Lun Pan Certified Public Accounts LLP and the audit report issued by Shinewing Certified Public Accountant, agreed to the proposed payment of audit fees for 2014 of RMB 1,050,000 in total to Shinewing Certified Public Accountant and the proposed payment of audit fees for 2014 of RMB 500,000 in total to BDO China Shu Lun Pan Certified Public Accounts LLP, decided to re-appoint BDO China Shu Lun Pan Certified Public Accounts LLP as the audit organization for the 2015 financial report and BDO China Shu Lun Pan Certified Public Accounts LLP as the audit organization for the 2015 internal control of the Company, and considered and passed the resolution on the provision for asset impairment of the Company for 2014, the proposal for profit distribution of the Company for 2014, the 2014 Self-Assessment Report on the Company's Internal Control, the resolution on the performance of duties by the Audit Committee for 2014, the resolution on the impact on the financial statements in 2014 due to the changes of accounting estimation, the proposal for the audit work of the Company for 2015, the proposal for the internal control work of the Company for 2015 and the operating plan of the Company for 2015 were considered and passed and submitted to the Board for consideration and approval.

IV. Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period. Details of any objections shall be disclosed *(cont'd)*

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

- (4) On April 22, 2015, the Audit Committee considered and passed the first quarterly report of the Company for 2015 was considered and passed and submitted to the Board for consideration and approval.
- (5) On August 7, 2015, the Audit Committee considered and passed the 2015 Interim Report of the Company and its summary, the resolution on the provision for asset impairment of the Company for the half year of 2015, the resolution on the provision of financial assistance to Langfang Tianhai High Pressure Containers Co., Ltd., a subsidiary of the Company, and the resolution on the appointment of securities affairs representative of the Company, which had been submitted to the Board for consideration and approval.
- (6) On October 29, 2015, the Audit Committee considered and passed the resolution on provision for impairment of the Company for the period from July to September 2015 and the third quarterly report of the Company for 2015, which had been submitted to the Board for consideration and approval.

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

Name	Description	Required attendance in 2015	Actual attendance Number of meetings
Yang Xiaohui (independent non-executive Director)	Chairman of the committee	6	6
Fan Yong (independent non-executive Director)	Member of the committee	6	6
Jin Chunyu (non-executive Director)	Member of the committee	2	2
Chang Yun (former non-executive Director)	Former member of the committee	4	4

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

The Remuneration and Monitoring Committee comprises three directors. During the Reporting Period, the Remuneration and Monitoring Committee convened one meeting. Details of such meeting are as follows:

On March 12, 2015, the Remuneration and Results of Performance Assessment of the Company for 2014 and the Performance Contract for Senior Management for 2015 were considered and passed, which had been submitted to the Board for consideration and approval.

In 2016, the Remuneration and Monitoring Committee of the Board will continue to strengthen their work and further intensify the assessment regarding the senior management officers of the Company so as to help the Company formulate a better remuneration and assessment system.

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

Name	Description	Required attendance in 2015	Actual attendance Number of meetings
Wu Yan (independent non-executive Director)	Chairman of the committee	1	1
Liu Ning (independent non-executive Director)	Member of the committee	1	1
Chen Changge (executive Director)	Member of the committee	0	0
Hu Chuanzhong (former Chairman)	Member of the committee	1	1

SECTION 11 CORPORATE GOVERNANCE

IV. Major comments and suggestions proposed by the committees under the Board of Directors when performing their duties during the Reporting Period. Details of any objections shall be disclosed *(cont'd)*

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

The Nomination Committee comprises three directors. During the Reporting Period, the Nomination Committee convened four meetings. Details of such meetings are as follows:

- (1) Given Mr. Wu Yanzhang, Mr. Zhou Yongjun and Ms. Chang Yun, being directors of the Company, issued their resignation letters to the Board, on April 22, 2015, according to relevant provisions of the Articles of Association of the Company and with the full understanding of the occupation, education background, professional titles, details of working experience and all part-time jobs of the nominees, the Nomination Committee of the Board considered and passed the nomination of Ms. Jin Chunyu and Mr. Fu Hongquan by Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder of the Company, and the nomination of Ms. Liu Zhe as candidates for Directors of the eighth session of the Board, which had been submitted to the Board for consideration and approval.
- (2) Given Mr. Hu Chuanzhong, Director and Chairman of the Board, issued his resignation letter to the Board, on October 14, 2015, according to relevant provisions of the Articles of Association of the Company and with the full understanding of the occupation, education background, professional titles, details of working experience and all part-time jobs of the nominees, the Nomination Committee of the Board considered and passed the election of Mr. Li Junjie, Director and general manager, for temporarily performing the duties of Chairman, which had been submitted to the Board for consideration and approval.
- (3) Given Mr. Hu Chuanzhong, Ms. Liu Zhe and Ms. Jiang Chi issued their resignation letters to the eighth session of the Board, on October 23, 2015, according to relevant provisions of the Articles of Association of the Company and with the full understanding of the occupation, education background, professional titles, details of working experience and all part-time jobs of the nominees, the Nomination Committee of the Board considered and passed the election of Mr. Wang Jun, Mr. Chen Changge and Mr. Du Yuexi as candidates for Directors of the eighth session of the Board, which had been submitted to the Board for consideration and approval.
- (4) Given Mr. Hu Chuanzhong issued his resignation letter to the Board for resignation as the Chairman of the eighth session of the Board and Mr. Li Junjie issued his resignation letter to the Board for resignation as general manager under the eighth session of the Board, on October 23, 2015, according to relevant provisions of the Articles of Association of the Company and with the full understanding of the occupation, education background, professional titles, details of working experience and all part-time jobs of the nominees, the Nomination Committee of the Board considered and passed the election of Mr. Wang Jun as candidate for Chairman of the eighth session of the Board, Mr. Chen Changge as candidate for general manager, member of the Remuneration and Monitoring Committee and the Nomination Committee under the eighth session of the Board, and Mr. Wang Jun and Mr. Du Yuexi as candidates for the Strategic Committee under the eighth session of the Board, of which Mr. Wang Jun was nominated as the convener. The term of the committees under the Board shall commence on December 11, 2015 and end on the closing of the 2016 Annual General Meeting, which had been submitted to the Board for consideration and approval.

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

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

Name	Description	Required attendance in 2015	Actual attendance
Liu Ning (independent non-executive Director)	Chairman of the committee	4	4
Fan Yong (independent non-executive Director)	Member of the committee	4	4
Chen Changge (Director and General Manager)	Member of the committee	0	0
Li Junjie (Former General Manager)	Former member of the committee	4	4

V. Supervisory Committee's description on risks identified in the Company

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

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

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

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

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

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

SECTION 11 CORPORATE GOVERNANCE

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

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

VIII. Whether internal control self-assessment report is disclosed

Applicable Not Applicable

Description of material defects of internal control during the Reporting Period.

Applicable Not Applicable

IX. Description of Auditors' Report on Internal Control

None

Whether Auditors' Report on Internal Control is disclosed Yes

X. Others

Corporate Governance Report

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

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

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

SECTION 11 CORPORATE GOVERNANCE

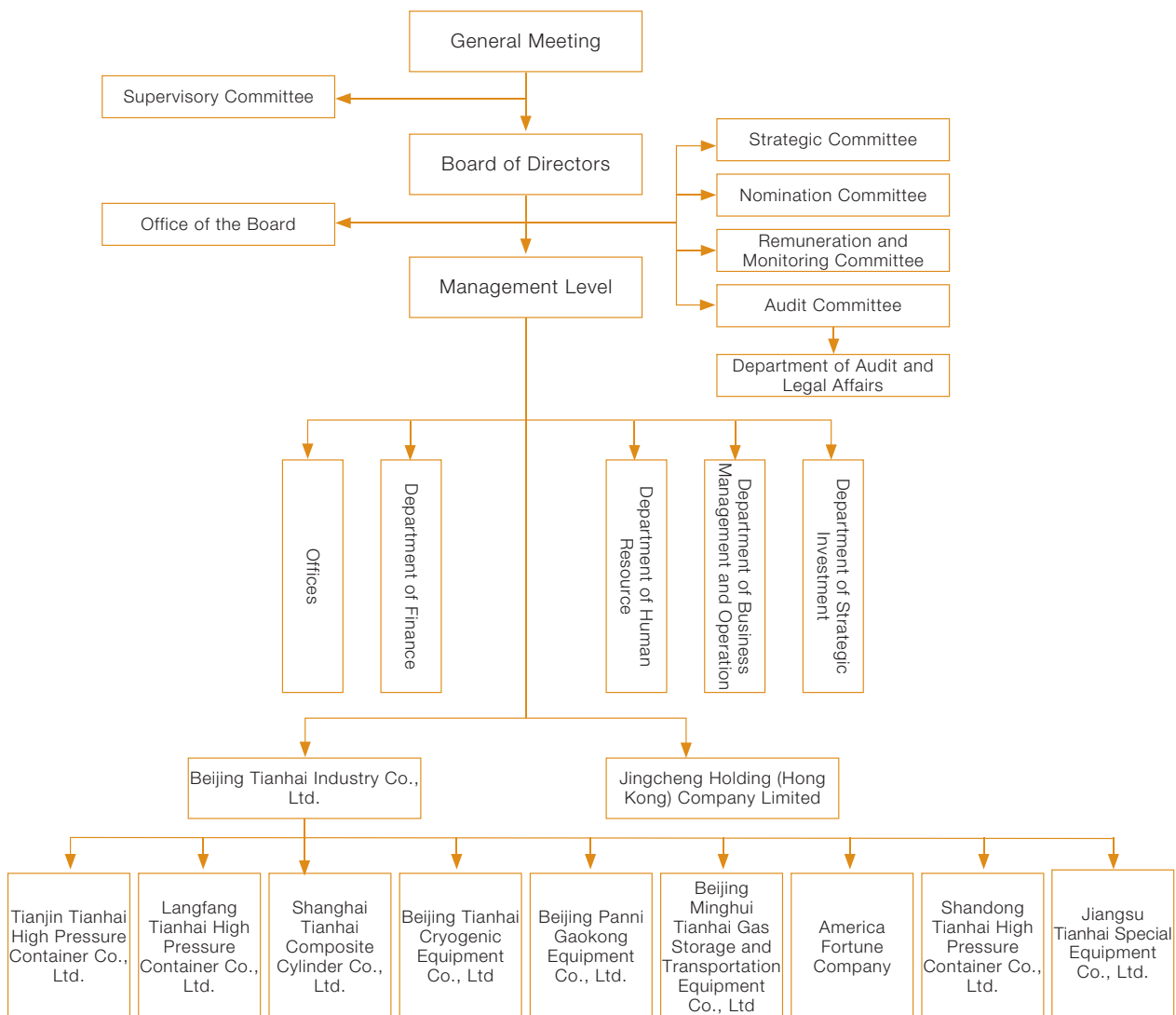
(X) Others *(cont'd)*

Corporate Governance Report *(cont'd)*

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

The Company has received the Statement Regarding the Confirmation of Independence submitted by the four independent non-executive Directors pursuant to the requirements of Rule 3.13 of the Listing Rules, and the Board considers that the said four independent non-executive Directors are independent.

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



SECTION 11 CORPORATE GOVERNANCE

(X) Others (cont'd)

Corporate Governance Report (cont'd)

1. Directors and Composition of the Board of Directors

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

Executive directors

Wang Jun	Chairman
Chen Changge	Director and General Manager
Li Junjie,	Director
Du Yuexi	Director

Non-executive directors

Xia Zhonghua	Director
Jin Chunyu	Director
Fu Hongquan	Director

Independent non-executive directors

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

Description:

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

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

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

(X) Others *(cont'd)***Corporate Governance Report** *(cont'd)***1. Directors and Composition of the Board of Directors** *(cont'd)***1. Chairman and General Manager**

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

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

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

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

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

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

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

3. Authority and Power of the Board of Directors

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

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

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

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

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

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

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

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

SECTION 11 CORPORATE GOVERNANCE

(X) Others *(cont'd)*

Corporate Governance Report *(cont'd)*

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

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

- (1) *Service contracts of directors and supervisors*
The directors and supervisors have entered into written contracts with the Company wherein the main contents thereof are as follows:
- ① Each contract for the directors of the eighth session of the Board of Directors and Supervisors of the eighth session of the Supervisory Committee shall commence from June 26, 2014 to and until the conclusion of 2016 Annual General Meeting.
 - ② The annual salary of executive directors serving as the senior management officer of the Company is divided into three parts, i.e. basic annual salary, regular performance annual salary and special contribution income. Each executive director is entitled to a basic annual salary ranging between RMB 200,000 and RMB 550,000. Depending on the results of the assessment on the performance of each executive director, the regular performance annual salary ranged between RMB 120,000 and RMB 850,000. The special contribution income is income that can be paid to executive directors when they have made outstanding contributions for the implementation of the Company's strategy or major innovation in management or technology. The special contribution income will be reviewed by the remuneration and monitoring committee of the Board and be reported to the Board for review and approval. The amount of such income shall not exceed RMB 100,000. Each new non-executive director will be entitled to an annual fee not exceeding RMB 40,000. Each new independent non-executive director will be entitled to an annual fee not exceeding RMB 60,000. The annual fee of each new supervisor of the Company does not exceed RMB 40,000.
- (2) *Assessment and Motivation Mechanism for Senior Management Officers*
During the Reporting Period, the Board of the Company entered into the Performance Assessment Contract for Senior Management with the senior management officers and would assess their performance semi-annually. The remuneration and monitoring committee of the Board would propose the appraisal of the senior management officers to the Board for examination and approval in accordance with the completion of the performance contracts by the senior management officers.
- (3) None of the directors, supervisors and senior management officers had been granted with any equity interest as an incentive by the Company during the Reporting Period.
- (4) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers or any of their associates, as at December 31, 2015, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 were granted with any right to acquire the securities of the Company or had exercised any such right.
- (5) As at the balance sheet date or at any time during the year, other than the service contracts mentioned hereinafter, the Company has not entered into any contracts of significance in which any of its directors and supervisors had a direct or indirect material interest.
- (6) Save as those set out in the register required to be maintained by directors and supervisors under SFO, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors have any interest required to be recorded in the register under the SFO.
- (7) Save as disclosed hereinabove, none of the directors, supervisors and senior management officers of the Company, as at December 31, 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 would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(X) Others *(cont'd)***Corporate Governance Report** *(cont'd)***1. Directors and Composition of the Board of Directors** *(cont'd)***4. Remunerations of Directors and Senior Management Officers and Assessment of the Board** *(cont'd)*

(8) Save as disclosed hereinabove, none of any other directors, supervisors and senior management officers of the Company or their respective associates were granted by the Company or its subsidiaries with any right to acquire shares or debentures of the Company or had exercised any such right as at December 31, 2015.

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

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

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

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

To propose the basic management mechanism for the Company;

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

To formulate the basic regulations for the Company.

6. Remunerations of auditors

At the 2014 Annual General Meeting convened on June 9, 2015, the Company re-appointed ShineWing Certified Public Accountants as the domestic and overseas auditors of the Company for 2015 Financial Report and appointed BDO China Shu Lun Pan Certified Public Accounts LLP as the accountant for 2015 internal control report and authorized the Board to determine the remunerations of these two auditing firms.

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

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

During the Reporting Period, the audit fee payable to ShineWing Certified Public Accountants amounted to RMB 900,000. The audit fee includes all fees related to audit services provided to the Company by the auditors, including audit fee and review fee. The audit fee payable to BDO China Shu Lun Pan Certified Public Accounts LLP amounted to RMB 380,000. The audit fee includes the review fee paid to auditor for reviewing the effectiveness of the design and implementation of the internal control contained in the Company's financial report.

As at December 31, 2015, ShineWing Certified Public Accountants has provided auditing services for the Company for 9 years, and BDO China Shu Lun Pan Certified Public Accounts LLP has provided auditing services for the Company for 5 years.

A resolution regarding whether ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Accounts LLP are to be re-appointed as the Company's auditors for the year 2016 will be submitted to the 2015 Annual General Meeting.

During the Reporting Period, directors are separately assuming the responsibilities of preparing the financial report and internal control report. Please refer to "Auditor's Report and Financial Statements" as set out in Section 12 and "Internal Control" as set out in Section 14 of this Annual Report, for the particulars of the opinions on the financial report and internal control report issued by ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Public Accounts LLP respectively.

SECTION 11 CORPORATE GOVERNANCE

(X) Others (cont'd)

Corporate Governance Report (cont'd)

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

7. Internal control

Details on the internal control of the Company implemented by the Board of Directors are set out in the section headed "Internal Control" as set out in Section 12 of this Annual Report.

8. Delegation of authority by the Board of Directors

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

9. Corporate governance functions

During the Reporting Period, the Board of Directors performed its duties regarding corporate governance: (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of directors and senior management; (3) to review and monitor the Company's policies and practices on the compliance with legal and regulatory requirements; (4) to develop, review and examine the staff's manual applicable to employees and directors; and (5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report. Details on the implementation of the foregoing matters are set out in the section headed "Internal Control" as set out in section 13 of this Annual Report.

10. Annual General Meeting and communications with Shareholders

(1) *The 2014 Annual General Meeting was held on June 9, 2015, at which the following resolutions were examined and reviewed:*

Ordinary resolutions: 1. to consider and approve the 2014 annual report of the Company; 2. to consider and approve the 2014 work report of the board of directors of the Company; 3. To consider and approve the 2014 work report of the Supervisory Committee of the Company; 4. to consider and approve the 2014 financial reports of the Company audited by ShineWing Certified Public Accountants LLP; 5. to consider and approve the 2014 internal control report of the Company audited by Shu Lun Pan Certified Public Accountants LLP; 6. to consider and approve the report of the independent non-executive Directors of the Company for 2014; 7. to consider and approve re-appointment of SHINEWING Certified Public Accountants LLP for the Company's 2015 financial reports, and to authorise the Board to enter into a service contract with it and determine its remuneration; 8. to consider and approve re-appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2015 internal control auditor, and authorizing the Board to enter into a service contract with it and determine its remuneration; 9. to consider and approve the resolution of the Company not to distribute any profit for the year 2014; 11. to consider and approve the resolution of the authorization to the Board to determine the remuneration of the Directors and Supervisors; 13. this resolution on the election of the eighth Board of Directors of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2014 Annual General Meeting till the conclusion of the 2016 Annual General Meeting; 14. this resolution on the election of the eighth supervisory committee of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2014 Annual General Meeting till the conclusion of the 2016 Annual General Meeting.

Special resolution: No. 10. Other resolutions are ordinary resolutions.

The following resolution was not passed at the 2014 Annual General Meeting held on June 9, 2015:

12. The resolution on the continuing connected transactions in relation to finance lease cooperation framework agreement entered into between the subsidiary of the Company, namely 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.) and 北京京城國際融資租賃有限公司 (Beijing Jingcheng International Financial Leasing Co., Ltd.).

The results of the poll of the foregoing resolutions were published on the websites of SSE at www.sse.com.cn and HKEx at www.hkexnews.hk on June 9, 2015.

(X) Others *(cont'd)***Corporate Governance Report** *(cont'd)***1. Directors and Composition of the Board of Directors** *(cont'd)***10. Annual General Meeting and communications with Shareholders** *(cont'd)*

(2) *The 2015 First Extraordinary General Meeting was held on December 10, 2015, at which the following resolutions were examined and reviewed:*

1. this resolution on the election of the eighth board of directors of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2015 First Extraordinary General Meeting till the conclusion of the 2016 Annual General Meeting; 2. this resolution on the election of the eighth supervisory committee of the Company was considered and approved by the way of accumulated poll, their terms of office started from the approved date of the 2015 First Extraordinary General Meeting till the conclusion of the 2016 Annual General Meeting.

The results of the poll of the foregoing resolutions were published on the websites of SSE at www.sse.com.cn and HKEx at www.hkexnews.hk on December 10, 2015.

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

11. Secretary to the Board

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

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

To further develop and update the knowledge and skills of the directors, supervisors and senior management officers such that they can better serve the Company, all directors, supervisors and senior management officers of the Company, during the Reporting Period, participated in trainings in relation to the Listing Rules, Corporate Governance, Corporate Internal Control, Prevention of Insider Trading, Information Disclosure, and Responsibilities of the Directors. During the Reporting Period, the Secretary to the Board participated in professional trainings for no less than 15 learning hours and all directors and supervisors participated in professional trainings for no less than 8 learning hours, and all directors have provided the training record to the Company.

SECTION 11 CORPORATE GOVERNANCE

(X) Others *(cont'd)*

Corporate Governance Report *(cont'd)*

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

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

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

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

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

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

15. **Shareholders' Right**

(a) *To convene an extraordinary general meeting*

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

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

(X) Others *(cont'd)***Corporate Governance Report** *(cont'd)***1. Directors and Composition of the Board of Directors** *(cont'd)***15. Shareholders' Right** *(cont'd)**(a) To convene an extraordinary general meeting (cont'd)*

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

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

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

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

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

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

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

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

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

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

SECTION 11 CORPORATE GOVERNANCE

(X) Others *(cont'd)*

Corporate Governance Report *(cont'd)*

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

16. Significant changes in the Company's constitutional documents during the year ended December 31, 2015

On June 9, 2015, the resolution on the change in company name and amendments to the Articles of Association was considered and approved at the Annual General Meeting of 2014 of the Company. Upon the approval from Beijing Municipality State Administration of Industry and Commerce obtained, the Company amended the content about the venue of the general meeting, internet voting and separate counting of votes of minority shareholders.

