



# 北京京城機電股份有限公司 Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)  
(H Share Stock Code: 0187; A Share Stock Code: 600860)

Interim Report 2016



# IMPORTANT NOTICES

1. The Board of Directors (the "Board"), the Supervisory Committee and the directors (the "Directors"), supervisors and senior management of Beijing Jingcheng Machinery Electric Company (the "Company") confirm that the information contained in this interim report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
2. Directors did not attend the board meeting

<b>Positions of directors who did not attend the board meeting</b>	<b>Name of directors who did not attend the board meeting</b>	<b>Reasons for not attending the board meeting</b>	<b>Appointee</b>
Director	Du Yuexi	Office duty	Wang Jun
Independent director	Liu Ning	Office duty	Wu Yan

3. The Interim Financial Report has not been audited.
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 Interim Report.
5. Whether the controlling shareholders of the Company or its associates have misappropriated the Company's funds or not.  
No.
6. Whether any external guarantees are provided in violation of any specified decision-making procedures or not.  
No.

# CONTENTS

SECTION 1	DEFINITION . . . . .	3
SECTION 2	COMPANY PROFILE . . . . .	5
SECTION 3	SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS . . . . .	7
SECTION 4	REPORT OF DIRECTORS . . . . .	8
SECTION 5	IMPORTANT MATTERS . . . . .	20
SECTION 6	CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS . . . . .	29
SECTION 7	INFORMATION ABOUT PREFERENCE SHARE . . . . .	32
SECTION 8	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT . . . . .	33
SECTION 9	CORPORATE BONDS . . . . .	34
SECTION 10	FINANCIAL REPORT . . . . .	35
SECTION 11	DOCUMENTS AVAILABLE FOR INSPECTION . . . . .	108

# SECTION 1 DEFINITION

## I. DEFINITION

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

<b>Definition of frequently used terms</b>		
AGM	means	the 2015 Annual General Meeting convened on 16 June 2016
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau under CSRC
Beiren Printing	means	Beiren Printing Machinery Holdings Limited (北人印刷機械股份有限公司) (the former name of the Company before change of name)
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Board	means	the board of directors of the Company
CNG	means	Abbreviation of Compressed Natural Gas
Company	means	Beijing Jingcheng Machinery Electric Company Limited (北京京城機械電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Cryogenic equipment base in Huo County	means	The base for production of automotive liquefied gas bottle and cryogenic equipment (LNG industry)
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
DOT	means	Abbreviation of US Department of Transportation
Group	means	the Company and its subsidiaries
HK\$	means	Hong Kong dollars, the legal currency of Hong Kong
Industrial gas cylinder	means	Collective name for the cylinder that filled with industrial gas
Jingcheng Holding (substantial shareholder and beneficial controller)	means	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機械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 as at the end of reporting period
Jingcheng Compressor, Jingcheng Environment	means	Beijing Jingcheng Compressor Co., Ltd. (北京京城壓縮機有限公司), a former subsidiary of the Company and its former name is Beijing Jingcheng Environmental Protection Development Co., Ltd. (北京京城環保產業發展有限責任公司)
Jingcheng HK	means	Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司), a subsidiary of the Company

## SECTION 1 DEFINITION

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

## SECTION 2 COMPANY PROFILE

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND CONTACT METHODS

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

### III. CHANGES OF BASIC INFORMATION

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

### IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

### V. INFORMATION OF THE COMPANY'S SHARES

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

### VI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

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

## SECTION 2 COMPANY PROFILE

### VII. OTHER RELATED INFORMATION

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

## SECTION 3 SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

### I. MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS

#### (1) Major accounting figures

	For the Reporting Period (January – June)	Unit: Yuan    Currency: RMB For the same period last year	Increase(+)/ decrease(-) %
<b>Major accounting figures</b>			
Operation income	485,074,778.92	598,184,100.98	-18.91
Net profit attributable to shareholders of listed company	-62,164,227.60	-47,824,744.93	N/A
Net profit attributable to shareholders of listed company after extraordinary items	-70,312,199.06	-65,371,188.26	N/A
Net cash flow from operating activities	-1,879,841.43	-454,538.78	N/A
	<b>At the end of the Reporting Period</b>	<b>At the end of the previous year</b>	<b>Increase(+)/ decrease(-) %</b>
Net assets attributable to equity holders of the listed company	651,899,201.48	712,663,072.55	-8.53
Total assets	1,956,454,872.12	2,077,492,109.79	-5.83

#### (2) Key financial indicators

	For the Reporting Period (January – June)	For the same period last year	Increase(+)/ decrease(-) %
<b>Key financial indicators</b>			
Basic earnings per share (Yuan/share)	-0.15	-0.11	N/A
Diluted earnings per share (Yuan/share)	-0.15	-0.11	N/A
Basic earnings per share after extraordinary items (Yuan/share)	-0.17	-0.15	N/A
Returns on net assets on weighted average basis (%)	-9.11	-5.34	Decreased by 3.77 percentage points
Return on net assets on weighted average basis after extraordinary items (%)	-10.31	-7.30	Decreased by 3.01 percentage points