17. Joint Company Secretary

The Company engaged an external service provider as its company secretary and appointed Lo Tai On ("Mr. Lo") and Jiang Chi ("Ms. Jiang") as the joint company secretaries of the Company. Mr. Lo and Ms. Jiang confirmed that they had attained no less than 15 hours of relevant professional training during the year.

As disclosed in the announcement of the Company dated July 7, 2014, Ms. Jiang currently does not possess the qualifications as required under Rule 3.28 of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 3.28 of the Listing Rules in relation to the eligibility of Ms. Jiang being joint secretary of the Company for a period of three years from the date Ms. Jiang was appointed on July 7, 2014.

I. Responsibility statement and development of internal control system

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

Beijing Jingcheng Machinery Electric Company Limited 2015 Internal Control Evaluation Report

To all shareholders of Beijing Jingcheng Machinery Electric Company Limited:

According to the provisions of the The Basic Standard for Enterprise Internal Control, the internal control and its supporting guidance as well as the other the internal control regulation requirements (hereinafter referred to as "Corporate Internal Control Standard System"), combining with the internal control system and evaluation methods of the Company, based on the routine supervision and special supervision over the internal control, we have evaluated the effectiveness of the internal control of the Company as of December 31, 2015 (being the benchmark date of the internal control evaluation report).

1 Important statements

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

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

2 Conclusion of the internal control evaluation

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

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

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

SECTION 12 INTERNAL CONTROL

I. Responsibility statement and development of internal control system

(cont'd)

3 Internal control evaluation

(1) Scope of the internal control evaluation

The Company determines the main units, business and events and high-risk areas that are included in the scope of the internal control evaluation based on the risk-oriented principle. Main entities included in the scope of evaluation include: Beijing Jingcheng Machinery Electric Company Limited' headquarters, Beijing Tianhai Industry Co., Ltd. and its subordinate companies. The subordinate units of Beijing Tianhai Industry Co., Ltd. includes: Beijing Minghui Tianhai Gas Storage and Transportation Equipment Co., Ltd ("Minghui Tianhai"), Beijing Tianhai Cryogenic Equipment Co., Ltd. ("Tianhai Cryogenic"), Langfang Tianhai High Pressure Container Co., Ltd. ("Langfang Tianhai") and Tianjin Tianhai High Pressure Container Co., Ltd. ("Tianjin Tianhai"). The total assets included in the evaluation scope accounts for 95% of the total assets of the Company, and the total operating income accounts for 93% of the total operating income of the consolidated financial statements of the Company; main business and events included in the evaluation scope include: fund activities, procurement business, asset management, sales, research and development, guarantee business, financial reporting, comprehensive budget, information systems and human resources. Fund activities mainly include financing activities (namely, preparation and approval of financing scheme, formulation and implementation of financing plan, assessment and accountability of financing activities, repayment of funds raised), investing activities (namely, preparation and approval of investment scheme, formulation and implementation of investment plan, disposal of investment assets), collection, payment and custody of monetary funds (approval, re-check, balance point, bookkeeping, reconciliation, bank account management, bills and seal management), Operating of funds (namely, the links in monetary funds, reserves, production funds, new reserves, new monetary fund) and other matters; procurement businesses mainly included preparation of demand and supply plan, application for procurement, selection of suppliers, pricing, entering into framework agreement or purchase contract, management of supply process, acceptance, payment and vendor information management, etc.; asset management mainly included inventories (namely acceptance warehousing, warehousing and deposition, acquiring and sending out, stock-tacking, disposal of inventories and accounting treatment), fixed assets(acceptance, registration, insurance, maintenance, technical improvement, check, mortgage, lease, elimination, sell, lease and accounting treatment), intangible assets (acceptance, use, disposal, accounting treatment) and other matters; sales business mainly included sales program management, customer development and credit management, sales pricing, entering into sales contract, delivery of goods, receiving payment, customer service, customer information management and other matters; research and development mainly included project initialization, R&D process management, conclusion and acceptance, core R&D personnel management, development and protection of results of R&D, evaluation of R&D activities. The high-risk areas to which required to pay great attention mainly included preparation and approval of financing scheme, formulation and implementation of financing plan, assessment and accountability of financing activities, repayment of funds raised under financing activities, and preparation and approval of investment scheme, formulation and implementation of investment plan and disposal of investment assets under investment activities; preparation of demand and supply plan, application for procurement, selection of suppliers, pricing, entering into framework agreement or purchase contract, management of supply process, acceptance, payment and vendor information management under procurement businesses; sales program management, customer development and credit management, sales pricing, entering into sales contract, delivery of goods, receiving payment, customer service, customer information management and other matters under sales businesses.

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

I. Responsibility statement and development of internal control system

(cont'd)

3 Internal control evaluation (cont'd)

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

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

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

1. The recognition standards of financial reporting related internal control deficiencies

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

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

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

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

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

- A. Ineffective control environment;
- B. The misconduct committed by directors, supervisors and members of senior management officers;
- C. The external audit identifies material misstatement in the current financial report which has not been identified by the Company during its operation;
- D. Material deficiencies identified and reported to the management have not been rectified after a reasonable period of time;
- E. The supervision of the Company's audit committee and department of audit and legal affairs over the internal control is proved to be ineffective;
- F. Other deficiencies which may affect the correct judgment of the statement users.

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

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

SECTION 12 INTERNAL CONTROL

I. Responsibility statement and development of internal control system

(cont'd)

3 Internal control evaluation (cont'd)

(2) Working basis of internal control evaluation and recognition standards for deficiencies (cont'd)

2. **The recognition standards of non-financial reporting related internal control deficiencies**

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

Recognition of material deficiency: Direct property losses amount was more than RMB 10.00 million and have material adverse effects on the Company and are disclosed by way of announcement.

Recognition of major deficiency: Direct property losses amount of between RMB 1.00 million and RMB 10.00 million (inclusive) or the imposition of punishment by national government authority which does not adversely affect the Company;

Recognition of general deficiency: Direct property losses amount of less than RMB 1.00 million (inclusive) or the imposition of punishment by government authority at or below provincial level which does not adversely affect the Company.

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

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

- A. Violation of the State's laws, regulations or regulatory documents;
- B. Unscientific material decision-making process;
- C. Lack of systems are likely to result in systemic failures;
- D. Material or major deficiencies are not rectified;
- E. Other situations that materially affect the Company.

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

1. **Recognition of internal control deficiencies in financial reporting and rectifications**

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

2. **Recognition of internal control deficiencies in non-financial reporting and rectifications**

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

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

Nil

Board of Directors of
Beijing Jingcheng Machinery Electric Company Limited
March 17, 2016

For details of the 2015 Internal Control Evaluation Report issued by the Company, please refer to the website of Shanghai Stock Exchange at www.sse.com.cn.

Whether disclose internal control self-assessment report: Yes

II. Auditors' Report on Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

Xin Kuai Shi Bao Zi [2016] No. 210246

To all shareholders of Beijing Jingcheng Machinery Electric Company Limited:

We have audited the effectiveness of internal control over financial reporting of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as "the Company") as of December 31, 2015 based on criteria established in Audit Guidelines for Enterprise Internal Control and related standards established in the Professional Standards for Certified Public Accountants of China.

1. The Company's responsibilities regarding the internal control

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

2. Responsibilities of Certified Public Accountants

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

3. Inherent Limitations of Internal Control

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on Basic Standards for Enterprise Internal Control and the relevant provisions.

BDO China Shu Lun Pan
Certified Public Accountants LLP

Shanghai, China
March 17, 2016

Certified Public Accountant of China: **Gu Yanfei**
Certified Public Accountant of China: **Li Mojun**

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

The Company has established the Investigation System of Responsibility for Significant Errors of Information Disclosure in the Annual Report, which will stringently investigate in accordance with the system, the responsibility of related staff who have caused significant errors of information disclosures in annual reports due to the failure to perform or correctly perform their duties and obligations in the course of information disclosure in annual reports. During the Reporting Period, there were no incidents of significant information disclosure error in the annual report for the Company.

SECTION 13 CORPORATE BONDS

Applicable Not Applicable

SECTION 14 FINANCIAL REPORT

AUDIT REPORT

XYZH/2016TJA20010

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

We have audited the accompanying consolidated financial statements of Beijing Jingcheng Machinery Electric Co., Ltd ('the Company'), which comprise the consolidated and the Company's balance sheet as at December 31, 2015, consolidated and the Company's income statement and the consolidated and the Company's statement of changes in owners' equity, the consolidated and the Company's cash flow statement for the year then ended 2015 and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at December 31, 2015 and the consolidated and the Company's financial performance; the consolidated and the Company's cash flows for the year then ended 2015, in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

ShineWing
Certified Public Accountants

Chinese Certified Public Accountants: **Zhan Jun**
Chinese Certified Public Accountants: **Pang Rongzhi**

Beijing, PRC
March 17, 2016

CONSOLIDATED BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
As at December 31, 2015

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary funds	VI. 1	182,276,574.47	163,962,823.33
Settlement reserve			
Lending funds			
Financial assets measured at fair value with their variance included in current profits and losses			
Derivative financial assets			
Notes receivable	VI. 2	3,228,891.44	13,148,883.12
Accounts receivable	VI. 3	273,293,153.87	404,135,634.03
Prepayments	VI. 4	19,166,811.68	78,985,528.99
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Interests receivable			
Dividends receivable			
Other receivables	VI. 5	1,776,665.84	6,435,698.19
Buying back the sale of financial assets			
Inventories	VI. 6	390,738,839.19	572,992,423.57
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VI. 7	7,082,519.02	
Total current assets		877,563,455.51	1,239,660,991.23
Non-current assets:			
Loans and advances offered			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI. 8	68,362,103.21	55,004,776.68
Investment real estate			
Fixed assets	VI. 9	960,308,435.85	1,016,720,860.27
Projects under construction	VI.10	8,037,077.84	22,888,621.63
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.11	156,100,837.99	160,501,145.59
Development expenditures			
Goodwill	VI.12	6,562,344.06	6,562,344.06
Long-term deferred expenses	VI.13	280,524.60	1,493,671.24
Deferred tax assets	VI.14	277,330.73	5,050,938.96
Other non-current assets			
Total non-current assets		1,199,928,654.28	1,268,222,358.43
Total assets		2,077,492,109.79	2,507,883,349.66

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

CONSOLIDATED BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
As at December 31, 2015

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	VI. 15	205,844,240.00	318,051,050.00
Borrowings from the Central Bank			
Deposit taking and interbank placements			
Borrowing fund			
Financial liabilities measured at fair value with their variance included in current profits and losses			
Derivative financial liabilities			
Notes payable	VI. 16		105,000,000.00
Accounts payable	VI. 17	398,349,980.01	371,989,158.86
Accounts received in advance	VI. 18	29,870,362.75	29,715,136.98
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	VI. 19	22,674,924.84	17,397,862.19
Taxes payable	VI. 20	-42,085,395.89	-34,274,412.01
Interests payable	VI. 21	74,800.00	76,666.67
Dividends payable			
Other payables	VI. 22	166,579,358.42	109,898,562.61
Reinsurance accounts payable			
Reserves for insurance contracts			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VI. 23	11,000,000.00	11,000,000.00
Other current liabilities			
Total current liabilities		792,308,270.13	928,854,025.30
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares perpetual bond			
Long-term payables	VI. 24		
Long-term payroll payable	VI. 25	31,310,282.67	30,370,000.00
Special payables		103,900,000.00	103,900,000.00
Estimated liabilities			
Deferred incomes			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		135,210,282.67	134,270,000.00
Total liabilities		927,518,552.80	1,063,124,025.30

CONSOLIDATED BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
As at December 31, 2015

Unit: RMB

Item	Note	Ending balance	Beginning balance
Owner's equity:	VI. 26		
Capital stock		422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred shares			
perpetual bond	VI. 27		
Capital reserves		683,803,181.69	683,803,181.69
Less: treasury stock	VI. 28		
Other comprehensive incomes		1,068,547.60	118,733.00
Special reserves	VI. 29		
Surplus reserves		45,665,647.68	45,665,647.68
General risk reserve	VI. 30		
Undistributed profits		-439,874,304.42	-232,056,930.86
Total equity attributable to the shareholders of parent company	VI. 31	712,663,072.55	919,530,631.51
Minority interest		437,310,484.44	525,228,692.85
Total shareholder's equity		1,149,973,556.99	1,444,759,324.36
Total liabilities and shareholder's equity		2,077,492,109.79	2,507,883,349.66

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

PARENT COMPANY'S BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
As at December 31, 2015

Unit: RMB

Item	Note	Endingbalance	Beginningbalance
Current assets:			
Monetary funds	XVI. 1	4,152,554.89	11,915,900.48
Financial assets measured at fair value with their variance included in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Prepayments	XVI. 2		756,603.33
Interests receivable	XVI. 3	15,034,062.82	6,595,555.56
Dividends receivable			
Other receivables	XVI. 4	342,700,000.00	340,000,000.00
Inventories			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		361,886,617.71	359,268,059.37
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
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 deferred expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		694,842,724.41	694,842,724.41
Total assets		1,056,729,342.12	1,054,110,783.78

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

PARENT COMPANY'S BALANCE SHEET

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
As at December 31, 2015

Unit: RMB

Item	Note	Endingbalance	Beginningbalance
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value with their variance included in current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance			
Payroll payable	XVI. 6	1,750,000.00	
Taxes payable	XVI. 7	254,990.45	434,320.76
Interests payable			
Dividends payable			
Other payables	XVI. 8	4,312,825.50	4,545,647.21
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		6,317,815.95	4,979,967.97
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Long-term payables			
Long-term payroll payable			
Special payables			
Estimated liabilities			
Deferred incomes			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		6,317,815.95	4,979,967.97
Owner's equity:			
Capital stock	XVI. 9	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred shares			
perpetual bond			
Capital reserves	XVI. 10	666,639,987.85	666,639,987.85
Less: treasury stock			
Other comprehensive incomes			
Special reserves			
Surplus reserves	XVI. 11	38,071,282.24	38,071,282.24
Undistributed profits	XVI. 12	-76,299,743.92	-77,580,454.28
Total shareholder's equity		1,050,411,526.17	1,049,130,815.81
Total liabilities and shareholder's equity		1,056,729,342.12	1,054,110,783.78

Legal Representative: Wang Jun

Chief Financial Controllor: Chen Changge

Finance Manager: Jiang Chi

CONSOLIDATED INCOME STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the year of 2015

Unit: RMB

Item	Note	Current Year	Prior Year
I. Total operating income	VI. 35	1,076,596,258.89	1,806,333,093.44
Including: Operating income	VI. 35	1,076,596,258.89	1,806,333,093.44
Interest income			
Earned premium			
Handling charges and commission income			
II. Total operating cost	VI. 35	1,376,317,634.86	1,970,942,677.43
Including: Operating cost	VI. 35	1,015,339,266.43	1,621,482,256.01
Interest expenses			
Handling charges and commission expenditure			
Surrender value			
Net compensation expenses			
Net amount of reserves for insurance contract			
Expenditures dividend policy			
Reinsurance expenses			
Business taxes and surcharges	VI. 36	10,730,945.87	21,226,908.28
Selling expenses	VI. 37	75,076,845.20	102,661,594.08
Administrative expenses	VI. 38	162,725,545.83	182,887,041.22
Financial expenses	VI. 39	13,645,237.16	41,825,014.86
Loss from asset impairment	VI. 40	98,799,794.37	859,862.98
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-")	VI. 41	1,563,597.03	100,696,436.75
Including: Income from investment in associated enterprises and joint ventures		1,563,597.03	1,503,307.97
Exchange income ("- means loss)			
III. Operating profits (losses to be listed with "-")		-298,157,778.94	-63,913,147.24
Add: non-operating incomes	VI. 42	12,940,608.46	83,939,078.84
Including: gains from disposal of non-current assets		12,169,408.16	81,823,602.10
Less: non-operating expenses	VI. 43	5,668,946.00	1,979,704.84
Including: losses from disposal of non-current assets		123,750.85	283,136.75
IV. Total profits (total losses to be listed with "-")		-290,886,116.48	18,046,226.76
Less: income tax expenses	VI. 44	5,833,101.10	5,034,208.62
V. Net profits (net loss to be listed with "-")		-296,719,217.58	13,012,018.14
Net profit attributable to the shareholders of parent company		-207,817,373.56	21,416,206.70
Minority interest income		-88,901,844.02	-8,404,188.56

CONSOLIDATED INCOME STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the year of 2015

Unit: RMB

Item	Note	Current Year	Prior Year
VI. Net of tax of other comprehensive income	VI. 50	1,933,450.21	-2,210,772.48
Net of tax of other comprehensive income attributable to the owners of parent company		949,814.60	-2,261,817.24
(I) Other comprehensive income that cannot be reclassified into profits or losses in future			-2,310,000.00
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			-2,310,000.00
2. Shares in other comprehensive income that cannot be reclassified into profits or losses in the invested entity under the equity law			
(II) Other comprehensive income to be reclassified into profit or loss in future		949,814.60	48,182.76
1. Shares in other comprehensive income to be reclassified into profits or losses in the invested entity under the equity law			
2. Profits and losses arising from changes in fair value of financial assets available for sale			
3. Profit and loss arising from reclassifying held-to-maturity investment into available-for-sale financial assets			
4. Effective part of profits and losses from cash flow hedging			
5. Conversion difference of foreign currency statement		949,814.60	48,182.76
6. Others			
Net of tax of other consolidated income attributable to the minority shareholders		983,635.61	51,044.76
VII. Total comprehensive income		-294,785,767.37	10,801,245.66
Total comprehensive income attributable to the shareholders of parent company		-206,867,558.96	19,154,389.46
Total comprehensive income attributable to the minority shareholders		-87,918,208.41	-8,353,143.80
VIII. Earnings per share:			
(I) Basic earnings per share	VI. 49	-0.49	0.05
(II) Diluted earnings per share		-0.49	0.05

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

PARENT COMPANY'S INCOME STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Note	Current Year	Prior Year
I. Operating incomes	XVI. 13	19,643,769.11	11,373,529.44
Less: operating cost	XVI. 13		
Business taxes and surcharges	XVI. 14	956,781.00	376,312.14
Selling expenses			
Administrative expenses	XVI. 15	17,482,732.59	8,185,027.10
Financial expenses	XVI. 16	-76,454.84	-107,334.75
Loss from asset impairment	XVI. 17		
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-") Including: income from investment in associated enterprises and joint ventures	XVI. 17		85,079,856.82
	XVI. 17		
II. Operating profits (losses to be listed with "-")		1,280,710.36	87,999,381.77
Add: non-operating incomes Including: gains from disposal of non-current assets Less: non-operating expenses Including: losses from disposal of non-current assets			
III. Total profits (total losses to be listed with "-")		1,280,710.36	87,999,381.77
Less: income tax expenses			
IV. Net profit (net loss to be listed with "-")		1,280,710.36	87,999,381.77
V. Net of tax 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 law			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Shares in other comprehensive income to be reclassified into profits or losses in the invested entity under the equity law			
2. Profits and losses arising from changes in fair value of financial assets available for sale			
3. Profit and loss arising from reclassifying held-to-maturity investment into available-for-sale financial assets			
4. Effective part of profits and losses from cash flow hedging			
5. Conversion difference of foreign currency statement			
6. Others			
VI. Total comprehensive income		1,280,710.36	87,999,381.77
VII. Earnings per share			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Chang**

Finance Manager: **Jiang Chi**

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit:RMB

Item	Note	Current Year	Prior Year
I. Cash flow generated from operating activities:			
Cash received from sales of goods or rendering of services		876,311,265.73	1,238,879,958.53
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 included in current profits and losses			
Cash received from interests, handling charges and commissions			
Net increase in borrowing funds			
Net increase in repurchase business funds			
Refunds of taxes		24,497,361.99	17,585,532.73
Other received cash related to operating activities	VI. 51	59,049,301.44	14,582,285.81
Subtotal of cash inflows from operating activities		959,857,929.16	1,271,047,777.07
Cash paid for goods and services		443,119,748.09	828,024,734.64
Net increase in loans and advances to customer			
Net increase in deposits in the Central Bank and other interbanks			
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 employees		229,868,511.51	309,327,037.10
Tax payments		55,909,526.10	105,881,115.98
Other paid cash related to operating activities	VI. 51	85,305,743.34	135,712,263.03
Subtotal of cash outflows from operating activities		814,203,529.04	1,378,945,150.75
Net cash flows from operating activities		145,654,400.12	-107,897,373.68
II. Cash flows from investing activities:			
Cash received from disposal of investments			7,864,263.33
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		83,300.00	63,602,651.15
Net cash received from disposal of subsidiaries and other business entities			232,123,306.01
Other received cash related to investing activities	VI. 51		
Subtotal of cash inflows from investing activities		83,300.00	303,590,220.49
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		11,587,089.56	149,164,109.60
Cash paid for investments			58,420,500.00
Net increase in pledge loans			
Net cash paid for acquisitions of subsidiaries and other business entities			
Other cash paid related to investing activities	VI. 51	1,141,749.18	8,351,822.34
Subtotal of cash outflows from investing activities		12,728,838.74	215,936,431.94
Net cash flows from investing activities		-12,645,538.74	87,653,788.55