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

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

Applicable     Not Applicable

### III. EXTRAORDINARY ITEMS AND AMOUNT

Applicable     Not Applicable

	Amount	Note (Where applicable)
Unit: Yuan    Currency: RMB		
<b>Extraordinary items</b>		
Profit and loss from disposal of non-current assets	529,991.79	
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the normal operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	5,904,284.00	
Profit and loss from debt restructuring	1,181,656.21	
Non-operating income and expenses other than those stated above	2,305,153.41	
Effect of minority interests	-1,773,113.95	
Effect of income tax		
<b>Total</b>	<b>8,147,971.46</b>	

### IV. OTHERS

Nil



# SECTION 4 REPORT OF DIRECTORS

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

### (1) Review for the first half of 2016

In the first half of 2016, weak demands of external market and overcapacity have not been changed, the adjustment, transformation and upgrade of internal structure of the Company were still in the key stage. 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. Since the first half of the year, leaders adjusted and researched on-site, the production, research and sales teams jointly searched market, looking for new fields, new industries and new growth points.

### (2) Outlook for the second half of 2016

In the second half of the year, the adjustment, transformation and upgrade of the Company's structure will be carried out. The “China Manufacturing 2025 Beijing Action Outline” clearly states that, in order to implement the “Green Manufacturing Technology Transformation Action” and the “Joint Network of Function Demonstration Action of Beijing, Tianjin and Hebei” quickly, the PRC requires that, in respect of the enterprises in the manufacturing industry and high-end manufacturing industry which are without advantages, shall be moved outward. Summing up the present situation, the present adjustment plan of the Company is: in respect of businesses and enterprises which incurred losses due to regional cost differences, the reform adjustment will be industry transfer or termination; in respect of enterprises which industries development has shown downward trend, the reform adjustment shall mainly be industry structure adjustment and operation model transformation; in respect of industries and enterprises which have full market competition, diversity in equity, mixed ownership have to be promoted, and emphasize on reform transformation with strengthened mechanisms and systems as its core. Combining these three directions, the next step of the Company will sort out systemically each of the subsidiary and profitability of each the product, enterprises and products which are unable to reduce or control its loss, termination or transfer policy have to be carried out firmly, so as to spare out spacing and resources for use, and further reduce work-force.

Progress of projects such as gas supply system, intelligent gas cylinders, internet+, regular inspection stations have to be increased, enter new hydrogen fuel cell application areas such as military, aerospace, communications, unmanned aerial vehicles; overall natural gas solutions competency will be enhanced, promote the businesses such as filling stations, marine, power generation and manufacturing “coal to gas” equipment, engineering and main operators of projects; strengthen the leading advantage and market position of traditional industrial gas cylinders (such as impact extruded cylinders, tube type cylinders etc.) and fire cylinders, to maintain approximate scale and ensure profits.

Adhere to comprehensive budget management, strictly control each kind of expense. According to the requirement of quality improvement and efficiency enhancement, growth rate of the three expenses shall not be higher than the growth rate of operation income; the growth rate of operation cost shall be lower than the growth rate of operation income. Enhance fund management, and expand the finance sources. Enhance fund control, increase the frequency of enquiry and monitor of bank accounts, so as to grasp on time the in and out of the enterprise funding. Seriously follow the monthly and yearly budgets to distribute fund, and payable rates shall be consistent with the receivable rates. Select reasonably the financing methods such as bank acceptances, accounts receivable factoring, confirmer storage financing, finance leasing etc., which can supplement short-term loans effectively, and ensure cash flows.

Besides, technical departments have to analyze and research on leading technologies and applications with a forward-looking vision, so as to explore high earning product lines; as for existing products, design and technology will be optimized, and however, subject to laws and performance requirements, performance shall not be over-pursuit which will result in cost increase. Using technologies to lower costs will be researched and implemented as special projects, so that costs can be lowered in different ways such as product modifications, process optimization, technology reformation etc.

### (3) Scope of principal operations of the Company

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

# SECTION 4 REPORT OF DIRECTORS

## (4) Analysis of principal businesses

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

Unit: Yuan Currency: RMB

Item	Current period	Corresponding period of last year	Changes (%)
Operating income	485,074,778.92	598,184,100.98	-18.91
Operating cost	458,962,623.15	563,222,411.06	-18.51
Sales expense	30,334,796.09	28,422,048.37	6.73
Management expense	64,377,046.08	62,401,704.51	3.17
Financial expense	8,676,593.25	9,895,752.83	-12.32
Net cash flows from operating activities	-1,879,841.43	-454,538.78	N/A
Net cash flows from investment activities	-28,054,435.89	-25,556,471.33	N/A
Net cash flows from financing activities	-46,519,790.14	14,228,556.01	-426.95
R&D expenditure	5,232,563.66	2,816,577.08	85.78

Reasons for the changes in the operating income: decrease of 18.91% as compared with the corresponding period of last year, attributable to decrease in the operating income from primary business affected by the domestic and foreign markets;

Reasons for the changes in operating cost: decrease of 18.51% as compared with the corresponding period of last year, attributable to decrease in the income from the primary business;