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Note	Current Year	Prior Year
III. Cash flows from financing activities:			
Cash received from absorbing investments			200,000,000.00
Including: cash received by subsidiaries in absorbing investment of minority shareholders			
Cash received from loans		370,675,565.00	308,182,440.13
Cash received from issuing bonds			
Other received cash related to financing activities	VI. 51	138,000,000.00	189,659,790.29
Subtotal of cash inflows from financing activities		508,675,565.00	697,842,230.42
Cash paid for debt repayment		483,603,480.00	468,800,000.00
Cash payments for interest expenses and distribution of dividends or profits		22,801,825.42	43,055,376.65
Including: dividends and profits paid to minority shareholders by subsidiary			
Other cash paid related to financing activities	VI. 51	88,000,000.00	346,800,000.00
Subtotal of cash outflows from financing activities		594,405,305.42	858,655,376.65
Net cash flows from financing activities		-85,729,740.42	-160,813,146.23
IV. Effect of fluctuations in exchange rate on cash and cash equivalents			
		3,034,630.18	622,529.20
V. Net increase in cash and cash equivalents			
Add: beginning balance of cash and cash equivalents		50,313,751.14	-180,434,202.16
		125,462,823.33	305,897,025.49
VI. Ending balance of cash and cash equivalents			
		175,776,574.47	125,462,823.33

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

PARENT COMPANY'S CASH FLOW STATEMENT

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit:RMB

Item	Note	Current Year	Prior Year
I. Cash flow generated from operating activities:			
Cash received from sales of goods or rendering of services			5,076,550.20
Refunds of taxes			
Other received cash related to operating activities	XVI. 18	10,623,609.41	3,051,724.66
Subtotal of cash inflows from operating activities		10,623,609.41	8,128,274.86
Cash paid for goods and services			
Cash paid to and on behalf of employees		9,392,201.56	
Tax payments		2,999,074.79	2,605,061.43
Other paid cash related to operating activities	XVI. 18	4,853,929.47	10,398,193.41
Subtotal of cash outflows from operating activities		17,245,205.82	13,003,254.84
Net cash flows from operating activities		-6,621,596.41	-4,874,979.98
II. Cash flows from investing activities:			
Cash received from disposal 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			249,922,800.00
Other received cash related to investing activities	XVI. 18		
Subtotal of cash inflows from investing activities			249,922,800.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets			
Cash paid for investments			
Net cash paid for acquisitions of subsidiaries and other business entities			
Other cash paid related to investing activities	XVI. 18	1,141,749.18	348,351,822.34
Subtotal of cash outflows from investing activities		1,141,749.18	348,351,822.34
Net cash flows from investing activities		-1,141,749.18	-98,429,022.34
III. Cash flows from financing activities:			
Cash received from absorbing investments			
Cash received from borrowings			
Cash received from issuing bonds			
Other received cash related to financing activities	XVI. 18		105,682,690.29
Subtotal of cash inflows from financing activities			105,682,690.29
Cash paid for debt repayment			
Cash paid for distribution of dividends or profits or for interests			
Other cash paid related to financing activities			
Subtotal of cash outflows from financing activities			
Net cash flows from financing activities			105,682,690.29
IV. Effect of fluctuations in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents	XVI. 18	-7,763,345.59	2,378,687.97
Add: beginning balance of cash and cash equivalents	XVI. 18	11,915,900.48	9,537,212.51
VI. Ending balance of cash and cash equivalents		4,152,554.89	11,915,900.48

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changege**

Finance Manager: **Jiang Chi**

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Current year											Total shareholders' equity	
	Equity attributable to the shareholders of the Company										Non-controlling interest		
	Share capital	Other equity instruments				Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves			General risk reserve
Preferred shares		Perpetual bonds	Others	Others									
I. Ending balance of previous year	422,000,000.00				683,803,181.69		118,733.00		45,665,647.68		-232,056,800.86	525,228,692.85	1,444,759,324.36
Add: Changes in accounting policies													
Corrections of prior period accounting errors													
Business merger under common control													
Others													
II. Beginning balance of current year	422,000,000.00				683,803,181.69		118,733.00		45,665,647.68		-232,056,800.86	525,228,692.85	1,444,759,324.36
III. Current year increase/decrease (decrease to be listed with "-")								949,814.60			-207,817,373.56	-87,918,208.41	-294,785,767.37
(i) Total comprehensive income								949,814.60			-207,817,373.56	-87,918,208.41	-294,785,767.37
(ii) Invested and decreased capital of shareholders													
1. Shareholder's ordinary share													
2. Contribution capital of holder of other equity instruments													
3. Amount of share-based payment included in shareholder's interest													
4. Others													
(iii) Profit distribution													
1. Appropriation of surplus reserves													
2. Appropriation of general risk reserve													
3. Distribution to owners (or shareholders)													
4. Others													
(iv) Internal carryover in shareholder's equities													
1. Capital surplus 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				683,803,181.69		1,068,547.60		45,665,647.68		-439,874,304.42	437,310,484.44	1,149,973,556.99

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Current year											Total shareholders' equity	
	Equity attributable to the shareholders of the Company										Non-controlling interest		
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	General risk reserve			Retained earnings
I. Ending balance of previous year	422,000,000.00				558,698,626.70		-89,449.76		45,665,647.68		-222,701,516.40	360,064,980.19	116,368,288.41
Add: Changes in accounting policies							2,470,000.00				-30,771,621.18	-1,538,378.84	-298,400,000.00
Corrections of prior period accounting errors													
Business merger under common control													
Others													
II. Beginning balance of current year	422,000,000.00				558,698,626.70		2,380,550.24		45,665,647.68		-253,473,137.56	358,526,601.35	1,133,798,288.41
III. Current year increase/decrease (decrease to be listed with "-")					125,104,554.99		-2,261,817.24				21,416,206.70	166,702,091.50	310,961,035.95
(I) Total comprehensive income							-2,261,817.24				21,416,206.70	-8,353,143.60	10,801,245.66
(II) Invested and decreased capital of shareholders					125,104,554.99							175,055,235.30	300,159,790.29
1. Shareholder's ordinary share					24,944,764.70							175,055,235.30	200,000,000.00
2. Contribution capital of holder of other equity instruments					100,159,790.29								100,159,790.29
3. Amount of share-based payment included in shareholder's interest													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Distribution to owners (for shareholders)													
4. Others													
(IV) Internal carryover in shareholder's equities													
1. Capital surplus 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				683,803,181.69		118,733.00		45,665,647.68		-232,056,930.86	525,228,692.65	1,444,759,924.36

Legal Representative: **Wang Jun**

Chief Financial Controllor: **Chen Changge**

Finance Manager: **Jiang Chi**

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Current year										Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	
I. Ending balance of previous year	422,000,000.00				666,639,987.85				38,071,282.24	-77,580,454.28	1,049,130,815.81
Add: Changes in accounting policies											
Corrections of prior period accounting errors											
Others											
II. Beginning balance of current year	422,000,000.00				666,639,987.85				38,071,282.24	-77,580,454.28	1,049,130,815.81
III. Current year increase/decrease (decrease to be listed with "-")										1,280,710.36	1,280,710.36
(I) Total comprehensive income										1,280,710.36	1,280,710.36
(II) Invested and decreased capital of shareholders											
1. Shareholder's ordinary share											
2. Contribution capital of holder of other equity instruments											
3. Amount of share-based payment included in shareholder's interest											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserves											
2. Distribution to the shareholders											
3. Others											
(IV) Internal carryover in shareholder's equities											
1. Capital surplus 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				666,639,987.85				38,071,282.24	-76,299,743.92	1,050,411,526.17

Legal Representative: **Wang Jun**

Chief Financial Controller: **Chen Changge**

Finance Manager: **Jiang Chi**

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Jingcheng Holding Machinery Electric Holding Co., Ltd.
For the Year of 2015

Unit: RMB

Item	Current year											
	Share capital	Other equity instruments				Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Ending balance of previous year	422,000,000.00					566,490,197.56				38,071,282.24	-165,579,836.05	860,971,643.75
Add: Changes in accounting policies												
Corrections of prior period accounting errors												
Others												
II. Beginning balance of current year	422,000,000.00					566,490,197.56				38,071,282.24	-165,579,836.05	860,971,643.75
III. Current year increase/decrease (decrease to be listed with "-")						100,159,790.29					87,999,381.77	188,159,172.06
(I) Total comprehensive income											87,999,381.77	87,999,381.77
(II) Invested and decreased capital of shareholders						100,159,790.29						100,159,790.29
1. Shareholder's ordinary share												
2. Contribution capital of holder of other equity instruments												
3. Amount of share-based payment included in shareholder's interest												
4. Others						100,159,790.29						100,159,790.29
(III) Profit distribution												
1. Appropriation of surplus reserves												
2. Distribution to the shareholders												
3. Others												
(IV) Internal carryover in shareholder's equities												
1. Capital surplus 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					666,639,987.85				38,071,282.24	-77,580,454.28	1,049,130,815.81

Legal Representative: **Chuanzhong Hu**

Chief Financial Controllor: **Junjie Li**

Finance Manager: **Chi Jiang**

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

I. Company Profile

Beijing Jingcheng Machinery Electric Co., Ltd. (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 public offering 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 and other concerned departments, H Shares and A Shares of the Group were offered in both Hong Kong and Shanghai in 1993 and 1994 respectively. 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 ZJFXZ [2002] No. 133 issued by China Securities Regulatory Commission (“CSRC”), the Company issued 22,000,000 additional RMB common shares (A Shares) for public shareholders, 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 state-owned corporate shares, 72,000,000 are domestic public shares and 100,000,000 are overseas public shares, and each share has par value of RMB 1.

According to the “Reply on Issues Concerning the Share Segregation Reform of Beiren Printing Machinery Holding Company Limited” (JGZQZ [2006] No.25) 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 corporate shares to A shareholders through a bonus issued on the basis of 3.8 for every 10. The A-share equity registration date in the share segregation reform is 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. On December 2, 2010, Beiren Group Corporation sold 20,000 unconditioned circulating shares to the public, which account 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 corporate shares, which represent 47.78% of total equity (classified as unconditioned circulating shares), 120,380,000 unconditioned domestic public shares which represent 28.52% of the total equity and 100,000,000 unconditioned overseas shares accounting for 23.70% of the total equity.

The Company’s controlling shareholder, Beiren Group Corporation, signed the *Agreement on Free Transfer of State-owned Shares Between Beijing Jingcheng Machinery Electric Limited and Beiren Group Corporation* with the Company’s ultimate 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 for free. After this transfer, the Company’s total equity remained unchanged and Jingcheng Holding became the controlling shareholder of the Company with holding of 201,620,000 shares which represent 47.78% of total equity. The transfer was approved by the Committee of State-owned Assets Supervision and Administration of State Council on September 1, 2012. The Company 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 on Significant Asset Replacement* 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 equity of Beijing Tianhai Industry Co., Ltd., 100% of equity of Jingcheng Holding (Hong Kong) Co., Ltd. and 100% of equity of Beijing Jingcheng Compressor Co., Ltd. having environmental business excluded.

On September 26, 2013, the Company received the *Reply on Approval for the Significant Asset Restructuring of 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 Replacement* with Beiren Group Corporation and Jingcheng Holding. Since then, Jingcheng Holding delivered the exchanged-in assets to the Company and the Company delivered the exchanged-out assets and related employees to Beiren Group Corporation.

Jingcheng Holding reduced its unconditioned circulating A shares by 21,000,000, i.e. 4.98% of the total equity, through the Bulk Exchange Platform of Shanghai Stock Exchange on May 6, 2015, May 13, 2015 and May 14, 2015. By December 31, 2015, Jingcheng Holding held 180,620,000 unconditioned circulating A shares of the Company, accounting for 42.80% of the total equity.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

I. Company Profile *(cont'd)*

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

The Company's registered address is Room 901, No. 59 Building, Dongsanhuan Middle Road, Chaoyang District, Beijing. The Chairman is Wang Jun. The place of business is No. 2, Nansan Street, Guoxian, Guoxian Town, Tongzhou District, Beijing.

Business scope of the Company: general freight; development, design, selling, installation, debugging and repair of low temperature storage and transportation vessel, compressor (piston compressor, diaphragm compressor, nuclear membrane compressor) and related parts, mechanical equipment and electrical equipment; technical consultation; technical service; economic and trade consultation; import and export of goods and techniques; import and export agency.

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 and Beijing Tianhai Industry Co., Ltd. and its subsidiaries including Langfang Tianhai High Pressure Container Co., Ltd., Tianjin Tianhai High Pressure Container Co., Ltd., Shanghai Tianhai Composite Gas Cylinder Co., Ltd., Beijing Tianhai Low Temperature Equipment Co., Ltd., Beijing Panni Aerial Work 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-occurring 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

The Group has the going-concern ability, and there is no significant event that has impact on such ability within at least 12 months since the end of the reporting period.

IV. Significant accounting policies and accounting estimates

1. Declaration on compliance with ASBE

The financial statements of the Company 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 December 31, 2015.

2. Accounting year

An accounting year of the Group runs from January 1 to December 31 (Gregorian calendar).

3. Business cycle

The Group takes 12 months as a business cycle.

4. Recording currency

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

The currency adopted by the Group for preparation of the financial statements is RMB.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates *(cont'd)*

5. Accountant treatment methods for business merger under common control and different control

The assets and liabilities acquired by the Company, as the merging party, from business merger under common control should be measured based on the book value in the ultimate controller's consolidated statements of the merged party on the merger date. The difference between the book value of the net assets acquired and the paid consolidated consideration book value shall be used to adjust the capital reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business merger under different control are measured based on the fair value on the acquisition date. The merging costs are the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Company on the acquisition date for acquiring control rights on the acquiree, and all costs directly related to the business merger (for business merger completed step by step through multiple transactions, the merging costs are the sum of costs of all individual transactions). Where the merging costs are greater than the fair value of identifiable net assets acquired from the acquiree during business merger, the difference thereof is recognized as business goodwill. Where the merging costs are less than the fair value of identifiable net assets acquired from the acquiree during business merger, the fair value of all identifiable assets, liabilities and contingent liabilities acquired from the business merger, as well as the fair value of non-cash assets of the consideration or the issued equity securities etc., are rechecked. Where the merging costs are, after rechecking, still less than the fair value of net identifiable assets acquired from the acquiree during business merger, the difference is included in current non-operating income.

6. Preparation methods of consolidated financial statements

The Company'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 is not in line with that adopted by 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. The portion of subsidiary owners' equity not attributable to the parent company and the portion of minority interest in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "minority interest, minority interest income, other comprehensive income attributable to the minority shareholders, and total comprehensive income attributable to the minority shareholders" in the consolidated financial statements.

For the subsidiary acquired in the business merger under common control, its business performance and cash flow are included in the consolidated financial statements from the beginning of the current period of the merger. During preparation of comparative consolidated financial statements, relevant items of the financial statements of the prior year shall be adjusted. It shall be deemed that the reporting entity formed after the merger has existed since the beginning of control by the ultimate controller.

For the subsidiary acquired in the business merger under different control, its business performance and cash flow are included in the consolidated financial statements since the date when the Company acquires the control rights. During the preparation of consolidated financial statements, financial statements of the subsidiary are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

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

Joint venture arrangements of the Group include joint operations and joint ventures. For joint operation items, the Group, as a joint operation party, recognizes the assets owned and the liabilities assumed solely and as per the shares, as well as the relevant income and expenses owned and assumed solely and as per the shares according to relevant provisions. For the transaction of purchasing and selling assets related to joint operation which does not constitute business, only the portion of profits and losses generated by the transaction which is attributable to other parties of the joint operation is recognized.

8. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

9. Foreign currency transactions and conversion of foreign currency financial statements

(1) Foreign currency transaction

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

Monetary items calculated in foreign currency in the balance sheet are converted into RMB as per spot exchange rate on the balance sheet date; the conversion balance is directly included in current profits and losses, except the disposal of balance of exchange that is formed by foreign currency loans borrowed for acquiring or constructing assets meeting capitalization terms as per capitalization principle. Foreign currency non-monetary items measured at 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) Conversion of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet shall be converted as per the spot exchange rate on the balance sheet date; the owner's equity items excluding "undistributed profit", shall be converted as per the spot exchange rate on the transaction date; the income and expenditure items in the profit statement shall be converted as per the spot exchange rate on the transaction date. The above conversion difference of foreign currency financial statements shall be included in other comprehensive income items. Foreign currency cash flow shall be converted at the average exchange rate of the current period. The amount of influence of exchange rate change on cash and cash equivalents shall be listed in the cash flow statement separately.

10. Financial assets and financial liabilities

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

(1) Financial assets

1) Classification, recognition and measurement of financial assets

Financial assets are classified by the Group into four categories according to the investment purposes and economic essence: financial assets measured at fair value with their variance included in current profits and losses, investments held to maturity, loans and receivables, and financial assets available for sale.

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 determinable recoverable amount, and for which the management has clear intention and capability to hold until its maturity.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount.

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

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.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

10. Financial assets and financial liabilities (cont'd)

(1) Financial assets (cont'd)

2) **Recognition basis and measuring method for transfer of financial assets (cont'd)**

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

3) **Test and accounting treatment methods for impairment of financial assets**

The Group assesses the book value 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.

When the financial asset measured by amortized cost has decrease in value, the impairment loss will be determined with the balance formed when book value is more than the expected future cash flow (excluding the future credit loss which has not happened yet). If there is objective evidence showing the value of this financial asset has recovered, and it is objectively related to the matters occurring after the loss is recognized, the impairment loss recognized before shall be reversed and included in current profit and loss.

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, into 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 included in current profits and losses.

Other liabilities are subsequently measured at amortized cost by 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 Creditor 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, wholly 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 book value of the derecognized part and the paid consideration shall be included in current profits and losses.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

10. Financial assets and financial liabilities (cont'd)

(2) Financial liabilities (cont'd)

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 other 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.

11. 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 defines the following items as recognition criteria for bad debt loss of receivables: production halt and consequent failure of debt payment within foreseeable time due to revocation, bankruptcy, insolvency, serious shortage of cash flow of the debtor, and occurrence of severe natural disasters to the debtor; failure of the debtor to perform the pay-off obligation for more than 3 years, with review and approval through legal procedures; other conclusive evidence indicates that the receivables cannot be recovered or can barely be recovered.

The Group applies the allowance method for the accounting of potential bad debt loss and performs separate or combined impairment test at 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 single amount and drawn bad debt provision on single item

Criteria basis or amount standard for determining a significant single amount	Regard receivables with a single amount of over RMB 5 million as significant receivables
Drawing method for receivables with significant single amount and drawn bad debt provision on single item	The provision of bad debts is drawn according to the difference between the present value of future cash flows and the book value 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
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NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

11. Bad debt provision for receivables (cont'd)

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

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

Account Age	Drawing Proportion of Accounts Receivable (%)	Drawing Proportion of Other Receivables (%)
Within 1 year	1	1
1-2 years	10	10
2-3 years	20	20
3-4 years	50	50
4-5 years	80	80
More than 5 years	100	100

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

Reason for drawing of bad debt provision on single item Receivables with insignificant single amount and bad debt provision drawn by combination not reflecting risk features of the receivables

Drawing method for bad debt provision The provision of bad debts is drawn according to the difference between the present value of future cash flows and the book value of receivables

12. 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 process 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.

13. Classification 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.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates *(cont'd)*

14. Long-term equity investments

The Group's long-term equity investments are mainly investments in subsidiaries, associated enterprises, and joint ventures.

The Group's criterion for common control is that all parties or groups 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 is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the invested entity, has a significant influence on the invested entity. The Group, if holding less than 20% of voting right 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 financial and operation policy making of the invested entity, has important transactions with the invested entity, sends management personnel to the invested entity, or provides critical technical information for the invested entity.

When control over the invested entity exists, the invested entity becomes a subsidiary of the Group. As to long-term equity investments acquired in business merger under common control, the portion of book value of net assets in the ultimate controller's consolidated statements of the merged party on the merger date shall be recognized as the initial investment cost of long-term equity investment. Where book value of net assets of the merged party on the merger date is negative, the long-term equity investment cost is determined as zero.

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

Apart from aforementioned long-term equity investment acquired through business merger, 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 in subsidiaries and equity method to calculate investments in associated enterprises and joint ventures.

For long-term equity investments with the cost method adopted for subsequent measurement, when more investments are added, the book value of the long-term equity investment cost is increased based on the fair value of cost paid for additional investments and related transaction expenses. Cash dividend or profit declared by the invested entity is recognized as current investment profit in accordance with the attributable amount.

For long-term equity investments subsequently calculated by the equity method, the book value of long-term equity investment is increased or decreased accordingly with variance of owner's equity of the invested entity. When determining the attributable portion of net profit of the invested entity, the Group shall adjust the net profit of invested entity based on the fair value of various identifiable assets of the invested entity when investments are acquired, as well as its accounting policies and accounting period, by offsetting internal profit and loss incurred in transactions with associated enterprises and joint ventures 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 book value 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 entity, when disposed of, 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.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

15. Investment real estate

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

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 by 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 Depreciation (Year)	Estimated Residual Rate (%)	Annual Rate of Depreciation (%)
Land use right	50		2.000
Premises and buildings	40	5	2.375

16. Fixed assets

Fixed assets are tangible assets that are held for the production of goods and/or the rendering of services, leasing, or for operating management 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 fully depreciated fixed assets that are still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be depreciated. Straight line method shall be adopted for drawing of depreciation. The following table shows categories, period of depreciation, estimated net residual rate, and rate of depreciation for fixed assets of the Group:

Category	Period of Depreciation (Year)	Estimated 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 estimated service life, estimated 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 financial 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 lease term 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.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

17. Projects under construction

Projects under construction ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall 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.

18. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment real estate and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment is deducted. 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 and determined based on the weighted average interest rate of the general borrowings.

19. 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 contract or agreement. In case the specified value of the contracts or agreements is not fair, the assets shall be measured at the fair value.

Land-use right shall be amortized from the date of transfer on an average basis for the transferred years. Patented technology, non-patented technology and other intangible assets shall amortized on an average basis by stages according to the expected service life, benefit life under contract, and effective period under laws, whichever is the shortest. Amount of amortization is included in relevant asset cost and current profits and losses according to beneficial parties. The estimated service life and the amortization method of intangible assets with limited service life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates.

The Group rechecks the estimated 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.

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

The expenditures in development stage shall be 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) The expenditures attributable to the intangible assets during the development can be reliably measured.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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IV. Significant accounting policies and accounting estimates (cont'd)

19. Intangible assets (cont'd)

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 shall be listed in the balance sheet as development expenditures and transferred into intangible assets when the R&D project is ready for intended use.

20. 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 associated enterprises which have sign of impairment on the balance sheet date. Where the recoverable amount of the assets is less than the book value 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. Provisions for impairment of assets shall be calculated and recognized based on single asset. If it is difficult to estimate the recoverable amount of the single asset, the recoverable amount shall be determined as per the asset group to which the single asset belongs. The asset group is the smallest asset combination which can generate cash inflow independently.

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 test, the book value of goodwill shall be apportioned to the asset group or combination of asset groups which is expected to benefit from the synergy of business merger. If the recoverable amount of the asset group or the combination of asset groups with apportioned goodwill is lower than the book value thereof, relevant impairment losses shall be determined. The amount of impairment loss shall deduct the book value of goodwill apportioned to the asset group or combination of asset groups first, and then deduct the book value 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.

21. Long-term deferred expenses

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

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

22. 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 mainly includes basic endowment insurance, unemployment insurance and is 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 employees' 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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IV. Significant accounting policies and accounting estimates (cont'd)

23. Estimated liabilities

Where the business related to contingencies including external security, discount of commercial acceptance bills, pending litigation or arbitration and product quality assurance meets the following conditions simultaneously, the Group will recognize it as liabilities: such obligation is a current obligation of the Group; performance of the obligation will probably cause outflow of economic benefits from the enterprise; and the amount for such obligation can be calculated reliably.

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. The increase amount of the book value of estimated liabilities generated by the discount restoration as time goes by is recognized as interest expense.

The book value of estimated liabilities shall be reviewed and adjusted on each balance sheet date to reflect current best estimate.

24. 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 determined 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 each settlement date prior to the settlement of the relevant liabilities, fair value of the liabilities shall be re-measured and the changes in fair value shall be included in current profits and losses.

25. Income recognition principles and measuring methods

The operating income of the Group is mainly derived from goods sales, rendering labor services and abalienation of right to use assets. The recognition principles are as follows:

(1) Income from goods sales

The income from goods sales is recognized under the following conditions: major risks and rewards concerning the ownership of goods have been transferred to the purchaser; neither continuous management right usually related to the ownership is retained nor effective control over sold goods is implemented; the amount of the income 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) Income from rendering labor services

When total labor service incomes and costs can be measured reliably, economic benefits related to labor services may flow to the Group and completion progress of labor services can be determined clearly, the Group recognizes realization of labor service income.

On the balance sheet date, if the outcome of labor service transactions performed can be estimated reliably, the labor service income 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 labor service transactions performed cannot be estimated reliably but the service costs incurred is expected to be compensated, the labor service income shall be recognized according to the incurred labor service costs that can be compensated and relevant labor service costs shall be carried forward; if the outcome of labor service transactions performed cannot be estimated reliably and the incurred labor service costs cannot be compensated in full, the incurred labor service costs shall be included in current profits and losses and the labor service income shall not be recognized.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

IV. Significant accounting policies and accounting estimates (cont'd)

25. Income recognition principles and measuring methods (cont'd)

(3) Abalienation of the right to use assets

The income 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 income can be measured reliably.

26. Government subsidy

Government subsidy of the Group 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 when concrete evidence shows that relevant conditions specified in fiscal support policies can be met and the fiscal support funds can be received based on estimates at the end of period, 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 income, and 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 income, and it shall be included in current profits and losses during the period when it is recognized; those used to compensate for the incurred related costs or losses shall be included in current profits and losses directly.

27. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and book value 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 tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred 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 business merger and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred tax assets and liabilities shall not be recognized. Deferred tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering 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.

28. Leases

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

At the commencement of the lease term, as the Lessee, the Group shall deem the lower of the fair value of the leased assets and the present value of the minimum lease payments as the entry value of fixed assets acquired by financial lease and the minimum lease payment as the entry value of long-term payable. The difference between two entry values is deemed as unrecognized financing cost.

As the Lessee of operating lease, 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.

29. Change in significant accounting policies and accounting estimates

There is no change in significant accounting policies or accounting estimates in current period for the Group.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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V. Taxes

1. Main taxes and rates

Tax Category	Taxation Basis	Tax Rate
VAT	Income from goods sales	17%
Business tax	Taxable income	5%
City maintenance and construction tax	Payable VAT and business tax	5%, 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 property value and income from house property leasing	1.2% and 12%

Corporate income tax rates for subsidiaries of the Group:

Subject of Taxation	Income Tax Rate
Beijing Jingcheng Machinery Electric Co., Ltd.	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 Aerial Work 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 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., a subsidiary of the Company, was certified as a High and New Technology Enterprise and obtained the corresponding certificate with No. GF201311000576 jointly issued 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% for 2015.

On December 5, 2013, Beijing Tianhai Low Temperature Equipment Co., Ltd., a subsidiary of the Company, was certified as a High and New Technology Enterprise and obtained the corresponding certificate with No. GR201311001531 jointly issued 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% for 2015.

NOTES TO THE FINANCIAL STATEMENT

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VI. Notes to items in consolidated financial statement

Unless especially noted, among the following disclosed data in the financial statements, "beginning of the year" refers to January 1, 2015; "end of the year" refers to December 31, 2015; "current year" runs from January 1, 2015 to December 31, 2015; "previous year" refers to from January 1, 2014 to December 31, 2014; and the monetary unit is RMB.

1. Monetary funds

Item	End. Balance	Beg. Balance
Cash	65,972.56	55,233.08
Bank deposit	175,710,601.91	124,267,616.31
Other monetary funds	6,500,000.00	39,639,973.94
Total	182,276,574.47	163,962,823.33
Including: total amount deposited abroad	11,012,062.02	4,443,250.42

The balance of other monetary funds is RMB 6,500,000.00 of bond security.

2. Notes receivable

(1) Category	End. Amount	Beg. Amount
Bank acceptance bill	3,228,891.44	13,148,883.12
Commercial acceptance bill		
Total	3,228,891.44	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 at the end of the year

Item	Ending Derecognized Amount	Ending Non-derecognized Amount
Bank acceptance bill	126,360,104.87	
Total	126,360,104.87	

(4) There are no notes to be transferred for accounts receivable due to the drawer's inability to perform at the end of the year.

3. Accounts receivable

Item	End. Amount	Beg. Amount
Accounts receivable	288,885,774.81	416,795,156.63
Less: provision for bad debt	15,592,620.94	12,659,522.60
Net amount	273,293,153.87	404,135,634.03

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

3. Accounts receivable (cont'd)

(1) Aging analysis of accounts receivable

Account Age	End. Amount	Beg. Amount
Within 1 year	213,010,960.72	359,545,347.11
1-2 years	45,006,024.98	32,572,365.87
2-3 years	12,631,718.15	11,401,907.29
3-4 years	2,605,221.90	313,623.18
4-5 years	39,228.12	302,390.58
More than 5 years		
Net amount	273,293,153.87	404,135,634.03

(2) Classification of accounts receivable by risk

Category	Book balance		End. Balance Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Accounts receivable with significant single amount and drawn bad debt provision on single item					
Accounts receivable with bad debt provision drawn by portfolio of credit risk features	288,885,774.81	100.00	15,592,620.94	5.40	273,293,153.87
Account age combination	288,885,774.81	100.00	15,592,620.94	5.40	273,293,153.87
Accounts receivable with insignificant single amount but drawn bad debt provision on single item					
Total	288,885,774.81	100.00	15,592,620.94	-	273,293,153.87

(Continued)

Category	Book balance		Beg. Balance Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Accounts receivable with significant single amount and drawn bad debt provision 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 single 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	End. Balance Provision for bad debt	Drawing proportion (%)
Within 1 year	215,162,586.59	2,151,625.87	1.00
1-2 years	50,006,694.43	5,000,669.45	10.00
2-3 years	15,789,647.69	3,157,929.54	20.00
3-4 years	5,210,443.80	2,605,221.90	50.00
4-5 years	196,140.60	156,912.48	80.00
More than 5 years	2,520,261.70	2,520,261.70	100.00
Total	288,885,774.81	15,592,620.94	5.40

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

3. Accounts receivable (cont'd)

(3) Drawing of provision for bad debt in current year

RMB 2,917,263.15 of provision for bad debt is drawn in current year, with the exchange rate influence being RMB 15,835.19.

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

Entity Name	End. Balance	Account Age	Proportion in Total Ending Balance of Accounts Receivable (%)	Ending Balance of Bad Debt Provision
Cyl-Tec, Inc.	12,668,659.70	Within 1 year	4.39	126,686.63
Chengdu Huaqi Houpu Holding Co., Ltd.	11,981,124.71	Within 1 year	4.15	119,811.25
New Energy Bus Branch of Zhengzhou Yutong Bus Co., Ltd.	11,953,711.75	Within 1 year	4.14	119,537.12
LINDE MALAYSIA SDN BHD	9,342,445.24	Within 1 year	3.23	93,424.45
Shiyan Junwang Industry and Trade Co., Ltd.	8,426,600.00	1-2 years	2.92	842,660.00
Total	54,372,541.40	-	18.83	1,302,119.45

4. Prepayments

(1) Age of prepayment

Item	End. Amount		Beg. Amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	16,644,522.81	86.84	77,197,792.24	97.74
1-2 years	1,434,743.97	7.49	302,652.70	0.38
2-3 years	161,344.00	0.84	399,776.48	0.51
More than 3 years	926,200.90	4.83	1,085,307.57	1.37
Total	19,166,811.68	100.00	78,985,528.99	100.00

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

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

Entity Name	End. Balance	Account Age	Proportion in Total Ending Balance of Payments (%)
Shandong Tianhai High Pressure Container Co., Ltd.	5,034,891.19	Within 1 year	26.27
Beijing Baosteel Northern Trading Co., Ltd.	3,716,378.18	Within 1 year	19.39
Enduring Power (Beijing) Cryogenic Equipment Co., Ltd.	910,000.00	Within 1 year	4.75
Langfang XinAo Gas Co., Ltd.	864,173.91	1-2 years	4.51
Tianjin Jinran Public Utilities Company Limited	623,985.00	Within 1 year	3.26
Total	11,149,428.28	-	58.18

NOTES TO THE FINANCIAL STATEMENT

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VI. Notes to items in consolidated financial statement (cont'd)

5. Other receivables

Item	End. Amount	Beg. Amount
Other receivables	3,159,295.79	7,612,425.29
Less: provision for bad debt	1,382,629.95	1,176,727.10
Net amount	1,776,665.84	6,435,698.19

(1) Aging analysis of other accounts receivable

Account Age	End. Amount	Beg. Amount
Within 1 year	1,363,056.15	6,109,134.12
1-2 years	370,361.79	251,358.84
2-3 years	43,163.90	42,066.55
3-4 years		17,138.68
4-5 years	84.00	16,000.00
More than 5 years		
Net amount	1,776,665.84	6,435,698.19

(2) Classification of other receivables

Category	Book balance		End. Balance Provision for bad debt Drawing		Book value
	Amount	Proportion (%)	Amount	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	3,159,295.79	100.00	1,382,629.95	43.76	1,776,665.84
Account age combination	3,159,295.79	100.00	1,382,629.95	43.76	1,776,665.84
Other receivables with insignificant single amount but drawn bad debt provision on single item					
Total	3,159,295.79	100.00	1,382,629.95	-	1,776,665.84

(Continued)

Category	Book balance		Beg. Balance Provision for bad debt Drawing		Book value
	Amount	Proportion (%)	Amount	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 single amount but drawn bad debt provision on single item					
Total	7,612,425.29	100.00	1,176,727.10	-	6,435,698.19

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

5. Other receivables (cont'd)

(2) Classification of other receivables (cont'd)

1) In combination, other receivables with bad debt provision drawn by aging analysis

Account Age	Other receivables	End. Balance Provision for bad debt	Drawing proportion (%)
Within 1 year	1,376,824.40	13,768.25	1.00
1-2 years	411,513.10	41,151.31	10.00
2-3 years	53,954.87	10,790.97	20.00
3-4 years			
4-5 years	420.00	336.00	80.00
More than 5 years	1,316,583.42	1,316,583.42	100.00
Total	3,159,295.79	1,382,629.95	43.76

(3) Drawing of provision for bad debt in current year

RMB 205,902.85 of provision for bad debt is drawn in current year.

(4) Classification of other receivables by nature

Nature of Payment	End. Book Balance	Beg. Book Balance
Petty cash	1,658,549.02	1,449,187.10
Guarantee deposit and security deposit	213,946.52	641,073.29
Export rebates		4,633,185.48
Current accounts	1,286,800.25	888,979.42
Total	3,159,295.79	7,612,425.29

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

Entity Name	Nature of Payment	End. Balance	Account Age	Proportion in Total Ending Balance of Other Receivables (%)	Ending Balance of Bad Debt Provision
Baogang Ganglian Sales Co., Ltd.	Prepayment for goods	400,648.84	More than 5 years	12.68	400,648.84
Taiyuan Heavy Industry Co., Ltd.	Prepayment for goods	350,000.00	More than 5 years	11.08	350,000.00
Production Division III of Langfang Tianhai	Petty cash	201,136.62	Within 2 years	6.37	9,501.89
Tianhai Low-temperature Office	Petty cash	154,500.00	Within 1 year	4.89	1,545.00
Luohe Casting Machinery Factory	Prepayment for goods	151,000.00	More than 5 years	4.78	151,000.00
Total		1,257,285.46		39.80	912,695.73

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

6. Inventories

(1) Classification of inventories

Item	Book balance	End. Amount Impairment provision	Book value
Raw materials	212,208,627.92	45,774,630.45	166,433,997.47
Products in process	103,752,611.92	29,431,179.99	74,321,431.93
Goods in stock	171,309,166.78	21,325,756.99	149,983,409.79
Total	487,270,406.62	96,531,567.43	390,738,839.19

(Continued)

Item	Book balance	Beg. Amount Impairment provision	Book value
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 impairment provision

Item	Beg. Amount	Increase in Current Year		Decrease in Current Year		End. Amount
		Drawing	Others	Write-off	Other transfer out	
Raw materials		45,774,630.45				45,774,630.45
Products in process	1,824,639.28	28,113,411.53		506,870.82		29,431,179.99
Goods in stock	5,139,179.02	19,809,790.43		3,623,212.46		21,325,756.99
Total	6,963,818.30	93,697,832.41		4,130,083.28		96,531,567.43

(3) See Note IV. 11 for the drawing methods for inventory impairment provision.

7. Other current assets

Item	End. Balance	Beg. Balance	Nature
Corporate income tax	866,907.85		Corporate income tax
Provisional VAT on purchase	6,215,611.17		Provisional VAT on purchase
Total	7,082,519.02		

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

8. Long-term equity investments

(1) Classification

Invested Entity	Beg. Balance	Changes in Current Year							End. Balance	Ending balance of Provision for Impairment
		Additional investment	Decreased investment	Interest gain/loss as per equity method	Adjustment of other comprehensive incomes	Other equity variation	Cash dividends or profits declared	Drawing of impairment provision		
I. Joint venture										
Shandong Tianhai High Pressure Container Co., Ltd.	55,004,776.68			1,406,842.76						56,411,619.44
II. Associated enterprise										
Jiangsu Tianhai Special Equipment Co., Ltd.		18,144,200.00		-6,193,716.23						11,950,483.77
Total	55,004,776.68	18,144,200.00		-4,786,873.47						68,362,103.21

Beijing Tianhai Industry Co., Ltd. (hereinafter referred to as "Tianhai Industry"), a subsidiary of the Company, contributes to establish Jiangsu Tianhai Special Equipment Co., Ltd. (hereinafter referred to as "Jiangsu Tianhai") in current year. At the time of establishment, the registered capital of Jiangsu Tianhai is RMB 80,000,000, including RMB 28,000,000 (35%) contributed by Tianhai Industry in the form of fixed assets and intangible assets and RMB 52,000,000 (65%) by Nanjing Bibo Trade and Industry Co., Ltd. in the form of monetary fund. Tianhai Industry adopts the equity method to calculate its investment. By December 31, 2015, the paid-up capital of Jiangsu Tianhai is RMB 49,644,200, including RMB 18,144,200 (22.68% of the registered capital) actually invested by Tianhai Industry and RMB 31,500,000 (39.38% of the registered capital) actually invested by Nanjing Bibo Trade and Industry Co., Ltd.

(2) Analysis of long-term equity investments

Item	End. Amount	Beg. Amount
Listed		
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Subtotal		
Unlisted	68,362,103.21	55,004,776.68
Total	68,362,103.21	55,004,776.68

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

9. Fixed assets (1) Breakdown

Item	Premises and Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Electrical Equipment	Total
I. Original book value						
1. Beginning balance	661,687,707.94	789,620,816.71	30,950,295.50	9,514,732.87	25,003,029.20	1,516,776,582.22
2. Increased amount in current year		30,776,863.16		2,421,760.66		33,198,623.82
(1) Purchase				2,379,801.10		2,379,801.10
(2) Transferred from projects under construction		30,776,863.16				30,776,863.16
(3) Others				41,959.56		41,959.56
3. Decreased amount in current year		917,518.11	1,108,568.15	289,578.47		2,315,664.73
(1) Disposal		917,518.11	1,108,568.15	289,578.47		2,315,664.73
(2) Others						
4. Ending balance	661,687,707.94	819,480,161.76	29,841,727.35	11,646,915.06	25,003,029.20	1,547,659,541.31
II. Accumulated depreciation						
1. Beginning balance	118,195,347.60	337,056,746.28	23,611,859.59	6,080,058.01	14,675,186.78	499,619,198.26
2. Increased amount in current year	15,009,052.79	68,252,695.14	1,620,320.64	788,134.30	1,650,662.52	87,320,865.39
(1) Drawing	15,009,052.79	68,252,695.14	1,620,320.64	786,346.68	1,650,662.52	87,299,077.77
(2) Others				21,787.62		21,787.62
3. Decreased amount in current year		770,465.53	876,348.79	254,438.52		1,901,252.84
(1) Disposal or scrapping		770,465.53	876,348.79	254,438.52		1,901,252.84
(2) Others						
4. Ending balance	133,204,400.39	404,538,975.89	24,355,831.44	6,613,753.79	16,325,849.30	585,038,810.81
III. Provision for impairment						
1. Beginning balance		436,523.69				436,523.69
2. Increased amount in current year		1,978,795.96				1,978,795.96
(1) Drawing		1,978,795.96				1,978,795.96
3. Decreased amount in current year		103,025.00				103,025.00
(1) Disposal		103,025.00				103,025.00
(2) Others						
4. Ending balance		2,312,294.65				2,312,294.65
IV. Book value						
1. Ending book value	528,483,307.55	412,628,891.22	5,485,895.91	5,033,161.27	8,677,179.90	960,308,435.85
2. Beginning book value	543,492,360.34	452,127,546.74	7,338,435.91	3,434,674.86	10,327,842.42	1,016,720,860.27

Other increases in current year are generated due to the influence of exchange rate fluctuation on fixed assets of BTIC AMERICA CORPORATION.

The amount of depreciation and amortization for fixed assets recognized as profits or losses is RMB 87,299,077.77 (amount of previous year: RMB 78,139,319.12) in current year.

Increase of fixed assets in current year includes RMB 30,776,863.16 transferred from projects under construction.

The gain from sales of fixed assets in current year is RMB 251,927.81.

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

Item	End. Amount	Beg. Amount
Located in the territory of China	528,483,307.55	543,492,360.34
Long-term (more than 50 years)		
Mid-term (10-50 years)	528,483,307.55	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	528,483,307.55	543,492,360.34

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From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

9. Fixed assets (cont'd)

(3) Temporary idle fixed assets of the Group at the end of the year

The original value of the Group's fixed assets temporarily idle at the end of the year is RMB 102,853,056.30, with RMB 69,849,436.10 of accumulated depreciation, RMB 332,348.16 of provision for impairment of fixed assets and RMB 32,671,272.04 of value of fixed assets. The temporarily idle assets above are mainly related to the original business place of the Company (Wufangqiao). The Company has already been moved to Guoxian Town of Tongzhou District.