Reasons for the changes in sales expense: decrease of 6.73% as compared with the corresponding period of last year, attributable to the Company actively promoted the building and transformation of its sales teams, in order to adapt to the complex and volatile market conditions, the Company revised its performance assessment system of the sales teams during the Period, and led to the change in assessment method;

Reasons for the changes in management expense: increase of 3.17% as compared with the corresponding period of last year, mainly attributable to the increase in research and development expense of the Company;

Reasons for the changes in financial expenses: decrease of 12.32% as compared with the corresponding period of last year, mainly attributable to decrease of interest expenses for the period;

Reasons for the changes in the net cash flow from operating activities: decrease of RMB1,425,300 as compared with the corresponding period of last year, attributable to the decrease in cash received from operating activities;

Reasons for the changes in the net cash flow from investing activities: decrease of RMB2,498,000 as compared with the corresponding period of last year, mainly attributable to increase of cash outflows from investing activities;

Reasons for the changes in the net cash flow from financing activities: decrease of RMB60,748,300 as compared with the corresponding period of last year, attributable to decrease of borrowings of subsidiaries;

Reasons for the changes in R&D expenditure: increase of 85.78% as compared with the corresponding period, attributable to increase in R&D investment by subsidiaries.

## SECTION 4 REPORT OF DIRECTORS

### 2. Others

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

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

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

As the Company was planning a significant matter, the trading in shares of the Company was suspended from 29 June 2015. After discussion, the Company intended to have a nonpublic issuance of shares or issue of shares in consideration of asset purchase. The trading in the Company's shares continued to be suspended from 6 July 2015. On 13 July 2015, the Company entered into the suspension of trading procedures in relation to the material assets reorganisation. On 11 August 2015, upon confirmation by the Company, the Company intended to acquire the assets in relation to equipment manufacture and service owned or controlled by Beijing Jingcheng Machinery Electric Holding Co., Ltd., ("Jingcheng Holding"), the controlling shareholder of the Company. On 30 September 2015, it was agreed by the board of directors that trading in the shares of the Company continued to be suspended for not more than two month with effect from 13 October 2015. In the afternoon on 12 October 2015, the Company convened an investors briefing session and published ANNOUNCEMENT ON INFORMATION PROVIDED AT INVESTORS BRIEFING SESSION on 13 October 2015. On 26 November 2015, the Company convened the meeting of the board of directors, at which relevant resolutions were considered and approved, including the RESOLUTION IN RELATION TO THE ISSUE OF SHARES IN CONSIDERATION OF ASSET PURCHASE AND FUND RAISING OF THE COMPANY CONSTITUTING CONNECTED TRANSACTION. On 4 December 2015, the Company received the vetting comments from the Shanghai Stock Exchange (Shang Zheng Gong Han [2015] No. 1964). On 11 December 2015, the Company submitted the responding documents to the Shanghai Stock Exchange and on the next day, disclosed relevant documents. Trading in A shares of the Company resumed on 14 December 2015. On 27 January 2016, as Jingcheng Holding entered into equity interests transfer and equity interest exchange agreement with Beijing Jingguofa Equity Investment Fund (Limited Partnership) ("Jingguofa") and Beijing Bashi Media Co., Ltd. ("Bashi Media"), which were deemed as disposal of equity during the period of material assets reorganisation, in accordance with laws and regulations, including the Rules Governing the Listing of Securities on the Stock Exchange and the Code on Takeovers and Mergers and in order to avoid triggering of any mandatory offer by Jingcheng Holding and further strengthening the Company's capital strength, the Company convened a meeting of the board of directors on 3 February 2016 to consider and disclose the amended proposal, trading in A shares of the Company resumed from 4 February 2016. On 21 June 2016, the Company published RISK ALERT ANNOUNCEMENT RELATING TO MATERIAL ASSETS REORGANISATION. On 27 June 2016, Jingcheng Machinery published the announcement of SUSPENSION OF TRADING IN A SHARES DUE TO MATERIAL EVENT. Trading in the A shares of the Company was suspended from 27 June 2016. Trading in A shares suspended from on 27 June 2016.

On 30 June 2016, the Company convened the nineteenth extraordinary meeting of the eighth session of the board of directors, at which the resolution in relation to the termination of the assets reorganisation was passed and the assets reorganisation was determined to be terminated. On the same date, the Company entered into the Termination Agreement for Assets Purchase Agreement by Share Issuance and Payment in Cash and Termination Agreement for Share Subscription Agreement with Jingcheng Holding; and Termination Agreement for Equity Transfer Framework Agreement with Jingcheng Europe.

#### (3) *Progress of operation plan*

The Company strictly follows the operation plan in 2016, and has mainly completed the following work:

- ① Open up of new market and new product development under the strategic guideline
- ② Intensify the cost and expense management
- ③ Strengthen the quality, quantity and safety management, to ensure the efficient operation of management system
- ④ To speed up and promote industry transformation and resources revitalization
- ⑤ Improve risk prevention system, and strengthen the leading role of performance evaluation

## SECTION 4 REPORT OF DIRECTORS

### (4) Others

Items	Changes as compared with the beginning of the period (%)	Description
Monetary fund	-42.1	Mainly due to the decrease in cash received from sale of products
Notes receivable	180.06	Mainly due to the increase in notes received
Other receivables	247.75	Mainly due to the increase in import tax refund subsidiaries have not received
Other current assets	-58.14	Mainly due to the decrease in provisional value added tax of subsidiaries
Construction in progress	52.34	Mainly due to the increase in investment of construction in progress
Interest payable	-100.00	Mainly due to the decrease in interest payable
Other comprehensive income	131.05	Mainly due to the increase in conversion difference of foreign currency

  

Items	Changes as compared with the same period of last year (%)	Description
Cash receipt from other operating activities	-48.81	Mainly due to the decrease in deposit during the Period
Cash receipt from borrowing	-51.10	Mainly due to the decrease in borrowing during the Period as compared with same period of last year
Cash payments for dividends, profit appropriation or payment of interest	-38.11	Mainly due to the decrease in interest payment during the Period
Business tax and surcharge	-47.59	Mainly due to the decrease in operation income
Impairment loss on assets	70.44	Mainly due to the assets were tested during the Period, impairment loss for Inventories and account receivables were increased as compared with same period of last year
Gain on investment	152.15	Mainly due to the increase in profits from joint ventures of the Company's subsidiaries
Non-operating income	-46.16	Mainly due to the decrease in income from disposal of non-current assets
Non-operating cost	-92.56	Mainly due to the significant decrease in assets disposal expense as compared with the same period of last year

## SECTION 4 REPORT OF DIRECTORS

### (2) Analysis of industry, products or regional operation

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

Unit: Yuan Currency: RMB

Sector of product	Principal businesses by product					
	Operating income	Operating cost	Profit margin (%)	Increase/Decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year (%)
Seamless steel gas cylinders	244,377,340.98	223,360,889.66	8.60	-18.26	-18.05	Decreased by 0.23 percentage point
Wrapped cylinders	53,738,322.28	59,413,089.11	-10.56	-6.44	14.13	Decreased by 19.92 percentage point
Cryogenic gas cylinders	96,996,900.42	89,140,151.49	8.10	21.04	4.95	Increased by 14.08 percentage point
Cryogenic storage tanks	22,243,581.30	20,931,210.00	5.90	-32.70	-32.96	Increased by 0.36 percentage point
Others	43,801,011.83	41,146,145.37	6.06	-53.26	-52.81	Decreased by 0.89 percentage point
Total	461,157,156.81	433,991,485.63	5.89	-18.13	-17.80	Decreased by 0.38 percentage point

Description of principal businesses by industry and by product

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 cryogenic tanks of the Company declined seriously, leading to a significant decline in sales income. Income from filling stations increased by RMB20,094,600, represent an increase of 545.05% as compared with the same period of last year.

#### 2. Principal business by geographical location

Unit: Yuan Currency: RMB

Geographical location	Operating income	Increase/decrease operating income over last year (%)
Domestic	203,583,046.41	-3.27
Overseas	257,574,110.40	-27.00
Total	461,157,156.81	-18.13

Description of principal business by geographical location:

The domestic operating income of the Company decreased by 27%. 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.

## SECTION 4 REPORT OF DIRECTORS

### (3) Analysis of core competitiveness

1. The brand of Tianhai had a relatively high reputation in the global gas storage and transportation industry. The major economic indicators of the Company were continuously in the leading position in the industry for 20 consecutive years.
2. The Company obtained ISO9001:2008, ISO/TS16949:2009 international quality management system certification and ISO1400:2004 environment management system, OHSAS18001:1998 OSH management system and 41 international product certifications such as American DOT, German TUV and Canadian TC etc. Seamless steel gas cylinders under JP brand received national quality award in 1984 and were honored as "Famous Brand of Beijing" products from 2002 to 2009.
3. 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% total income.

### (4) Analysis on investment condition

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

There was no external investment in equity during the Period.

##### (1) Securities investment

Applicable  Not Applicable

##### (2) Equity holding in other listed companies

Applicable  Not Applicable

##### (3) Equity holding in financial enterprises

Applicable  Not Applicable

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

##### (1) Entrusted Investment

Applicable  Not Applicable

##### (2) Entrusted loans

Applicable  Not Applicable

##### (3) Other investment in money management and derivative products

Applicable  Not Applicable

## SECTION 4 REPORT OF DIRECTORS

### 3. Use of proceeds

#### (1) Overall use of proceeds

Applicable  Not Applicable

#### (2) Projects funded by raised proceeds

Applicable  Not Applicable

#### (3) Changes in projects funded by raised proceeds

Applicable  Not Applicable

#### (4) Others

Nil.

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

Name of company	Business nature	Principal products or service	Registered capital	Total asset(RMB)	Net asset(RMB)	Net profit(RMB)
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, etc.	US\$61.4018 million	1,956,825,127.64	711,994,912.41	-85,390,545.90
Jingcheng Holding (Hong Kong) Ltd.	Trade and investment	Import and export trade, investment holding and consultancy service etc.	HKD1,000	157,594,871.64	152,937,770.33	-54,158.90

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

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Name of project	Project amounts	Project progress	Investment in the Reporting Period	Cumulative amount of actual investment	Project earnings
The construction project of the base for production of automotive liquefied gas bottle and cryogenic equipment (LNG industry)	926.20 million	Project commenced production, now undergoing acceptance testing procedures	0	610.00 million	As there was less market demand, the project was running under capacity and loss was incurred
Total	926.20 million	/	0	610.00 million	/

Explanation of projects financed by non-raised funds

Nil.