(4) There are no fixed assets acquired by financial lease at the end of the year.

(5) There are no fixed assets acquired by operating lease at the end of the year.

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

Item	Book Value	Reason
Buildings of LNG industry base project	281,987,205.59	In progress

10. Projects under construction

(1) Breakdown

Item	Book balance	End. Amount Provision for impairment	Book value	Beg. Amount Book balance	Beg. Amount Provision for impairment	Book value
LNG industry base project Equipment	8,037,077.84		8,037,077.84	16,151,465.26		16,151,465.26
				6,737,156.37		6,737,156.37
Total	8,037,077.84		8,037,077.84	22,888,621.63		22,888,621.63

(2) Changes in major projects under construction

Name of Project	Beg. Amount	Increase in Current Year	Decrease in Current Year Transferred to fixed assets	Other Decreases	End. Amount
LNG industry base project	16,151,465.26	12,052,730.36	28,204,195.62		

(Continued)

Name of Project	Budget (RMB 10,000)	Proportion of Project Investment in Budget (%)	Construction Progress (%)	Accumulated Amount of Interest Capitalization	Including: Capitalization Amount of Capitalized Interest in Current Year	Rate of Interest in Current Year (%)	Financial Resource
LNG industry base project	79,379.00	76	100	1,446,862.40			Self raising

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From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

11. Intangible assets

(1) Breakdown

Item	Land Use Right	Proprietary Technology	Software	Total
I. Original book value				
1. Beginning balance	165,755,637.08	11,707,050.00	677,093.03	178,139,780.11
2. Increased amount in current year			92,201.25	92,201.25
(1) Purchase			92,201.25	92,201.25
3. Decreased amount in current year				
4. Ending balance	165,755,637.08	11,707,050.00	769,294.28	178,231,981.36
II. Accumulated amortization				
1. Beginning balance	11,065,290.33	6,136,142.16	437,202.03	17,638,634.52
2. Increased amount in current year	3,427,289.41	999,999.93	65,219.51	4,492,508.85
(1) Drawing	3,427,289.41	999,999.93	65,219.51	4,492,508.85
3. Decreased amount in current year				
4. Ending balance	14,492,579.74	7,136,142.09	502,421.54	22,131,143.37
III. Provision for impairment				
1. Beginning balance				
2. Increased amount in current year				
3. Decreased amount in current year				
4. Ending balance				
IV. Book value				
1. Ending book value	151,263,057.34	4,570,907.91	266,872.74	156,100,837.99
2. Beginning book value	154,690,346.75	5,570,907.84	239,891.00	160,501,145.59

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

Item	End. Amount	Beg. Amount
Located in the territory of China	151,263,057.34	154,690,346.75
Long-term (more than 50 years)		
Mid-term (10-50 years)	151,263,057.34	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	151,263,057.34	154,690,346.75

(3) The amount of depreciation and amortization for intangible assets recognized as profits or losses is RMB 4,492,508.85 (amount of previous year: RMB 4,665,741.21) in current year.

(4) There are no intangible assets formed through internal R&D of the Company at the end of the year.

12. Goodwill

(1) Original value

Invested Entity	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. 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 year and no impairment is identified. No provision for impairment of goodwill is drawn, therefore.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

13. Long-term deferred expenses

Item	Beg. Amount	Increase in Current Year	Amortization in Current Year	End. Amount
Fitment costs	1,493,671.24		1,493,671.24	
Property comprehensive insurance		403,955.38	123,430.78	280,524.60
Total	1,493,671.24	403,955.38	1,617,102.02	280,524.60

14. Deferred tax assets and liabilities

(1) Deferred tax assets not offset

Item	End. Balance Deductible temporary difference	Deferred tax assets	Beg. Balance Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	1,066,687.80	277,330.73	20,070,934.61	3,404,164.06
Unrealized profit of internal transaction			10,978,499.33	1,646,774.90
Total	1,066,687.80	277,330.73	31,049,433.94	5,050,938.96

1) Breakdown of unrecognized deferred tax assets

Item	End. Amount	Beg. Amount
Deductible temporary difference		
Deductible loss	299,451,222.57	156,224,786.56
Provision for impairment of assets	114,752,425.17	1,165,357.05
Total	414,203,647.74	157,390,143.61

2) Deductible loss due in the following year of unrecognized deferred tax assets

Item	End. Amount	Beg. Amount
2015		23,971,873.51
2016		
2017	49,307,148.50	70,035,014.24
2018	23,571,239.03	23,571,239.03
2019	42,853,049.96	38,646,659.78
2020	183,719,785.08	
Total	299,451,222.57	156,224,786.56

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

15. Short-term borrowings

(1) Classification

Category	End. Balance	Beg. Balance
Mortgage borrowing	45,844,240.00	40,000,000.00
Guaranteed borrowings	160,000,000.00	228,051,050.00
Credit borrowings		50,000,000.00
Total	205,844,240.00	318,051,050.00

- 1) RMB 38,884,833.35 (book value) of premises and buildings and RMB 1,274,034.12 (book value) of land use right of the Group are mortgaged for RMB 40,000,000.00 of short-term borrowings at the end of the year; standby letter of credits valuing USD 1 million are mortgaged for USD 900,000 (RMB 5,844,240.00 equivalently) of short-term borrowings at the end of the year.
- 2) RMB 160,000,000.00 of guaranteed borrowings at the end of the year is guaranteed by Jingcheng Holding.
- 3) The weighted average interest rate of short-term borrowings at the end of current year is 5.80% (6.0998%, at the end of previous year).

- (2) There are no short-term borrowings due but unpaid at the end of the year.

16. Notes payable

Category	End. Amount	Beg. Amount
Bank acceptance bill		105,000,000.00
Total		105,000,000.00

17. Accounts payable

(1) Accounts payable

Item	End. Amount	Beg. Amount
Material fee, etc.	255,505,466.51	238,179,437.06
Project fund	142,844,513.50	133,809,721.80
Total	398,349,980.01	371,989,158.86

(2) Aging analysis of accounts payable

Item	End. Amount	Beg. Amount
Within 1 year	337,795,661.58	353,992,764.51
1-2 years	47,459,433.08	8,595,392.26
2-3 years	4,759,163.51	5,640,704.17
More than 3 years	8,335,721.84	3,760,297.92
Total	398,349,980.01	371,989,158.86

(3) Significant accounts payable with an age of over 1 year

Entity Name	End. Balance	Reasons for not repaying and carrying forward
Tianjin Runde Zhongtian Electromechanical Equipment Co., Ltd.	14,870,649.93	Unsettled yet
BUCC (Tianjin) Pressure Equipment Manufacturing Co., Ltd.	2,988,383.56	Unsettled yet
Beijing Jingqin Hengxin Metal Material Co., Ltd.	2,420,971.72	Unsettled yet
Ningbo Lf-lok Fluid System Technology Co., Ltd.	1,955,875.20	Unsettled yet
Beijing Dongfang Xiangyuan Packing Products Co., Ltd.	1,762,446.67	Unsettled yet
Total	23,998,327.08	-

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

18. Accounts received in advance

(1) Accounts received in advance

Item	End. Balance	Beg. Balance
Goods payment received in advance	29,870,362.75	29,715,136.98
Including: more than 1 year	8,478,410.80	3,227,809.46
Total	29,870,362.75	29,715,136.98

(2) Significant accounts received in advance with an age of over 1 year

Entity Name	End. Balance	Reasons for not repaying and carrying forward
WEST PORT POWER INC.	3,725,436.18	Contract performance uncompleted yet
Handan Futong Transportation and Sales Co., Ltd.	880,000.00	Contract performance uncompleted yet
Jiangsu Zhenjiang Shipyard (Group) Co., Ltd.	530,000.00	Contract performance uncompleted yet
Total	5,135,436.18	-

19. Payroll payable

(1) Classification

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Short-term remuneration	14,755,683.70	201,946,420.13	198,701,148.52	18,000,955.31
Post-employment welfare-defined contribution plan	1,082,178.49	30,564,725.99	30,871,362.79	775,541.69
Dismissal welfare		1,076,235.00	1,076,235.00	
Long-term welfare due within one year	1,560,000.00	3,898,427.84	1,560,000.00	3,898,427.84
Total	17,397,862.19	237,485,808.96	232,208,746.31	22,674,924.84

(2) Short-term remuneration

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Salary, bonus, allowance and subsidy	9,028,346.94	164,064,227.92	161,424,556.05	11,668,018.81
Employee welfare expenses	238,080.24	5,908,379.15	5,918,959.39	227,500.00
Social insurance premiums	601,606.93	15,859,165.67	15,923,346.67	537,425.93
Including: medical insurance premiums	516,256.67	13,328,337.70	13,379,974.02	464,620.35
Work-related injury insurance premiums	53,902.03	1,633,628.13	1,645,692.07	41,838.09
Maternity insurance premium	31,448.23	897,199.84	897,680.58	30,967.49
Housing fund	128,955.07	12,089,065.69	12,218,020.76	
Labor union expenditure & personnel education fund	2,023,114.52	3,848,581.70	2,882,465.65	2,989,230.57
Housing allowance	2,735,580.00	177,000.00	333,800.00	2,578,780.00
Total	14,755,683.70	201,946,420.13	198,701,148.52	18,000,955.31

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

19. Payroll payable (cont'd) (3) Defined contribution plan

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Basic endowment insurance	1,021,403.22	29,027,364.82	29,309,731.31	739,036.73
Unemployment insurance	60,775.27	1,537,361.17	1,561,631.48	36,504.96
Total	1,082,178.49	30,564,725.99	30,871,362.79	775,541.69

20. Taxes payable

Item	End. Amount	Beg. Amount
VAT	-47,151,782.04	-38,845,972.70
Business tax	1,028,309.73	329,777.78
Corporate income tax	414,740.59	1,987,963.29
Personal income tax	564,111.53	770,493.57
City maintenance and construction tax	1,507,028.39	799,341.85
House property tax	468,278.69	21,398.14
Land use tax	-35,527.56	10,343.25
Educational surcharges	819,094.79	540,451.47
Local educational surcharges	69,328.39	60,599.27
Stamp tax	204,594.26	26,473.37
Riverway administrative fee	9,654.06	3,308.98
Flood prevention charges	16,773.28	21,409.72
Total	-42,085,395.89	-34,274,412.01

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

21. Interests payable Classification

Item	End. Balance	Beg. Balance
Interest payable of short-term loan	74,800.00	76,666.67
Total	74,800.00	76,666.67

22. Other payables (1) Classification of other payables by nature

Nature of Payment	End. Balance	Beg. Balance
Borrowings of related parties	138,000,000.00	88,000,000.00
Funds disbursed for others, etc.	20,505,807.71	18,433,314.52
Social insurance premiums	2,781,052.71	1,742,248.09
Rent	2,949,998.00	1,723,000.00
Property insurance indemnity	2,342,500.00	
Total	166,579,358.42	109,898,562.61

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

22. Other payables (cont'd)

(2) Aging analysis of other payables

Item	End. Amount	Beg. Amount
Within 1 year	161,365,243.18	107,086,968.17
1-2 years	4,498,011.18	2,370,275.94
2-3 years	605,351.00	72,000.00
More than 3 years	110,753.06	369,318.50
Total	166,579,358.42	109,898,562.61

(3) Other payables with significant amount and an age of over 1 year

Entity Name	End. Balance	Reasons for not repaying and carrying forward
Special accounts for labor union	1,188,981.08	
Beijing Guoxingjiye Land Planning Co., Ltd.	500,000.00	Unsettled yet
Total	1,688,981.08	-

23. Non-current liabilities due within one year

Item	End. Balance	Beg. Balance	Remarks
Special payables	11,000,000.00	11,000,000.00	
Including: skid-mounted liquefied natural gas (LNG) refilling station products	5,000,000.00	5,000,000.00	Note 1
Welded insulated cylinder products for LNG used by self-pressurisation motor vehicle	2,000,000.00	2,000,000.00	Note 2
Low-temperature storage products for LNG used by HPDI-T6 motor vehicle	4,000,000.00	4,000,000.00	Note 3

Note 1: On December 25, 2012, Tianhai Industry and Jingcheng Holding signed a *Contract of Supporting Funds on Jingcheng Holding Strategic Product and Technologic Research and Development Projects*. Jingcheng Holding granted a supporting fund of RMB 5,000,000 on development of 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 from December 1, 2014. The repayment, however, has not been made at the end of the year.

Note 2: On December 22, 2011, Tianhai Industry and Jingcheng Holding signed a *Contract of Supporting Funds on Jingcheng Holding Strategic Product 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-pressurisation motor vehicle. Tianhai Industry would make a lump-sum repayment to Jingcheng Holding within the first 10 working days from December 1, 2014. The repayment, however, has not been made at the end of the year.

Note 3: On December 22, 2011, Tianhai Industry and Jingcheng Holding signed a *Contract of Supporting Funds on Jingcheng Holding Strategic Product 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 of 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 from December 1, 2014 and December 1, 2015, respectively. Such non-current liability has not been repaid at the end of the year.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

24. Long-term payroll payable

(1) Classification

Item	End. Balance	Beg. Balance
Net liabilities of post-employment welfare – defined benefit plan	31,310,282.67	30,370,000.00
Total	31,310,282.67	30,370,000.00

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

Item	Amount Incurred in Current Year	Amount Incurred in Previous Year
Beginning balance	31,930,000.00	29,840,000.00
Defined benefit cost included in current profits and losses	5,763,051.85	1,340,000.00
1. Current service cost	4,563,051.85	
2. Previous service cost		
3. Settlement gains (losses to be listed with "-")		
4. Net interest	1,200,000.00	1,340,000.00
Defined benefit cost included in other comprehensive incomes		2,310,000.00
1. Actuarial gains (losses to be listed with "-")		2,310,000.00
Other changes	-2,484,341.34	-1,560,000.00
1. Liabilities eliminated in settlement		
2. Paid welfare	-2,484,341.34	-1,560,000.00
Ending balance	35,208,710.51	31,930,000.00
Post-employment welfare due within 1 year	3,898,427.84	1,560,000.00
Ending amount after deducting welfare due within 1 year	31,310,282.67	30,370,000.00

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

Item	Amount Incurred in Current Year	Amount Incurred in Previous Year
Beginning balance	31,930,000.00	29,840,000.00
Defined benefit cost included in current profits and losses	5,763,051.85	1,340,000.00
Defined benefit cost included in other comprehensive incomes		2,310,000.00
Other changes	-2,484,341.34	-1,560,000.00
Ending balance	35,208,710.51	31,930,000.00

(4) Contents of defined benefit plan, associated risks, and influences on future cash flow, time and uncertainty of the Company:

As to defined benefit plans, obligations generated by defined benefit plans shall be discounted at the discount rate in order to determine the present value of such obligations and the current service cost. The discount rate used shall be determined according to the market return of treasury bonds matching with the term of defined benefit plan and the currency on the balance sheet date.

(5) Significant actuarial assumption of defined benefit plan and results of sensitivity analysis

In accordance with provisions of the revised *Accounting Standards for Business Enterprises No. 9 – Employee Compensation*, 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.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

25. Special payables

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. 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 Product and Technologic Research and Development Projects*. Jingcheng Holding granted a supporting fund of RMB 10,000,000 to Tianhai Industry 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.

26. Capital stock

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

Amount of Current Year Unit: RMB 1,000

Item	Beg. Amount		Current Change				End. Amount		
	Amount	Proportion (%)	New shares offered	Capital reserve Share converted into allotment	capital stock	Others	Subtotal	Amount	Proportion (%)
Conditioned shares									
State-owned corporate shares									
Total conditioned shares									
Unconditioned shares									
Common 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

Amount of Previous Year Unit: RMB 1,000

Item	Beg. Amount		Current Change				End. Amount		
	Amount	Proportion (%)	New shares offered	Capital reserve Share converted into allotment	capital stock	Others	Subtotal	Amount	Proportion (%)
Conditioned shares									
State-owned corporate shares									
Total conditioned shares									
Unconditioned shares									
Common 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

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

27. Capital reserves

Amount of Current Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
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

Amount of Previous Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Capital stock premium	557,838,342.74			557,838,342.74
Other capital reserves	860,283.96	125,104,554.99		125,964,838.95
Total	558,698,626.70	125,104,554.99		683,803,181.69

28. Other comprehensive incomes

Item	Beg. Balance	Amount Incurred in Current Year				End. Balance
		Incurred pre-tax amount in current year	Less: amount included in other comprehensive incomes in previous period and carried over to profits and losses in current period	Less: income tax expenses	After-tax amount attributable to the parent company	
I. Other comprehensive incomes that cannot be reclassified into losses or profits in future 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 into profit or loss in future Conversion difference of foreign currency financial statement	-41,267.00	1,933,450.22			949,814.60	983,635.62
	-41,267.00	1,933,450.22			949,814.60	983,635.62
Total other comprehensive incomes	118,733.00	1,933,450.22			949,814.60	983,635.62

29. Surplus reserves

Amount of Current Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Legal 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

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

29. Surplus reserves (cont'd)

Amount of Previous Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Legal 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

30. Undistributed profits

Amount of Current Year

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-232,056,930.86	
Add: beginning adjustment of undistributed profit		
Including: Change in accounting policy		
Corrections of significant previous period errors		
Change of consolidation scope under common control		
Other adjusting factors		
Beginning balance of current year	-232,056,930.86	
Add: Net profits attributable to the shareholders of parent company in current year	-207,817,373.56	
Less: Appropriation of legal surplus reserves		
Appropriation of discretionary surplus reserve		
Drawing of general risk reserve		
Common stock dividends payable		
Common stock dividends turned into capital stock		
Ending balance of current year	-439,874,304.42	

Amount of Previous Year

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-222,701,516.40	
Add: Beginning adjustment of undistributed profit	-30,771,621.16	
Including: Change in accounting policy	-30,771,621.16	
Corrections of significant previous period errors		
Change of consolidation scope under common control		
Other adjusting factors		
Beginning balance of current year	-253,473,137.56	
Add: Net profits attributable to the shareholders of parent company in current year	21,416,206.70	
Less: Appropriation of legal surplus reserves		
Appropriation of discretionary surplus reserve		
Drawing of general risk reserve		
Common stock dividends payable		
Common stock dividends turned into capital stock		
Ending balance of current year	-232,056,930.86	

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

31. Minority interest

Name of Subsidiary	Proportion of Minority Shareholding (%)	Profits and Losses Attributable to Minority Shareholders in Current Year	Dividends Attributable to Minority Shareholders in Current Year	Ending Balance of Minority Interest
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-8,490,969.35		8,142,482.46
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	-13,197,801.22		87,529,720.37
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	10.68	207,975.63		4,533,484.82
Beijing Tianhai Low Temperature Equipment Co., Ltd.	25.00	-6,765,158.09		10,575,405.01
BTIC AMERICA CORPORATION	49.00	1,902,101.35		18,030,381.26
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	61.48	-62,557,992.34		308,499,010.52
Total	-	-88,901,844.02		437,310,484.44

32. Net current assets

Item	End. Amount	Beg. Amount
Current assets	877,563,455.51	1,239,660,991.23
Less: current liabilities	792,308,270.13	928,854,025.30
Net current assets	85,255,185.38	310,806,965.93

33. Total assets less current liabilities

Item	End. Amount	Beg. Amount
Total assets	2,077,492,109.79	2,507,883,349.66
Less: current liabilities	792,308,270.13	928,854,025.30
Total assets less current liabilities	1,285,183,839.66	1,579,029,324.36

34. Debit/Credit

Summary of debits/credits of the Group:

Item	End. Amount	Beg. Amount
Short-term bank borrowings	205,844,240.00	318,051,050.00
Long-term borrowings		
Bonds payable		
Long-term payables		
Financial lease payment		
Special payables	114,900,000.00	114,900,000.00
Jingcheng Holding borrowings	138,000,000.00	88,000,000.00
Total	458,744,240.00	520,951,050.00

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
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VI. Notes to items in consolidated financial statement (cont'd)

34. Debit/Credit (cont'd)

(1) Debit/credit analysis

Item	End. Amount	Beg. Amount
Bank borrowings		
– To be repaid within one year	205,844,240.00	318,051,050.00
– To be repaid after one year		
Subtotal	205,844,240.00	318,051,050.00
Other borrowings		
– To be repaid within one year	149,000,000.00	99,000,000.00
– To be repaid after one year	103,900,000.00	103,900,000.00
Subtotal	252,900,000.00	202,900,000.00
Total	458,744,240.00	520,951,050.00

(2) Debit/credit due date analysis

Bank borrowings:

Item	End. Amount	Beg. Amount
Repaid as required or within one year	205,844,240.00	318,051,050.00
1-2 years		
2-5 years		
More than 5 years		
Total	205,844,240.00	318,051,050.00

Other borrowings:

Item	End. Amount	Beg. Amount
Repaid as required or within one year	149,000,000.00	99,000,000.00
1-2 years		
2-5 years		
More than 5 years	103,900,000.00	103,900,000.00
Total	252,900,000.00	202,900,000.00