## II. PROPOSAL ON THE PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

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

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

### (2) Profit distribution plan or plan to convert capital reserve into share capital proposed for this interim period

Nil.

# SECTION 4 REPORT OF DIRECTORS

## III. OTHER DISCLOSURES

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

Applicable  Not Applicable

Forecasted losses to the accumulated net profit from the beginning of the year to the end of the next reporting period.

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

Applicable  Not Applicable

- (3) **Other disclosures**

### 1. Revenue

Revenue includes the net value of the received and receivable for the sales of different types of gas cylinders, accumulator, cryogenic storage tanks, gas storage special containers, bundle devices, the sales of spare parts and service rendered as follows:

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>
Seamless steel gas cylinders	<b>244,377,340.98</b>	298,971,754.06
Wrapped bottle	<b>53,738,322.28</b>	57,436,328.79
Cryogenic gas cylinders	<b>96,996,900.42</b>	80,137,659.39
Cryogenic storage tanks	<b>22,243,581.30</b>	33,051,097.99
Others	<b>43,801,011.83</b>	93,716,428.34
Total sales	<b>461,157,156.81</b>	563,313,268.57
Less: Sales tax and other surcharges	<b>105,740,855.62</b>	105,207,867.95
<b>Total</b>	<b>355,416,301.19</b>	458,105,400.62

### 2. Taxation

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

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

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

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

BTIC AMERICA CORPORATION (formerly known as America Fortune Company) is registered in the USA, it applies progressive tax rate to calculate corporate income tax, which is 15% to 39% based on different taxable income.



## SECTION 4 REPORT OF DIRECTORS

### (3) Taxation benefits and approval

On 11 November 2013, Beijing Tianhai Industry Co., Ltd. as the subsidiary of the Company was certified as High and New Technology Enterprise and the certificate with No. GR201311000576 was issued jointly by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation and Beijing Administration of Local Taxation. The certificate is valid for three years. Beijing Tianhai enjoys 15% provisional corporate income tax rate from January to June 2016.

On 5 December 2013, Beijing Tianhai Cryogenic Equipment Co., Ltd. as the subsidiary of the Company was certified as High and New Technology Enterprise and the certificate with No. GR 201311001531 was issued jointly by Beijing Science and Technology Commission, Beijing City Bureau of Finance, Beijing Administration of State Taxation and Beijing Administration of Local Taxation. The certificate is valid for three years. Beijing Jingcheng Compressor Co., Ltd. enjoys 15% provisional corporate income tax rate from January to June 2016.

### (4) Changes in taxation and taxation preferential policy

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

### (5) Tax

Item	Current period	Previous period
Current income tax	1,304,937.38	1,846,028.05
Deferred income tax	37,296.88	65,850.31
Total	1,342,234.26	1,911,878.36

## 3. Earnings per share

### (1) Basic earnings per share

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

Item	Current period	Previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company	-62,164,227.60	-47,824,744.93
Consolidated net profit attributable to the ordinary shareholders of the parent company (net of non-operating gains and loss)	-70,312,199.06	-65,371,188.26
The weighted average numbers of outstanding ordinary shares of the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	-0.15	-0.11
Basic earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.17	-0.15

The calculation of the weighted average number of basic EPS:

Item	Current period	Previous period
The beginning balance of outstanding ordinary shares	422,000,000.00	422,000,000.00
Adjustment of capital reserves transfer to the capital	0.00	0.00
The balance of outstanding ordinary shares at the end of the period	422,000,000.00	422,000,000.00

## SECTION 4 REPORT OF DIRECTORS

### (2) Diluted earnings per share

Item	Current period	Previous period
Adjusted consolidated net profit attributable to the basic shareholders of the parent company	-62,164,227.60	-47,824,744.93
Adjusted consolidated net profit attributable to the basic shareholders of the parent (net of non-operating gains and loss)	-70,312,199.06	-65,371,188.25
The adjusted weighted average numbers of outstanding common shares	422,000,000.00	422,000,000.00
Diluted earnings per share (Yuan/share)	-0.15	-0.11
Diluted earnings per share (Yuan/share) (net of non-operating gains and loss)	-0.17	-0.15

### 4. Share Capital

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

(Unit: RMB'000)

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

### 5. Dividends

No dividend was paid or proposed for the six months ended 30 June 2016, nor has any dividend been proposed since the end of the Reporting Period.

### 6. Contingent liabilities

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

## SECTION 4 REPORT OF DIRECTORS

### 7. Financial position analysis

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

#### *Liquidity and capital structure*

	<b>At the end of the period</b>	At the of the period beginning
(1) Gearing ratio	<b>45.23%</b>	44.65%
(2) Quick ratio	<b>60.91%</b>	61.44%
(3) Liquidity ratio	<b>106.02%</b>	110.76%

### 8. Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to strictly control the bank loan scale. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. In doing so, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB170,000,000, representing a decrease of 17.41% as compared with the beginning of the year. Long-term loan was nil.

### 9. Principal Sources of Fund and Its Use

#### **(1) Cash flows from operating activities**

The Company's cash inflows are mainly derived from the income of product sales during the Reporting Period. Cash outflow was mainly related to the production and operating activities. The Company's cash inflow from operating activities for the Reporting Period amounted to RMB320,882,900, while cash outflow amounted to RMB322,762,700. Net cash flow during the Reporting Period from operating activities amounted to RMB-1,879,800.

#### **(2) Cash flows from investment activities**

Cash inflow from investment activities during the Reporting Period amounted to RMB1,411,700 while cash outflow to investment activities amounted to RMB29,466,100, which was mainly used for capital expense on the purchase of fixed assets. Net cash flow from investment activities for the Reporting Period amounted to RMB-28,054,400.

#### **(3) Cash flows from fund-raising activities**

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB120,000,000, which was mainly derived from bank loans. Cash outflow to fund-raising activities during the Reporting Period being amounted to RMB166,519,800. Net cash flow from fund-raising activities for the Reporting Period amounted to RMB-46,519,800.

Net cash flow from operating activities during the current period decreased by RMB1,425,300 over the corresponding period for the last year, which was mainly due to the cash received from operating activities decreased. Net cash flow generated from the investment being decreased by RMB2,498,000 over last year was mainly attributable to the increase in cash payment for purchase of fixed assets for the year. Net cash flow generated from fundraising activities decreased by RMB60,748,300 over last year, which was mainly due to the borrowings decreased in for the year as compared to the same period in last year.

Net cash flow generated from operating activities for the year was RMB-1,879,800. Net profit for the year was RMB-81,277,400, which was mainly attributable to fundraising activities.

# SECTION 4 REPORT OF DIRECTORS

## 10. Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,071,469,900, of which, minority interests amounted to RMB419,570,700, and total liabilities amounted to RMB884,985,000. Total assets amounted to RMB1,956,544,900. As at the end of the Reporting Period, the Company's gearing ratio was 45.23%.

### Capital structure by liquidity

Total current liabilities	RMB747,284,300	Accounting for 38.20% of assets
Total equity interest attributable to shareholders	RMB1,071,469,900	Accounting for 54.77% of assets
of which: minority shareholders interests	RMB419,570,700	Accounting for 21.45% of assets

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

### (1) Number of employees:

Number of employees during the Reporting Period was 1,785.

### (2) Remunerations

Remunerations paid to employees during the period: RMB68,255,200.

### (3) Remuneration Policies

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

### (4) Training Plan

According to the Annual Training Program, a total of 76 training programs completed in the first half of 2016 with training of 951 staffs, number of training hours per staff reached 15.15 hours. According to the transition and upgrade requirements of the Company in the first half of the year, the production staff of the conventional products have gradually changed and reorganised their positions. The Company has organized the trainings in relation to the knowledge of special cryogenic products. The Company has also provided trainings for key staff. Training program in relation to changing position has also provided.

## 12. Pledged of Company's Assets or Mortgaged

During the Reporting Period, there was no pledged or mortgaged of the Company's assets.

## 13. Foreign Exchange Risk Management

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

## 14. Material Acquisitions and Disposals

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

# SECTION 5 IMPORTANT MATTERS

## I. MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

Applicable  Not Applicable

## II. BANKRUPTCY AND RESTRUCTURING RELATED MATTER

Applicable  Not Applicable

## III. EXCHANGE OF ASSETS AND MERGER OF COMPANIES MATTER

Applicable  Not Applicable

## IV. COMPANY SHARE INCENTIVE AND ITS EFFECT

Applicable  Not Applicable

## V. MATERIAL CONNECTED TRANSACTIONS

Applicable  Not Applicable

### (I) Connected transactions related to daily operation

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

Summary of matter	Index for enquiry
<p>Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, waived its right of first refusal under the Capital Increase Agreement of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., Jingguofa and Beiba Media intended to enter into the Equity Transfer and Swap Agreement with Jingcheng Holding, of which Jingguofa and Beiba Media intended to swap the Company's shares held by Jingcheng Holding with 31.26% and 30.23% equity interest in Minghui Tianhai, respectively. The transaction prices of 31.26% and 30.23% equity interest in Minghui Tianhai are RMB222,009,206.83 and RMB214,713,441.59, respectively.</p>	<p>For details, please refer to the announcements published on the website of the SSE (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) and the website of the Stock Exchange (<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>) on 27 January 2016 as well as on Shanghai Securities News and Securities Daily on 28 January 2016 in relation to connected transactions.</p>

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

The sixth meeting of the eighth session of the board of directors was held on 26 November 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. In order to ensure not to trigger the requirements of Takeovers Code in Hong Kong, on 3 February 2016, the sixteenth extraordinary meeting of the eighth session of the board of directors of the Company was held, at which the revised proposal and relevant resolutions were approved, and relevant announcement was published. On 30 June 2016, the eighth session of the board of directors of the Company convened the nineteenth extraordinary meeting, at which several resolutions have been passed, including the resolution in relation to "the Termination of the Assets Reorganisation" and the resolution in relation to "the Termination Agreement for Asset Purchase Agreement by Share Issuance and Payment in Cash entered into between Beijing Jincheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and the Termination Agreement for the Share Subscription Agreement entered into between Beijing Jincheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.". For details, please refer to the announcements published on Shanghai Stock Exchange at <http://www.sse.com.cn>; HKEx at <http://www.hkexnews.hk>; Shanghai Securities News and Securities Daily on 26 November 2015, 3 February 2016 and 30 June 2016.