35. Operating incomes and costs

(1) Breakdown

Item	Amount Incurred in Current Year		Amount Incurred in Previous Year	
	Income	Cost	Income	Cost
Main operation	1,037,517,319.54	976,740,403.03	1,744,148,256.94	1,562,132,618.48
Other operation	39,078,939.35	38,598,863.40	62,184,836.50	59,349,637.53
Total	1,076,596,258.89	1,015,339,266.43	1,806,333,093.44	1,621,482,256.01

NOTES TO THE FINANCIAL STATEMENT

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VI. Notes to items in consolidated financial statement (cont'd)

35. Operating incomes and costs (cont'd)

(2) Gross profit of main operation

Item	Amount of Current Year	Amount of Previous Year
Main operating income	1,037,517,319.54	1,744,148,256.94
Main operating cost	976,740,403.03	1,562,132,618.48
Gross profit	60,776,916.51	182,015,638.46

(3) Main operation – classified by products

Industry	Amount of Current Year		Amount of Previous Year	
	Operating income	Operating cost	Operating income	Operating cost
Compressors			42,183,398.47	37,104,371.20
Seamless steel gas cylinders	520,020,428.88	465,208,504.31	841,015,682.27	756,852,843.53
Winding cylinders	141,525,779.70	128,901,751.30	335,938,765.63	286,307,060.90
Low temperature cylinders	116,927,446.22	141,271,926.49	225,610,444.04	225,653,064.37
Low temperature storage and transportation equipment	70,270,824.89	64,262,919.65	107,720,049.76	82,681,637.00
Others	188,772,839.85	177,095,301.28	191,679,916.77	173,533,641.48
Total	1,037,517,319.54	976,740,403.03	1,744,148,256.94	1,562,132,618.48

(4) Other operating incomes and costs

Item	Amount of Current Year		Amount of Previous Year	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Selling materials	34,439,082.65	32,497,529.89	52,010,661.25	51,358,278.37
Others	4,639,856.70	6,101,333.51	10,174,175.25	7,991,359.16
Total	39,078,939.35	38,598,863.40	62,184,836.50	59,349,637.53

(5) Total operating income from the top 5 customers of the Group is RMB 294,215,997.46, which represents 27.34% of the total operating income in current year (previous year: 18.99%), as listed below:

Entity Name	Operating Income	Proportion in Total Operating income (%)
Customer 1	98,904,187.58	9.19
Customer 2	71,596,132.92	6.65
Customer 3	65,415,415.43	6.08
Customer 4	30,674,780.27	2.85
Customer 5	27,625,481.26	2.57
Total	294,215,997.46	27.34

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

36. Business taxes and surcharges

Item	Amount of Current Year	Amount of Previous Year
Business tax	1,631,853.11	570,520.34
City maintenance and construction tax	5,276,580.41	9,064,667.87
Educational surcharges	2,297,024.98	6,955,032.04
Local educational surcharges	1,525,487.37	4,636,688.03
Total	10,730,945.87	21,226,908.28

37. Selling expenses

Item	Amount of Current Year	Amount of Previous Year
Payroll	20,298,279.97	26,612,614.40
Operation funds	3,837,487.32	7,124,305.14
Transport charges	26,575,092.75	45,683,270.39
Warehousing and storage charge	2,204,031.34	1,337,924.41
Exhibition fees	221,428.99	299,819.14
After-sale service charge	3,214,290.40	1,554,076.80
Repair cost	2,017,014.94	1,209,483.10
Office expenses	1,470,460.70	898,199.91
Travel expense	8,039,638.07	9,947,192.16
Others	7,199,120.72	7,994,708.63
Total	75,076,845.20	102,661,594.08

38. Administrative expenses

Item	Amount of Current Year	Amount of Previous Year
Taxes	8,936,711.37	8,564,655.80
Office expenses	4,695,484.73	4,799,773.74
Travel expense	1,074,691.59	2,598,478.69
Conference expenses	176,601.40	2,258,821.71
Energy fee	3,041,770.24	500,707.15
Repair cost	2,259,093.44	1,770,898.84
Depreciation cost	10,685,208.02	6,344,197.04
Payroll	81,345,767.20	92,758,772.68
Vehicle fees	1,408,269.51	2,127,268.78
Research and development expense	14,150,447.32	16,003,399.28
Business publicity fee	31,926.92	1,728,574.55
Business entertainment expenses	828,813.25	1,306,858.43
Amortization of intangible assets	4,492,508.85	4,642,161.21
Cost on employment of intermediary organ	6,516,367.75	7,467,835.79
Others	23,081,884.24	30,014,637.53
Total	162,725,545.83	182,887,041.22

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

39. Financial expenses

(1) Breakdown

Item	Amount of Current Year	Amount of Previous Year
Interest expenses	22,799,958.75	44,097,875.98
Less: interest income	1,005,936.37	2,781,979.06
Add: exchange loss	-8,946,191.69	-662,850.67
Add: other expenditures	797,406.47	1,171,968.61
Total	13,645,237.16	41,825,014.86

(2) Details of interest expenses

Item	Amount of Current Year	Amount of Previous Year
Bank borrowings, overdraft interests	17,127,825.41	36,728,738.37
Other interests	5,672,133.34	8,816,000.01
Other borrowing interests payable within 5 years		
Other borrowing interests payable after 5 years		
Bond interests drawn at effective interest rate		
Financial lease expenses		
Subtotal	22,799,958.75	45,544,738.38
Less: capitalized interests		1,446,862.40
Total	22,799,958.75	44,097,875.98

(3) Details of interest income

Item	Amount of Current Year	Amount of Previous Year
Interest income from bank deposits	1,005,936.37	2,781,979.06
Interest income from receivables		
Interest income drawn at effective interest rate		
Interest income from financial lease payment		
Interest income from impaired financial assets		
Total	1,005,936.37	2,781,979.06

40. Loss from asset impairment

Item	Amount of Current Year	Amount of Previous Year
Bad debt losses	3,123,166.00	-3,759,582.16
Inventory impairment loss	93,697,832.41	4,619,445.14
Loss from fixed assets impairment	1,978,795.96	
Total	98,799,794.37	859,862.98

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

41. Investment income

Item	Amount Incurred in Current Year	Amount Incurred in Previous Year
Long-term equity investment income calculated by equity method	1,563,597.03	1,503,307.97
Investment income from disposal of long-term equity investment		99,193,128.78
Total	1,563,597.03	100,696,436.75

All investment incomes generated in current year are derived from non-listed investments.

42. Non-operating income

(1) Details of non-operating income

Item	Amount of Current Year	Amount of Previous Year
Gains from disposal of non-current assets	12,169,408.16	81,823,602.10
Including: gains from disposal of fixed assets	375,678.66	81,823,602.10
Gains from disposal of intangible assets	11,793,729.50	
Government subsidy	450,032.00	1,548,580.56
Others	321,168.30	566,896.18
Total	12,940,608.46	83,939,078.84

RMB 12,940,608.46 is included in non-recurring profit and loss in current year (previous year: RMB 83,939,078.84).

Tianhai Industry, a subsidiary of the Company, contributes with the right to use patents and proprietary technologies related to welded cylinder and acetylene cylinder to establish Jiangsu Tianhai. For such intangible assets, the book value is RMB 0; evaluated value, RMB 18,144,200.00; and disposal gain, RMB 11,793,729.50.

(2) Details of government subsidies

Item	Amount of Current Year	Amount of Previous Year	Source and Basis
Post allowance allocated by the disabled persons' federation		16,000.00	Provisional Measures on Post Allowances to Beijing Employers for Employing the Disabled
Supporting funds provided by Badaling Economic Development Zone Administration		80,940.00	Beijing Badaling Economic Development Zone Administration
Stabilizing employment subsidy of State-owned Assets Supervision and Administration Commission of the State Council		31,226.13	Beijing Municipal Human Resources and Social Security Bureau
Government subsidies for "double independent" enterprises		514,733.00	Government subsidies for "double independent" enterprises
Energy audit award from Beijing Energy Conservation and Environmental Protection Centre		80,000.00	Energy audit award from Beijing Energy Conservation and Environmental Protection Centre
Fund subsidy for guidance of energy-saving development of Chaoyang District	204,000.00	166,000.00	Fund subsidy for guidance of energy-saving development of Chaoyang District
Rewards for implementation of intellectual property right policies		11,070.00	Rewards for implementation of intellectual property right policies
Subsidy for employment of the disabled	40,000.00	39,000.00	Subsidy for employment of the disabled

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

42. Non-operating income (cont'd) (2) Details of government subsidies (cont'd)

Item	Amount of Current Year	Amount of Previous Year	Source and Basis
Government subsidy for international market development of small and medium-sized enterprises and double independent enterprises		408,364.00	Government subsidy for international market development of small and medium-sized enterprises and double independent enterprises (Beijing Municipal Commission of Commerce)
Relief of 1% VAT for selling used equipment purchased before 2009		196,247.43	Tax relief application form
Bonus for units advanced in work safety standardization		5,000.00	Notification of Work Safety Committee of Langfang Economic and Technological Development Zone on Commendation of Units and Individuals Advanced in Work Safety in the Whole Zone in 2013
Patent funds of Chaoyang District	21,120.00		Finance Bureau of Chaoyang District – Patent funds of Chaoyang District to aid high-tech enterprises
Supporting fund for short-term export credit insurance	112,912.00		Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Government subsidy for "double-anti duties" (anti-subsidy and anti-dumping)	72,000.00		Beijing Municipal Commission of Commerce
Total	450,032.00	1,548,580.56	-

43. Non-operating expenses

Item	Amount of Current Year	Amount of Previous Year
Total losses from disposal of non-current assets	123,750.85	283,136.75
Including: losses from disposal of fixed assets	123,750.85	283,136.75
Losses from disposal of intangible assets		
Others	5,545,195.15	1,696,568.09
Total	5,668,946.00	1,979,704.84

RMB 5,668,946.00 is included in non-recurring profit and loss in current year (previous year: RMB 1,979,704.84).

The original expiry date of the lease contract signed between Tianhai Industry (a subsidiary of the Company) and Beijing Youhuan Renewable Resource Recycling Market Co., Ltd. is April 2017. Since new plant of LNG industrial base has been used, there is no need to lease the plant under the contract any more. The lease contract has been terminated in current year and the liquidated damages payable should be RMB 4,450,000.00.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement *(cont'd)*

44. Income tax expenses

(1) Income tax expenses

Item	Amount of Current Year	Amount of Previous Year
Current income tax – Chinese corporate income tax	1,054,544.72	3,804,637.84
1. China	-437,362.84	1,070,685.46
2. Hong Kong		
3. Other regions	1,491,907.56	2,733,952.38
4. Overstatements (understatements) of previous years		
Deferred income tax	4,778,556.38	1,229,570.78
Total	5,833,101.10	5,034,208.62

(2) Adjustment of accounting profit and tax expense:

Item	Amount of Current Year	Amount of Previous Year
Total profit from merger of current year	-290,886,116.48	18,046,226.76
Tax expense calculated at legal/applicable tax rate	-72,721,529.12	4,511,556.69
Effect of different tax rate applicable to subsidiaries	12,007,329.44	6,537,647.01
Effect of adjustment of previous income tax	-1,055,981.85	-1,892,466.29
Effect of non-taxable income		
Effect of non-deductible cost, expense and loss	126,212.97	-14,423,390.88
Effect of usage of deductible loss of unrecognized deferred tax assets of previous period	-320,177.59	
Effect of deductible temporary deferral or loss of unrecognized deferred tax assets of current year	67,797,247.25	10,300,862.09
Total	5,833,101.10	5,034,208.62

45. Audit fee

The audit fee is RMB 900,000.00 in current year (previous year: RMB 1,050,000.00).

46. Depreciation and amortization

The depreciation/amortization recognized in the income statement is RMB 93,408,688.64 in current year (previous year: RMB 83,813,496.92).

47. Operating rental expenditure

The operating rental expenditure is RMB 16,163,554.65 in current year (previous year: RMB 13,250,294.21), without any rental expenditure for industrial units and machineries.

48. Rental income

There is no rental income from lands or buildings in current year.

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

49. Earnings per share

(1) Basic earnings per share

Basic earnings per share is counted by the consolidated net profits attributable to shareholders of common shares of the parent company divided by the weighted average number of outstanding common shares of the parent company.

Item	Current Year	Previous Year
Consolidated net profit attributable to shareholders of common shares of the parent company	-207,817,373.56	21,416,206.70
Consolidated net profit attributable to shareholders of common shares of the parent company (deducting non-recurring profit and loss)	-216,232,928.23	-156,817,432.32
Weighted average number of outstanding common shares of the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (RMB/share)	-0.49	0.05
Basic earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.51	-0.37

Calculation of weighted average number of common shares:

Item	Current Year	Previous Year
Number of outstanding common shares in the beginning of the year	422,000,000.00	422,000,000.00
Capital reserves transferred to capital		
Number of outstanding common shares at the end of the year	422,000,000.00	422,000,000.00

(2) Diluted Earnings per Share

Item	Current Year	Previous Year
Consolidated net profit attributable to shareholders of common shares of the parent company after adjustment	-207,817,373.56	21,416,206.70
Consolidated net profit attributable to shareholders of common shares of the parent company after adjustment (deducting non-recurring profit and loss)	-216,232,928.23	-156,817,432.32
Weighted average number of outstanding common shares of the Company after adjustment	422,000,000.00	422,000,000.00
Diluted earnings per share (RMB/share)	-0.49	0.05
Diluted earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.51	-0.37

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement *(cont'd)*

50. Other comprehensive incomes

Item	Amount of Current Year	Amount of Previous Year
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 profits and losses		
Subtotal		
2. Share of other comprehensive income of invested entities under the 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 profits and losses		
Subtotal		
3. Gains (losses) arising from cash flow hedging instrument		
Less: influence on income tax arising from cash flow hedging		
Net amount previously included in other comprehensive income and currently carried over to profits and losses		
Adjusted amount transferred to initially recognized amount of hedged item		
Subtotal		
4. Conversion difference of foreign currency financial statement	1,933,450.20	99,227.52
Less: net gain/loss from disposal of foreign operations		
Subtotal	1,933,450.20	99,227.52
5. Others		-2,310,000.00
Less: influence on income tax arising from other items included in other comprehensive income		
Net amount of "others" previously included in other comprehensive income and currently carried over to profits and losses		
Subtotal		-2,310,000.00
Total	1,933,450.20	-2,210,772.48

51. 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	Amount of Current Year	Amount of Previous Year
Cash deposit withdrawn	38,802,726.68	1,225,500.00
Petty cash withdrawn	1,087,239.40	1,809,907.25
Interest income	1,005,936.37	2,781,979.06
Government subsidy	371,992.00	3,347,333.13
Current accounts	9,070,809.80	4,472,165.01
Indemnity received from the insurance company	8,200,000.00	
Others	510,597.19	945,401.36
Total	59,049,301.44	14,582,285.81

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

50. Other comprehensive incomes (cont'd)

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

2) Other cash paid related to operating activities

Item	Amount of Current Year	Amount of Previous Year
Miscellaneous expenses	76,262,691.16	119,848,215.41
Security deposit	6,802,726.68	12,500,000.00
Current accounts	1,849,474.11	2,606,913.57
Others	390,851.39	757,134.05
Total	85,305,743.34	135,712,263.03

3) Other cash paid related to investing activities

Item	Amount of Current Year	Amount of Previous Year
Related current accounts	1,141,749.18	8,351,822.34
Total	1,141,749.18	8,351,822.34

4) Other cash received related to financing activities

Item	Amount of Current Year	Amount of Previous Year
Predictive compensation for uncompleted profit Jingcheng Holding borrowings, etc.	138,000,000.00	100,159,790.29 89,500,000.00
Total	138,000,000.00	189,659,790.29

5) Other cash paid related to financing activities

Item	Amount of Current Year	Amount of Previous Year
Repaid Jingcheng Holding borrowings, etc.	88,000,000.00	346,800,000.00
Total	88,000,000.00	346,800,000.00

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement *(cont'd)*

50. Other comprehensive incomes *(cont'd)*

(2) Supplementary information of consolidated cash flow statement

Item	Amount of Current Year	Amount of Previous Year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-296,719,217.58	13,012,018.14
Add: Provision for impairment of assets	98,799,794.37	859,862.98
Depreciation of fixed assets	87,299,077.77	78,308,888.74
Amortization of intangible assets	4,492,508.85	4,665,741.21
Amortization of long-term deferred expenses	1,617,102.02	838,866.97
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-12,114,961.69	-81,540,465.35
Loss from retirement of fixed assets (gains to be listed with "-")	69,304.38	
Losses from changes in fair value (gains to be listed with "-")		
Financial expenses (gains to be listed with "-")	19,765,328.57	45,851,245.22
Investment loss (gain to be listed with "-")	-1,563,597.03	-100,696,436.75
Decrease of deferred tax assets (increases to be listed with "-")	4,778,556.38	1,229,342.34
Increases of deferred tax liabilities (decreases to be listed with "-")		
Decrease of inventory (increases to be listed with "-")	92,685,835.25	70,451,073.04
Decreases of operating receivables (increases to be listed with "-")	230,443,994.34	-89,759,530.72
Increases of operating payables (decreases to be listed with "-")	-83,899,325.51	-44,289,859.08
Others		-6,828,120.42
Net cash flows from operating activities	145,654,400.12	-107,897,373.68
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 financial leases		
3. Net change in cash and cash equivalents:		
Ending balance of cash	175,776,574.47	125,462,823.33
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	50,313,751.14	-180,434,202.16

NOTES TO THE FINANCIAL STATEMENT

From January 1, 2015 to December 31, 2015
(Monetary unit for the Notes is RMB unless otherwise stated)

VI. Notes to items in consolidated financial statement (cont'd)

50. Other comprehensive incomes (cont'd)

(3) Cash and cash equivalents

Item	End. Balance	Beg. Balance
Cash	175,776,574.47	125,462,823.33
Including: cash on hand	65,972.56	55,233.08
Bank deposit available for payment at any time	175,710,601.91	124,267,616.31
Other monetary funds available for payment at any time		1,139,973.94
Cash equivalents		
Including: bond investment due within three months		
Ending balance of cash and cash equivalents	175,776,574.47	125,462,823.33
Including: restricted cash and cash equivalents used by parent company or subsidiaries of the Group	6,500,000.00	38,500,000.00

52. Assets with limited ownership or use right

Item	Ending Book Value	Reason
Monetary funds	6,500,000.00	Security deposit
Fixed assets	38,884,833.35	Mortgage
Intangible assets	1,274,034.12	Mortgage
Total	46,658,867.47	–

53. Monetary items for foreign currency

(1) Foreign currency monetary items:

Item	Ending Balance of Foreign Currency	Conversion Exchange Rate	Ending Balance of Equivalent RMB
Monetary funds			84,569,307.58
Including: USD	12,973,120.37	6.4936	84,242,254.44
EUR	43,762.81	7.0952	310,505.89
HKD	19,750.84	0.8378	16,547.25
Accounts receivable			47,689,832.66
Including: USD	7,186,206.80	6.4936	46,664,352.48
EUR	144,531.54	7.0952	1,025,480.18
Short-term borrowings			5,844,240.00
Including: USD	900,000.00	6.4936	5,844,240.00
Accounts payable			8,827,167.82
Including: USD	1,359,364.27	6.4936	8,827,167.82
Other payables			16,374.65
Including: USD	2,521.66	6.4936	16,374.65

(2) BTIC AMERICA CORPORATION is a subsidiary of Tianhai Industry (a subsidiary of the Company) and registered in Houston, USA, and takes USD as its recording currency.

VII. Changes in consolidation scope

- Business merger under different control**
There is no business merger under different control in current year.
- Business merger under common control**
There is no business merger under common control in current year.

VIII. Interests in other entities

- 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 merger under common control
Langfang Tianhai High Pressure Container Co., Ltd.	Langfang, Hebei	Langfang, Hebei		82.08	Business merger under common control
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Tianjin Port Free Trade Zone	Tianjin Port Free Trade Zone		55.00	Business merger under common control
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai		89.32	Business merger under common control
Beijing Tianhai Low Temperature Equipment Co., Ltd.	Daxing District, Beijing	Daxing District, Beijing		75.00	Business merger under common control
Beijing Panni Aerial Work Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	100.00		Business merger under common control
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing		38.51	Business merger under common control
BTIC AMERICA CORPORATION	Houston, USA	Houston, USA		51.00	Business merger under different control
Jingcheng Holding (Hong Kong) Company Limited	Hong Kong	Hong Kong	100.00		Business merger 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	Chen Changge	911100006000036940
Langfang Tianhai High Pressure Container Co., Ltd.	Sino-foreign joint venture	Manufacture	Li Junjie	91131000799569483H
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Sino-foreign joint venture	Manufacture	Liu Guangling	91120116746652398J
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	Li Junjie	67505219-1
Beijing Panni Aerial Work Equipment Co., Ltd.	Limited Liability Company	Manufacture	Li Junjie	91110112102485061D
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	Limited Liability Company	Manufacture	Li Zhe	91110112057330019H
BTIC AMERICA CORPORATION	Foreign enterprise	Sales	Chen Changge	
Jingcheng Holding (Hong Kong) Company Limited	Limited Liability Company	Trade and investment	Chen Changge	

NOTES TO THE FINANCIAL STATEMENT

VIII. Interests in other entities (cont'd)

1. Interests in subsidiaries (cont'd)

(2) Significant non-wholly-owned subsidiaries

Name of Subsidiary	Proportion of Minority Shareholding (%)	Profits and Losses Attributable to Minority Shareholders in Current Year	Dividends Attributable to Minority Shareholders in Current Year	Ending Balance of Minority Interest
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-8,490,969.35		8,142,482.46
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	-13,197,801.22		87,529,720.37
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	12.16	207,975.63		4,533,484.82
Beijing Tianhai Low Temperature Equipment Co., Ltd.	25.00	-6,765,158.09		10,575,405.01
BTIC AMERICA CORPORATION	49.00	1,902,101.35		18,030,381.26
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	61.48	-62,557,992.34		308,499,010.52

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

Name of Subsidiary	Current assets	Non-current assets	End. Balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	121,813,640.26	222,292,863.44	344,106,503.70	148,932,858.81		148,932,858.81
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	15,241,677.55	19,337,147.66	34,578,825.21	682,291.44		682,291.44
Langfang Tianhai High Pressure Container Co., Ltd.	67,501,570.77	232,751,485.05	300,253,055.82	185,422,960.50		185,422,960.50
Beijing Tianhai Low Temperature Equipment Co., Ltd.	79,324,018.42	9,766,045.65	89,090,064.07	46,703,527.57		46,703,527.57
BTIC AMERICA CORPORATION	47,395,532.30	351,977.41	47,747,509.71	10,950,813.22		10,950,813.22
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	132,131,753.59	545,783,269.64	677,915,023.23	179,110,149.77		179,110,149.77

(Continued from Table 1)

Name of Subsidiary	Current assets	Non-current assets	Beg. Balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	145,485,850.12	243,109,968.07	388,595,818.19	162,268,135.44		162,268,135.44
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	13,407,451.98	20,524,546.37	33,931,998.35	1,701,291.90		1,701,291.90
Langfang Tianhai High Pressure Container Co., Ltd.	96,577,936.55	252,428,588.69	349,006,525.24	186,227,759.93		186,227,759.93
Beijing Tianhai Low Temperature Equipment Co., Ltd.	85,737,747.43	11,959,764.56	97,697,511.99	28,250,343.14		28,250,343.14
BTIC AMERICA CORPORATION	61,375,602.89	488,988.13	61,864,591.02	30,957,153.63		30,957,153.63
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	191,426,138.04	516,214,239.48	707,640,377.52	107,226,012.85		107,226,012.85

NOTES TO THE FINANCIAL STATEMENT

VIII. Interests in other entities *(cont'd)*

1. Interests in subsidiaries *(cont'd)*

(3) Main financial information of important non-wholly-owned subsidiaries *(cont'd)*

(Continued from Table 2)

Name of Subsidiary	Amount Incurred in Current Year			Cash flow generated from operating activities
	Operating income	Net profit	Total comprehensive income	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	308,984,736.28	-31,154,037.86	-31,154,037.86	4,721,042.01
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	33,119,045.55	1,665,827.32	1,665,827.32	-8,845.99
Langfang Tianhai High Pressure Container Co., Ltd.	304,977,184.45	-47,948,669.99	-47,948,669.99	6,033,494.37
Beijing Tianhai Low Temperature Equipment Co., Ltd.	70,926,302.55	-27,060,632.35	-27,060,632.35	3,639,328.10
BTIC AMERICA CORPORATION	244,969,898.70	3,881,839.49	5,889,259.10	16,299,083.26
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	91,064,560.12	-101,609,491.21	-101,609,491.21	-59,669,475.84

(Continued from Table 3)

Name of Subsidiary	Amount Incurred in Previous Year			Cash flow generated from operating activities
	Operating income	Net profit	Total comprehensive income	
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	501,091,507.47	-11,125,016.38	-11,125,016.38	41,357,338.97
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	36,547,690.05	2,607,256.78	2,607,256.78	350,108.17
Langfang Tianhai High Pressure Container Co., Ltd.	326,474,250.56	-19,583,129.03	-19,583,129.03	3,359,665.91
Beijing Tianhai Low Temperature Equipment Co., Ltd.	114,401,887.27	7,347,069.15	7,347,069.15	-552,261.67
BTIC AMERICA CORPORATION	240,145,802.10	4,121,025.54	4,225,198.53	-8,281,519.59
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	55,820,676.06	-7,217,088.77	-7,217,088.77	-149,272,461.96

NOTES TO THE FINANCIAL STATEMENT

VIII. Interests in other entities (cont'd)

2. Interest in joint ventures or associated enterprises (1) Key joint ventures or associated enterprises

Name	Main Premise	Registration Place	Nature of Business	Proportion of Shareholding (%)		Accounting Treatment Methods for Investment of Joint Ventures or Associated Enterprises
				Direct	Indirect	
Shandong Tianhai High Pressure Container Co., Ltd.	Linyi, Shandong Province	Linyi, Shandong Province	Manufacture	51		Equity method
Jiangsu Tianhai Special Equipment Co., Ltd.	Zhenjiang, Jiangsu Province	Zhenjiang, Jiangsu Province	Manufacture	35		Equity method

Jiangsu Tianhai Special Equipment Co., Ltd. was established on April 27, 2015. It has a registered capital of RMB 80 million at the time of establishment, including RMB 28 million (35%) contributed by Tianhai Industry in the form of fixed assets and intangible assets and RMB 52 million (65%) by Nanjing Bibo Trade and Industry Co., Ltd. in the form of monetary fund. The company adopts the equity method for calculation.

(2) Main financial information of significant associated enterprises/joint ventures 1) Shandong Tianhai

Items	End. balance	Amount Incurred in Current Year	Beg. Balance	Amount Incurred in Previous Year
Current assets	62,061,593.10		50,786,830.06	
Including: cash and cash equivalents	3,904,963.29		475,172.12	
Non-current assets	113,300,403.94		103,076,320.18	
Total assets	175,361,997.04		153,863,150.24	
Current liabilities	57,826,280.80		39,688,299.77	
Non-current liabilities				
Total liabilities	57,826,280.80		39,688,299.77	
Minority interest				
Equity attributable to the shareholders of parent company	117,535,716.24		114,174,850.57	
Shares of net assets calculated as per the shareholding proportion	59,943,215.28		58,229,173.74	
Adjustments		-3,224,397.11		-3,224,397.11
- Goodwill				
- Unrealized profit of internal transaction		-3,224,397.11		-3,224,397.11
- Others				
Book value of equity investment in joint ventures	56,411,619.44		55,004,776.68	
Fair value of equity investment in joint ventures with public offer				
Operating income		539,210,360.91		83,265,809.27
Financial expenses		1,329,159.20		282,252.25
Income tax expenses		1,580,334.41		26,277.03
Net profit		2,758,515.22		-375,149.43

NOTES TO THE FINANCIAL STATEMENT

VIII. Interests in other entities *(cont'd)*

2. Interest in joint ventures or associated enterprises *(cont'd)*

(2) Main financial information of significant associated enterprises/joint ventures *(cont'd)* 2) **Jiangsu Tianhai**

Items	End. balance	Amount Incurred in Current Year	Beg. Balance	Amount Incurred in Previous Year
Current assets	9,365,981.91			
Including: cash and cash equivalents	687,397.80			
Non-current assets	33,039,302.15			
Total assets	42,405,284.06			
Current liabilities	-6,793,691.61			
Non-current liabilities				
Total liabilities	-6,793,691.61			
Minority interest				
Equity attributable to the shareholders of parent company	49,198,975.67			
Shares of net assets calculated as per the shareholding proportion	17,219,641.48			
Adjustments				
- Goodwill				
- Unrealized profit of internal transaction				
- Others		-6,193,716.23		
Book value of equity investment in joint ventures	11,950,483.77			
Fair value of equity investment in joint ventures with public offer				
Operating income		20,477,456.39		
Financial expenses		-49,157.35		
Income tax expenses		151.57		
Net profit		-445,224.33		

NOTES TO THE FINANCIAL STATEMENT

IX. Risks related to financial instruments

Major financial instruments of the Group include borrowings, receivables and payables. See the Notes for more details about each financial instrument. The risks concerning these financial instruments, as well as the risk management measures applied by the Group to mitigate these risks are stated as follows. The management of the Group manages and monitors the risk exposure, to ensure that the risks mentioned above are controlled to the extent limited.

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.

(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 which is a subsidiary of the Group and uses USD for purchasing and sales transactions, other main business operations are settled in RMB. As of December 31, 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.

Item	End. Amount Original currency	Beg. Amount RMB (equivalent)	Original currency	RMB (equivalent)
Monetary funds		84,569,307.58		16,909,533.55
USD	12,973,120.37	84,242,254.44	2,761,405.62	16,897,041.01
EUR	43,762.81	310,505.89	1.92	14.31
HKD	19,750.84	16,547.25	15,817.34	12,478.23
Accounts receivable		47,689,832.66		43,181,799.28
USD	7,186,206.80	46,664,352.48	6,935,885.58	42,440,683.86
EUR	144,531.54	1,025,480.18	99,403.86	741,115.42
Prepayments		3,322,702.98		1,440,934.43
USD	511,688.89	3,322,702.98	235,485.28	1,440,934.43
Accounts payable		8,827,167.82		5,548,375.10
USD	1,359,364.27	8,827,167.82	906,745.40	5,548,375.10
Accounts received in advance		12,311,924.24		9,619,803.08
USD	1,896,009.03	12,311,924.24	1,572,120.13	9,619,803.08
Short-term borrowings		5,844,240.00		18,051,050.00
USD	900,000.00	5,844,240.00	2,950,000.00	18,051,050.00
Other payables		16,374.65		7,103.12
USD	2,521.66	16,374.65	1,160.83	7,103.12

2) Interest rate risk

All borrowings of the Group are of fixed interest.

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.

IX. Risks related to financial instruments *(cont'd)*

1. Objectives and policies of risk management *(cont'd)*

(2) Credit risk

At the end of the year, the Group's potential maximum credit risk exposure is mainly from 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 of the Company believes that credit risks borne by the Group have been reduced significantly.

The current funds of the 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 year, 4.39% (previous year: 18.99%) and 18.83% (previous year: 26.70%) 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 borrowings, and ensures adherence to borrowing agreements.

The Group regards bank borrowings as one of the main sources of capital. At the end of the year, RMB 258.8 million of bank borrowing limit has not been used by the Group and RMB 280 million in the beginning of the year.

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions

1. Related parties relationship

(1) Controlling shareholder and ultimate controller

1) Controlling shareholder and ultimate controller

Name	Registration place	Nature of Business	Registered capital	Proportion of Shareholding (%)	Proportion of Voting Right to the Company (%)
Beijing Jingcheng Machinery Electric Holding Company Limited	Chaoyang District, Beijing	Operation management of state-owned assets	RMB 2,010,987,100	42.80	42.80

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

Controlling Shareholder	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Beijing Jingcheng Machinery Electric Holding Company Limited	190,558.71	10,540.00		201,098.71

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

Controlling Shareholder	Amount of shareholding		Proportion of Shareholding (%)	
	End. Amount	Beg. Amount	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 associated enterprises

For details of significant joint ventures and associated enterprises of the Company, please refer to Note VIII. 2 (1). Other joint ventures or associated enterprises involved in related transactions with the Company in current period or in previous period with balance created are as follows:

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

(4) Other related parties

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

X. Related parties and related transactions (cont'd)

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 Year	Amount Incurred in Previous Year
Tianjin Steel Pipe & Steel Trade Co., Ltd.	Raw materials	97,339,672.26	133,935,733.98
Beijing Jingcheng Industrial Logistics Co., Ltd.	Raw materials		4,283,807.48
Shandong Tianhai High Pressure Container Co., Ltd.	Gas cylinder	31,513,450.83	
Total		128,853,123.09	138,219,541.46

2) Selling goods and offering labor services

Related Party	Content of Related Transaction	Amount Incurred in Current Year	Amount Incurred in Previous Year
Associated enterprise Shandong Tianhai High Pressure Container Co., Ltd.	Equipment selling		23,633,210.00
Jiangsu Tianhai Special Equipment Co., Ltd.	Sale of goods	14,840,422.22	
Total		14,840,422.22	23,633,210.00

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions *(cont'd)*

2. Related party transaction *(cont'd)*

(2) Related leases

Lease

Lessor	Lessee	Leased Assets	Recognized Rental Expense of Current Year	Recognized Rental Expense of Previous Year
Beijing No. 1 Machine Tool Plant	Beijing Panni Aerial Work Equipment Co., Ltd.	Tenement	160,000.00	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	1,052,911.92

(3) Related guarantees

Guarantor	Guarantee	Amount	From	To	Whether Executed Completely
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	30,000,000.00	2015/1/23	2016/1/22	No
		30,000,000.00	2015/5/14	2016/5/13	No
		20,000,000.00	2015/8/24	2016/8/23	No
		30,000,000.00	2015/1/27	2016/1/27	No
		20,000,000.00	2015/1/21	2016/1/21	No
		30,000,000.00	2015/12/15	2016/12/15	No
Total		<u>160,000,000.00</u>			

(4) Capital lending between related parties

Lender	Borrower	Amount	From	To	Rate of Interest
Beijing Jingcheng Machinery Electric Holding Company Limited	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%
		50,000,000.00	September 26, 2015	May 26, 2016	4.60%
		88,000,000.00	October 1, 2015	September 30, 2016	4.60%
Beijing Tianhai Industry Co., Ltd.	Shandong Tianhai High Pressure Container Co., Ltd.	20,000,000.00	January 1, 2015	December 31, 2015	8.00%

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions *(cont'd)*

2. Related party transaction *(cont'd)*

(5) Interest expenses/incomes of related parties

Name of Related Party	Amount of Current Year	Amount of Previous Year
Jingcheng Holding (interest expense)	5,672,133.34	8,816,000.01
Shandong Tianhai (interest income)	400,701.19	

(6) Assets transfer of related parties

Name of Related Party	Transaction Type	Amount Incurred in Current Year	Amount Incurred in Previous Year
Beijing Jingcheng Machinery Assets Management Co., Ltd.	Assets transfer		105,779,500.00

3. Related transactions of the parent company

(1) Related lease

Lease

Lessor	Lessee	Leased Assets	Recognized Rental Expense of Current Year	Recognized Rental Expense of Previous Year
Beijing Jingcheng Machinery Assets Management Co., Ltd.	The Company	Tenement	756,603.33	1,052,911.92

4. Consolidation and the parent company

(1) Remuneration of key management personnel

Item	Amount Incurred in Current Year	Amount Incurred in Previous Year
Remuneration of management personnel		
Emoluments	2,073,766.76	4,585,617.34
Salary and other benefits	2,733,219.22	3,573,679.03
Contribution to retirement fund plan	163,867.68	158,448.24
Total remuneration	4,970,853.66	8,317,744.61

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions (cont'd)

4. Consolidation and the parent company (cont'd)

(1) Remuneration of key management personnel (cont'd)

Analysis of remuneration of key management personnel:

Name and Post	Amount of Current Year			Total
	Emoluments	Salaries and other benefits	Contribution to retirement fund plan	
Executive Directors				
Wang Jun		18,944.56	1,551.12	20,495.68
Chen Changge	26,573.00	27,548.23	1,551.12	55,672.35
Li Junjie	310,169.00	328,861.44	17,648.64	656,679.08
Du Yuexi		19,088.56	1,551.12	20,639.68
Non-executive Directors				
Xia Zhonghua	54,000.00	335,748.40	17,648.64	407,397.04
Jin Chunyu		184,066.70	10,697.04	194,763.74
Fu Hongquan		159,494.70	10,697.04	170,191.74
Independent Non-executive Directors				
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 Yong	60,000.00			60,000.00
Supervisors				
Chang Yun	54,000.00	274,725.40	17,648.64	346,374.04
Liu Zhe	260,863.00	252,361.38	17,648.64	530,873.02
Wang Yiqing	110,675.25	214,187.40	17,648.64	342,511.29
Other Senior Management Personnel				
Jiang Chi (Board of Directors Secretary)	251,601.00	252,361.38	17,648.64	521,611.02
Shi Fengwen (Chief Engineer)	55,787.00	39,513.12	3,102.24	98,402.36
Former Senior Management Personnel				
Hu Chuanzhong (former Chairman)	259,181.00	271,659.98	14,546.40	545,387.38
Jie Yuemei (former Chief Engineer)	205,163.00	136,484.30	0	341,647.30
Han Bingkui (former Supervisor)	130,079.00	118,724.24	5,561.28	254,364.52
Wang Weijing (former Supervisor)	5,019.00	32,936.07	3,157.20	41,112.27
Zhou Yongjun (former Non-executive Director)	110,656.51	66,513.36	5,561.28	182,731.15
Total	2,073,766.76	2,733,219.22	163,867.68	4,970,853.66

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions (cont'd)

4. Consolidation and the parent company (cont'd)

(1) Remuneration of key management personnel (cont'd)

(Continued)

Name and Post	Emoluments	Amount of Current Year		Total
		Salaries and other benefits	Contribution to retirement fund plan	
Executive Directors				
Wang Pingsheng	886,100.00	453,188.36	15,863.04	1,355,151.40
Hu Chuanzhong	884,400.00	453,188.36	15,863.04	1,353,451.40
Jiang Chi	348,000.00	360,188.36	15,863.04	724,051.40
Wu Yanzhang	233,750.00	260,210.00	14,472.72	508,432.72
Li Junjie	471,353.34	343,085.02	15,863.04	830,301.40
Non-executive Directors				
Jiang Zili	89,004.00	115,850.32	7,521.12	212,375.44
Wu Dongbo	78,174.00	45,646.16	3,760.56	127,580.72
Independent Non-executive Directors				
Wang Hui	60,000.00			60,000.00
Xie Bingguang	60,000.00			60,000.00
Wang Deyu	60,000.00			60,000.00
Zhang Shuangru Supervisor	60,000.00			60,000.00
Liu Zhe	347,200.00	360,988.36	15,863.04	724,051.40
Han Bingkui	372,921.00	377,767.36	15,863.04	766,551.40
Ruan Aihua	26,988.00	191,345.81	12,741.12	231,074.93
Other Senior Management Personnel				
Jiao Ruifang (Board of Directors Secretary)	235,467.00	233,792.56	8,911.44	478,171.00
Jie Yuemei (Chief Engineer)	372,260.00	378,428.36	15,863.04	766,551.40
Total	4,585,617.34	3,573,679.03	158,448.24	8,317,744.61

(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. Total amount of remuneration of the other three is listed below:

Item	Amount Incurred in Current Year
Remuneration of management personnel	
Emoluments	763,090.10
Salary and other benefits	740,622.20
Contribution to retirement fund plan	52,945.92
Total remuneration	1,556,658.22

NOTES TO THE FINANCIAL STATEMENT

X. Related parties and related transactions (cont'd)

5. Balance of transactions with related parties

(1) Consolidation

1) Receivables from related parties

Item	Related Party	End. Balance		Beg. Balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Shandong Tianhai High Pressure Container Co., Ltd.	1,903,391.68	19,033.92	2,853,391.68	28,533.92
	Jiangsu Tianhai Special Equipment Co., Ltd.	7,287,737.25	72,877.37		
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	14,148.92	141.49		
Prepayments	Beijing Jingcheng Machinery Assets Management Co., Ltd.			756,603.33	
	Shandong Tianhai High Pressure Container Co., Ltd.	5,034,891.19			

2) Payables of related parties

Item	Related Party	End. Balance	Beg. Balance
Accounts payable	Beijing Jingcheng Industrial Logistics Co., Ltd.	1,202,227.27	1,202,227.27
	Tianjin Steel Pipe & Steel Trade Co., Ltd.	38,407,665.90	29,905,275.77
	Shandong Tianhai High Pressure Container Co., Ltd.	2,056,366.20	
Other payables	Jingcheng Holding	138,000,000.00	88,000,000.00
	Beiren Corporation Group		1,139,975.21
	Beijing No. 1 Machine Tool Plant	311,652.09	585,359.09
	TPCO Investment Co., Ltd.	1,917,312.44	995,957.08
Special payables	Jingcheng Holding	114,900,000.00	114,900,000.00

(2) Parent company

1) Receivables from related parties

Item	Related Party	End. Balance		Beg. Balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Other receivables	Beijing Tianhai Industry Co., Ltd.	342,700,000.00		340,000,000.00	
Prepayments	Beijing Jingcheng Machinery Assets Management Co., Ltd.			756,603.33	

2) Payables of related parties

Item	Related Party	End. Balance	Beg. Balance
Other payables	Beiren Corporation Group		1,139,975.21

XI. Share-based payment

The Group has no share-based payment as of December 31, 2015.

XII. Contingencies

There are no material contingencies for the Group to disclose as of December 31, 2015.

XIII. Commitments

1. Significant commitments

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

On December 31, 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	Amount of Current Year	Amount of Previous Year
Within 1 year (T+1)	1,886,860.00	4,774,560.00
1-2 years (T+2)	1,886,860.00	4,186,860.00
2-3 years (T+3)	1,886,860.00	4,186,860.00
Over 3 years (T+3)	18,868,600.00	20,755,460.00
Total	24,529,180.00	33,903,740.00

2. There is no other significant commitment to be disclosed for the Group as of December 31, 2015, except for the commitments above.