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

Applicable  Not Applicable

## SECTION 5 IMPORTANT MATTERS

(II) **Connected transactions in relation to the acquisition or disposal of assets**

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

(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

## SECTION 5 IMPORTANT MATTERS

### (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	Provide funding to related party			Related party providing funding to listed company		
		Balance as of beginning of the period	Amount for the period	Balance as of end of the period	Balance as of beginning of the period	Amount for the period	Balance as of end of the period
Jiangsu Tianhai Special Equipment Co., Ltd	Joint venture	7,301,886.17	-1,894,562.34	5,407,323.83		783,500.00	783,500.00
Shandong Tianhai High Pressure Container Co., Ltd.	Joint venture	6,938,282.87	-6,330,514.92	607,767.95	2,056,366.20	-1,285,295.92	771,070.28
Beijing Jingcheng Industrial Logistics Co. Ltd.	Wholly-owned subsidiary of parent company				1,202,227.27		1,202,227.27
Jingcheng Holdings	Controlling shareholder				252,900,000.00	-2,500,000.00	250,400,000.00
Beijing First General Machinery Plant	Wholly-owned subsidiary of parent company				311,652.09	40,575.00	352,227.09
Tianjin Steel Pipe and Steel Trade Co., Ltd.	Other related party				38,407,665.90	-1,185,676.36	37,221,989.54
Tianjin TPCO Investment Co., Ltd.	Other related party				1,917,312.44	-213,108.91	1,704,203.53
Total		14,240,169.04	-8,225,077.26	6,015,091.78	296,795,223.90	-4,360,006.19	292,435,217.71
Amount of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)							0
Balance of the funding provided to the controlling shareholder and its subsidiaries by the Company during the Reporting Period (Yuan)							0
Reasons for occurrence of related creditor's right and debt transactions	Normal operation						
Settlement of connected debts and liabilities	Provision of funding to related party decreased by RMB8,225,100, and provision of funding by related party to listed company decreased by RMB4,360,000 during the Period.						
Commitment in relation to related creditors' rights and debts	None						
Effects of related creditors' rights and debts on the results of operation and the financial conditions of the Company	None						

## SECTION 5 IMPORTANT MATTERS

### (V) Others

As at 30 June 2016, the Group has entered into connected transactions with the following entities which were regarded as the connected person of the Company according to the Listing Rules.

- (1) Tianhai Seamless Investment Co., Ltd. ("Tianhai Seamless") is a controlling shareholder of Tianjin Tianhai High Pressure Containers Co., Ltd. ("Tianjin Tianhai") holding 45% interest in Tianjin Tianhai. Both Tianhai Seamless and Tianjin Pipe Steel Trade Co., Ltd. ("Tianjin Pipe") are the wholly-owned subsidiaries of Tianjin Pipe Group Co., Ltd. ("Tianjin Pipe Group"). Therefore, Tianjin Seamless is an associate of Tianjin Pipe and also a connected person of the Company.
- (2) Beijing Jingcheng Electric Management Co., Ltd. ("Asset Management Company") is a 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.

The details of the connected transaction and the continuing connected transaction for the year ended 30 June 2016 were set out below:

#### Connected transaction

1. On 15 January 2015, Beijing Tianhai Cryogenic Equipment Co., Ltd. ("Tianhai Cryogenic"), an indirect non-wholly owned subsidiary of the Company, as the transferee and Beijing Kerui Nike Science Trading Co., Ltd. ("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 100m<sup>3</sup>. 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 RMB20,000,000. 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 100m<sup>3</sup> to Tianhai Cryogenic. Kerui Nike guaranteed that the transfer of Cryogenic Tank Technology will be completed before 31 December 2019. After the technical information in relation to the cryogenic tank equipment with volume over 100m<sup>3</sup> 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 RMB4,000,000 each.

#### Continuing connected transactions

1. On 3 March 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 1 January 2014 to 31 December 2014 with a cap of RMB300,000,000. On 27 March 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 31 December 2014 to 3 years ending 31 December 2016. On 26 June 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.
2. On 3 March 2014, Asset Management Company (as lessor) and Tianhai Industrial (as lessee), a wholly-owned subsidiary of the Company, entered into a contract with respect to the lease of plants and equipment of Asset Management Company for certain plants and production facilities for a period of three years from 1 January 2014 to 31 December 2016. The annual rent is RMB680,000 and the rent for half a year is RMB340,000.

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.

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.