XIV. Events after balance sheet date

1. Repaid amount after the balance sheet date

Item	Repaid Amount
Accounts payable with significant amount and age of over 1 year	20,000,263.04
Accounts received in advance with significant amount and age of over 1 year	7,269.22
Other payables with significant amount and age of over 1 year	8,800.00

Except for the above disclosure of event after balance sheet date, the Group has no other significant events after balance sheet date to disclose by the date of approval of the financial report.

XV. Other major events

Major asset restructuring event

The Company approved the resolution on the *Proposal on Issuing Share to Specific Qualified Object to Purchase Assets and Raise Counterpart Funds* in the sixth meeting of the eighth Board of Directors held on November 26, 2015, revised this proposal and then approved the *Proposal on Issuing Share and Paying Cash to Specific Qualified Object to Purchase Assets and Raise Counterpart Funds* in the sixteenth meeting of the eighth Board of Directors held on January 29, 2016. The revised proposal is as follows: The Company plans to purchase 100% of equity of Beijing Jingcheng International Financial Leasing Co., Ltd. (hereinafter referred to as "Jingcheng International") by the means of issuing shares and paying cash. In detail, it plans to purchase 45% of the equity of Jingcheng International held by Jingcheng Holding by the means of issuing shares and 30% held by Jingcheng Holding by the means of paying cash, and to use the counterpart fund of shares issued this time for capital addition of its wholly-owned subsidiary, namely, Jingcheng Holding (Hong Kong) Co., Ltd., which uses such fund to buy 25% of the equity of Jingcheng International held by Jingcheng Holding Europe GmbH. The above matters are under way.

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements

1. Monetary funds

Item	End. Balance	Beg. Balance
Cash	118.00	
Bank deposit	4,152,436.89	10,775,926.54
Other monetary funds		1,139,973.94
Total	4,152,554.89	11,915,900.48

2. Prepayments

Age of prepayment

Item	End. Balance		Beg. Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year			756,603.33	100.00
Total			756,603.33	100.00

3. Interests receivable

Classification of interests receivable

Item	End. Balance	Beg. Balance
Beijing Tianhai Industry Co., Ltd.	15,034,062.82	6,595,555.56
Total	15,034,062.82	6,595,555.56

4. Other receivables

Item	End. Amount	Beg. Amount
Other receivables	342,700,000.00	340,000,000.00
Less: provision for bad debt		
Net amount	342,700,000.00	340,000,000.00

(1) Classification of other receivables

Category	Book balance		End. Balance Provision for bad debt		Book value
	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	342,700,000.00	100.00			342,700,000.00
Combination of related parties within the consolidation scope Account age combination	342,700,000.00	100.00			342,700,000.00
Other receivables with insignificant single amount but drawn bad debt provision on single item					
Total	342,700,000.00	100.00			342,700,000.00

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

4. Other receivables (cont'd)

(1) Classification of other receivables (cont'd)

(Continued)

Category	Book balance		Beg. Balance		Book value
	Amount	Proportion (%)	Provision for bad debt 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 Account age combination	340,000,000.00	100.00			340,000,000.00
Other receivables with insignificant single amount but drawn bad debt provision on single item					
Total	340,000,000.00	100.00			340,000,000.00

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

Entity Name	Other receivables	End. Balance Provision for bad debt	Drawing proportion (%)
Beijing Tianhai Industry Co., Ltd.	342,700,000.00		
Total	342,700,000.00		

5. Long-term equity investments

(1) Classification

Item	End. Balance		Book balance	Beg. Balance	Book value
	Book balance	Provision for impairment			
Investment in subsidiaries	694,842,724.41		694,842,724.41	694,842,724.41	694,842,724.41
Investment in joint ventures and associated enterprises					
Total	694,842,724.41		694,842,724.41	694,842,724.41	694,842,724.41

(2) Investment in subsidiaries

Invested Entity	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance	Impairment Provision Drawn in Current Year	Ending Balance of Provision for Impairment
Jingcheng Holding (Hong Kong) Company Limited	142,044,028.10			142,044,028.10		
Total	694,842,724.41			694,842,724.41		

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

5. Long-term equity investments (cont'd)

(3) Analysis of long-term equity investment:

Item	End. Amount	Beg. Amount
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. Payroll payable

(1) Classification

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Short-term remuneration		10,368,417.07	8,618,417.07	1,750,000.00
Post-employment welfare-defined contribution plan		944,747.20	944,747.20	
Dismissal welfare				
Long-term welfare due within one year				
Total		11,313,164.27	9,563,164.27	1,750,000.00

(2) Short-term compensation

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Salary, bonus, allowance and subsidy		9,148,420.95	7,398,420.95	1,750,000.00
Employee welfare expenses				
Social insurance premiums		553,755.70	553,755.70	
Including: medical insurance premiums		461,463.10	461,463.10	
Work-related injury insurance premiums		55,375.67	55,375.67	
Maternity insurance premium		36,916.93	36,916.93	
Housing fund		518,272.00	518,272.00	
Labor union expenditure & personnel education fund		147,968.42	147,968.42	
Housing allowance				
Total		10,368,417.07	8,618,417.07	1,750,000.00

(3) Defined contribution plan

Item	Beg. Balance	Increase in Current Year	Decrease in Current Year	End. Balance
Basic endowment insurance		899,759.36	899,759.36	
Unemployment insurance		44,987.84	44,987.84	
Enterprise annuity				
Total		944,747.20	944,747.20	

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

7. Taxes payable

Item	End. Amount	Beg. Amount
VAT	-51,710.74	58,008.62
Business tax	253,309.73	329,777.78
Personal income tax	22,994.29	
City maintenance and construction tax	17,731.68	27,145.04
Educational surcharges	7,599.30	18,229.15
Local educational surcharges	5,066.19	1,160.17
Total	254,990.45	434,320.76

8. Other payables

(1) Classification of other payables by nature

Nature of Payment	End. Balance	Beg. Balance
Funds disbursed for others, etc.	4,312,825.50	4,545,647.21
Total	4,312,825.50	4,545,647.21

(2) Aging analysis of other payables

Item	End. Amount	Beg. Amount
Within 1 year	3,512,825.50	3,545,647.21
1-2 years	300,000.00	1,000,000.00
2-3 years	500,000.00	
Total	4,312,825.50	4,545,647.21

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

Entity Name	End. Balance	Reasons for not repaying and carrying forward
Beijing Guoxingjiye Land Planning Co., Ltd.	500,000.00	Uncompleted yet
Total	500,000.00	-

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

9. Capital stock

Amount of Current Year Unit: RMB 1,000

Shareholder's Name/Category	Beg. Amount		New shares offered	Share allotment	Current Change Capital reserve converted into capital stock	Others	Subtotal	End. Amount	
	Amount	Proportion (%)						Amount	Percentage Proportion (%)
Conditioned shares									
State-owned corporate shares									
Total conditioned shares									
Unconditioned shares									
Common 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

Amount of Previous Year Unit: RMB 1,000

Shareholder's Name/Category	Beg. Amount		New shares offered	Share allotment	Current Change Capital reserve converted into capital stock	Others	Subtotal	End. Amount	
	Amount	Proportion (%)						Amount	Percentage Proportion (%)
Conditioned shares									
State-owned corporate shares									
Total conditioned shares									
Unconditioned shares									
Common 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

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements *(cont'd)*

10. Capital reserves

Amount of Current Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
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

Amount of Previous Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Capital stock premium	565,619,913.60			565,619,913.60
Other capital reserves	860,283.96	100,159,790.29		101,020,074.25
Total	566,480,197.56	100,159,790.29		666,639,987.85

11. Surplus reserves

Amount of Current Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Legal surplus reserves	38,071,282.24			38,071,282.24
Total	38,071,282.24			38,071,282.24

Amount of Previous Year

Item	Beg. Amount	Increase in Current Year	Decrease in Current Year	End. Amount
Legal surplus reserves	38,071,282.24			38,071,282.24
Total	38,071,282.24			38,071,282.24

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

12. Undistributed profits

Amount of Current Year

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-77,580,454.28	
Add: Beginning adjustment of undistributed profit		
Including: Change in accounting policy		
Corrections of significant previous period errors		
Other adjusting factors		
Beginning balance of current year	-77,580,454.28	
Add: Net profits of current year	1,280,710.36	
Less: Appropriation of legal surplus reserves		
Appropriation of discretionary surplus reserve		
Drawing of general risk reserve		
Common stock dividends payable		
Common stock dividends turned into capital stock		
Ending balance of current year	-76,299,743.92	

Amount of Previous Year

Item	Amount	Drawing or Distribution Proportion (%)
Ending balance of previous year	-165,579,836.05	
Add: Beginning adjustment of undistributed profit		
Including: Change in accounting policy		
Corrections of significant previous period errors		
Other adjusting factors		
Beginning balance of current year	-165,579,836.05	
Add: Net profits of current year	87,999,381.77	
Less: Appropriation of legal surplus reserves		
Appropriation of discretionary surplus reserve		
Drawing of general risk reserve		
Common stock dividends payable		
Common stock dividends turned into capital stock		
Ending balance of current year	-77,580,454.28	

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

13. Operating incomes and costs

(1) Breakdown

Item	Amount Incurred in Current Year		Amount Incurred in Previous Year	
	Income	Cost	Income	Cost
Other operation	19,643,769.11		11,373,529.44	
Total	19,643,769.11		11,373,529.44	

(2) Other operating incomes and costs

Item	Amount of Current Year		Amount of Previous Year	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Consultation expenses	2,547,169.81		4,777,973.88	
Fund utilizing fee	17,085,374.88		6,595,555.56	
Others	11,224.42			
Total	19,643,769.11		11,373,529.44	

14. Business taxes and surcharges

Item	Amount of Current Year	Amount of Previous Year
Business tax	854,268.75	329,777.78
City maintenance and construction tax	59,798.80	27,145.04
Educational surcharges	28,489.39	19,389.32
Local educational surcharges	14,224.06	
Total	956,781.00	376,312.14

15. Administrative expenses

Item	Amount Incurred in Current Year	Amount Incurred in Last Year
Payroll	11,313,164.27	
Office expenses	1,690.00	35,837.05
Entertainment and conference expenses		1,903,968.69
Taxes		199,338.52
Agent fees	5,011,177.82	4,547,170.07
Rent	756,603.33	1,052,911.92
Expenses of board of directors	387,952.21	445,800.85
Others	12,144.96	
Total	17,482,732.59	8,185,027.10

16. Financial expenses

Item	Amount of Current Year	Amount of Previous Year
Interest expenses		
Less: interest income	81,724.84	112,489.70
Add: exchange loss		
Add: other expenditures	5,270.00	5,154.95
Total	-76,454.84	-107,334.75

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

17. Investment income

Item	Amount Incurred in Current Year	Amount Incurred in Previous Year
Long-term equity investment income calculated by equity method		
Investment income from disposal of long-term equity investment		85,079,856.82
Total		85,079,856.82

18. 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	Amount of Current Year	Amount of Previous Year
Interest income	81,724.84	112,489.70
Capital occupation fee	8,646,867.62	
Current accounts	1,895,016.95	
Others		2,939,234.96
Total	10,623,609.41	3,051,724.66

2) Other cash paid related to operating activities

Item	Amount of Current Year	Amount of Previous Year
Miscellaneous expenses	4,751,784.46	8,988,014.56
Current accounts	102,145.01	1,410,178.85
Total	4,853,929.47	10,398,193.41

3) Other cash paid related to investing activities

Item	Amount of Current Year	Amount of Previous Year
Related current accounts	1,141,749.18	348,351,822.34
Total	1,141,749.18	348,351,822.34

4) Other cash received related to financing activities

Item	Amount of Current Year	Amount of Previous Year
Jingcheng Holding compensation		105,682,690.29
Total		105,682,690.29

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements *(cont'd)*

18. Notes to cash flow statement *(cont'd)*

(2) Supplementary information to cash flow statement

Item	Amount of Current Year	Amount of Previous Year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,280,710.36	87,999,381.77
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 deferred expenses		
Amortization of deferred expenses		
Drawn expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")		
Loss from retirement of fixed assets (gains to be listed with "-")		
Losses from changes in fair value (gains to be listed with "-")		
Financial expenses (gains to be listed with "-")		-6,595,555.56
Investment loss (gain to be listed with "-")		-85,079,856.82
Decrease of deferred tax assets (increases to be listed with "-")		
Increases of deferred tax liabilities (decreases to be listed with "-")		
Decrease of inventory (increases to be listed with "-")		
Decreases of operating receivables (increases to be listed with "-")	-9,609,505.86	-756,603.33
Increases of operating payables (decreases to be listed with "-")	1,707,199.09	-442,346.04
Others		
Net cash flows from operating activities	-6,621,596.41	-4,874,979.98
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 financial leases		
3. Net change in cash and cash equivalents:		
Ending balance of cash	4,152,554.89	11,915,900.48
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	-7,763,345.59	2,378,687.97

NOTES TO THE FINANCIAL STATEMENT

XVI. Notes to major items of parent company's financial statements (cont'd)

18. Notes to cash flow statement (cont'd)

(3) Information about acquisition or disposal of subsidiaries and other business entities in current year

Item	Amount of Current Year	Amount of Previous Year
Information about acquisition of subsidiaries and other business entities		
1. Acquisition price of subsidiaries and other business entities		
2. Cash and cash equivalents paid to acquire subsidiaries and other business entities		
Less: cash and cash equivalents held by subsidiaries and other business entities		
3. Net cash paid to acquire subsidiaries and other business entities		
4. Acquired net assets of subsidiaries		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
Information about disposal of subsidiaries and other business entities		
1. Disposal price of subsidiaries and other business entities		250,202,800.00
2. Cash and cash equivalents received from disposal of subsidiaries and other business entities		249,922,800.00
Less: cash and cash equivalents held by subsidiaries and other business entities		17,799,493.99
3. Net cash received from disposal of subsidiaries and other business entities		232,123,306.01
4. Disposed net assets of subsidiaries		150,829,232.78
Current assets		178,001,513.32
Non-current assets		121,189,851.91
Current liabilities		129,794,132.45
Non-current liabilities		18,568,000.00

(4) Cash and cash equivalents

Item	Amount of Current Year	Amount of Previous Year
Cash	4,152,554.89	11,915,900.48
Including: cash on hand	118.00	
Bank deposit available for payment at any time	4,152,436.89	10,775,926.54
Other monetary funds available for payment at any time		1,139,973.94
Accounts deposited in central bank available for payment		
Deposits in other banks		
Interbank loans		
Cash equivalents		
Including: bond investment due within three months		
Ending balance of cash and cash equivalents	4,152,554.89	11,915,900.48

XVII. Report approval

The financial report will be released after being approved by the Board of Directors of the Company on March 17, 2016.

XVIII. Supplementary information to financial statement

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

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	Amount of Current Year	Notes
Profits and losses from disposal of non-current assets	12,045,657.31	
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document		
Government subsidy included in current profits and losses	450,032.00	
Capital occupation fee charged from non-financial enterprises and included in current profits and losses	400,701.19	
The profit gained when the cost of investment in subsidiary, associated enterprise, joint venture is less than the fair value of the identifiable net assets when regarded as investee		
Exchange profit and loss of non-monetary assets		
Profit and loss when entrusting others to invest and manage assets		
Provisions for impairment of assets drawn due to Force Majeure (e.g. natural disasters)		
Profit and loss of debt restructuring		
Enterprise reconstruction expense		
Profit and loss of the part beyond the fair value when the transaction value is unfair		
Net profit and loss of the subsidiary from the period beginning to the merger date generated from business merger under common control		
Gains or losses from contingencies unrelated to normal operations		
In addition to the effective hedging related to normal operation, losses and profits from changes in fair value for holding of trading financial assets and trading financial liabilities, and gains from disposal of trading financial assets, trading financial liabilities, and financial assets available for sale		
Reversal for impairment provision of receivables subject to separate impairment test		
Profits and losses from external entrusted loans		
Profit and loss from changes in fair value of investment real estate subsequently measured at fair value		
Influence of one-off adjustment of current profits and losses according to the finance & tax laws and regulations on current profits and losses		
Loss/profit from transfer of long-term equity investment held		
Other non-business income and expense besides the above stated items	-5,224,026.85	
Other losses and profits conforming to the definition of non-recurring profit and loss		
Subtotal	7,672,363.65	
Effect of income tax	-534.78	
Impact on minority interest (after tax)	-742,656.24	
Total	8,415,554.67	

NOTES TO THE FINANCIAL STATEMENT

XVIII. Supplementary information to financial statement (cont'd)

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

Item	Net Profit		Net Assets	
	Amount of Current Year	Amount of Previous Year	End. Amount	Beg. Amount
HK GAAP Accounting Standards for Business Enterprises	-296,719	13,012	1,149,973	1,444,759
	-296,719	13,012	1,149,973	1,444,759

3. Return on net assets and earnings per share

Profit in the Report Period	Weighted Average ROA (%)		Earnings per Share			
	2015	2014	Basic Earnings per Share 2015	Basic Earnings per Share 2014	Diluted Earnings per Share 2015	Diluted Earnings per Share 2014
Net profit attributable to the shareholders of parent company	-25.46	2.33	-0.49	0.05	-0.49	0.05
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	-26.50	-17.05	-0.51	-0.37	-0.51	-0.37

XIX. Other information to disclose

1. Turnover

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

Item	Amount of Current Year	Amount of Previous Year
Compressors		42,183,398.47
Seamless steel gas cylinders	520,020,428.88	841,015,682.27
Winding cylinders	141,525,779.70	335,938,765.63
Low temperature cylinders	116,927,446.22	225,610,444.04
Low temperature storage and transportation equipment	70,270,824.89	107,720,049.76
Others	188,772,839.85	191,679,916.77
Total sales amount	1,037,517,319.54	1,744,148,256.94
Less: sales tax and other surcharges	10,730,945.87	21,226,908.28
Total	1,026,786,373.67	1,722,921,348.66

2. Taxes

Item	Amount of Current Year	Amount of Previous Year
Current income tax	1,054,544.72	3,804,637.84
Deferred income tax	4,778,556.38	1,229,570.78
Total	5,833,101.10	5,034,208.62

3. Dividend

No dividend paid or declared from in 2015. No dividend is declared during this reporting period (2014: none).

Beijing Jingcheng Machinery Electric Co., Ltd.
March 17, 2016

SECTION 15 FIVE YEARS' FINANCIAL SUMMARY

The audited consolidated operating results and the audited balance sheet of the Company for each of the five years ended December 31, 2015 were summarized as follows:

(1) Operating Results (Prepared under PRC Accounting Standards)

	2015 RMB'0,000	2014 RMB'0,000	2013 RMB'0,000 (after adjustment)	2012 RMB'0,000 (before adjustment)	2012 RMB'0,000	2011 RMB'0,000
Turnover	107,659.63	180,633.31	282,819.43	282,819.43	304,527.55	80,387.39
Total profit	-29,088.61	1,804.62	-10,462.44	-10,500.44	-10,952.77	1,365.98
Taxation	583.31	503.42	454.78	454.78	1,421.36	3
Net profit attributable to shareholders of parent company	-20,781.74	2,141.62	-10,759.77	-10,823.90	-12,445.69	1,138.29
Equity attributable to the shareholders of parent company	71,266.31	91,953.06	77,527.17	80,357.33	143,675.01	75,638.23
Minority equity	43,731.05	52,522.87	35,852.66	36,006.50	17,509.81	1,836.04

(2) Assets and liabilities (Prepared under PRC Accounting Standards)

	2015 RMB'0,000	2014 RMB'0,000	2013 RMB'0,000 (after adjustment)	2012 RMB'0,000 (before adjustment)	2011 RMB'0,000	2015 RMB'0,000
Assets						
Current assets	87,756.35	123,966.10	157,073.98	157,073.98	218,324.16	81,676.69
Non-current assets	119,992.87	126,822.24	125,862.10	125,862.10	161,969.04	66,867.50
Total assets	207,749.21	250,788.33	282,936.09	282,936.09	380,293.20	148,544.19
Liabilities						
Current liabilities	79,230.83	92,885.40	153,581.46	153,425.46	212,766.38	67,773.01
Non-current liabilities	13,521.03	13,427	15,974.80	13,146.80	6,342.00	3,296.91
Total liabilities	92,751.86	106,312.40	169,556.26	166,572.26	219,108.38	71,069.92
Shareholders' Equity						
Equity attributable to the shareholders of parent company	71,266.31	91,953.06	77,527.17	80,357.33	143,675.01	75,638.23
Minority equity	43,731.05	52,522.87	35,852.66	36,006.50	17,509.81	1,836.04
Shareholders' Equity	114,997.36	144,475.93	113,379.83	116,363.83	161,184.82	77,474.27

SECTION 16 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the annual report, which has been signed by the Chairman.
2. Original copy of the auditors' report signed and chopped by the certified public accountant and under the seal of the accountant firm.
3. The original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, Securities Daily and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong.
4. The Articles of Association of the Company.

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 Naw San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC.

Chairman: Wang Jun
Date of approval by the Board for submission: March 17, 2016