# SECTION 5 IMPORTANT MATTERS

## VI. CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

### (I) Trust, contracting and lease matters

Applicable  Not Applicable

#### (1) Trust

Applicable  Not Applicable

#### (2) Contract

Applicable  Not Applicable

#### (3) Lease

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount involved in lease of assets	Starting date of lease	Ending date of lease	Lease revenue	Defining base for lease revenue	Effect of lease revenue	Is it a connected transaction?	Relationship
Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.	Beijing Tianhai Industry Co., Ltd.	Factory and equipment	680,000.00						Yes	Wholly-owned subsidiary of parent company

Explanation on leases

Nil

### (II) Guarantee

Applicable  Not Applicable

### (III) Other material contracts or transactions

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

# SECTION 5 IMPORTANT MATTERS

## VII. FULFILLMENT OF COMMITMENTS

√ Applicable    □ Not Applicable

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

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

## SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	Whether strictly perform in a timely manner	
							If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes: "1. Within 30 days from the receipt of a notice on this matter of Material Asset Reorganisation of Beiren Holdings by the creditors of Beiren Holdings, within 45 days from the date of the first announcement on this matter of Material Asset Reorganisation of Beiren Holdings in case of nonreceipt of the notice, if they demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings has not repaid the liabilities or provided the security, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 2. If Beiren Holdings cannot reach the creditors, and for those creditors who have not expressed clear opinion after the receipt of the notice or the expiry of the notice period, if they have expressed clearly disagreement opinion before the completion of this Material Asset Reorganisation, and Beiren Holdings has not repaid the liabilities nor provided security upon their demand, the Company undertakes that it will bear the responsibilities of making early repayment of liabilities or providing security; 3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after the receipt of the notice or the expiry of the notice period, if after the completion of this Material Asset Reorganisation, the recipient of the Outgoing Assets cannot repay its liabilities, the company is in charge of the repayment. After the Company has been liable for guarantee responsibility and repayment responsibility, it has the right to seek repayment from the recipient of the Outgoing Assets."	Long term	Yes	Yes	As of the e date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company did not suffer from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking	
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes: "If, in the future, the production workshops of Tianhai Industrial in Mu Lin County is needed to be relocated due to real estate problems in delets of the lease, the Company will fully compensate in cash the Listed Company after the completion of this transaction for all the losses of Tianhai Industrial caused by the relocating process."	Long term	Yes	Yes		
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beijing 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. 京成股份 would no longer record such equity interest as a long term investment which means that all shareholder's rights (including but not limited to equity return, voting right and election right), obligations, risks and liabilities of shareholders under such equity interest have been enjoyed or assumed by Beiren Group and 京成股份 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 京成股份 as a result of lacking defensive power shall be actually taken by Jingcheng Holding."	Long term	Yes	Yes	Jingcheng Holding is performing its undertaking regarding the delivery of 17.01% equity interests in Beijing Beijing, the change has been completed on 18 December 2015, and it has not committed any act in violation of the undertaking	

## SECTION 5 IMPORTANT MATTERS

Undertaking Background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertaking related to the Material Asset Reorganisation	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and undertaken that if Beiren Group cannot repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provide guarantee. The Company is not suffering from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
Undertaking related to the Material Asset Reorganisation	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes when this reorganisation is implemented, if the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
Undertaking related to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Due to the unusual price fluctuations in domestic securities market, and the healthy development of the capital markets is closely related to the development of the state-owned enterprises and holding companies, in order to create a favorable market environment for enterprise reformation and development, protect the legitimate rights of all kinds of investors, Jingcheng Holding has undertaken not to dispose of any shares of the Company via the secondary market within 6 months, and intends to increase its shareholding in the Company after 6 months of the Company's shares resumed trading.	10 July 2015, 6 months after the shares of the Company resumed trading	Yes	Yes	Undertaking is not expired yet.	

# SECTION 5 IMPORTANT MATTERS

## VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Applicable  Not Applicable

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

Applicable  Not Applicable

## X. CONVERTIBLE BONDS

Applicable  Not Applicable

## XI. CORPORATE GOVERNANCE

During the Reporting Period, in order to further improve the incentive and restraint mechanism of the senior management of Beijing Jingcheng Machinery Electric Company Limited, achieve an organic integration of remuneration allocation, performance appraisal and the company results and shareholders' value, as well as enhancing the initiative on allocating staff and senior management, based on the Articles of Association, the Company made amendment on the "Management Measures on the Efficiency Assessment of Senior Management", and it was considered and approved at the eighth meeting of the eighth session of the Board and at the 2015 annual general meeting.

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

## XII. EXPLANATION ON OTHER IMPORTANT MATTERS

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

Applicable  Not Applicable

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

Applicable  Not Applicable

### (iii) Others

1. The applicable enterprise income tax rate for the Company for the Reporting Period was 25%.
2. The unaudited 2016 Interim Report of the Company has been reviewed by the audit committee under the Board of the Company.
3. The Company has been in compliance with the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange during the Reporting Period.
4. During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the six months ended 30 June 2016.
5. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.
6. There was no change in coverage of the consolidated statements as compared to the financial report for the previous year.

## SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (1) Statement of changes in shares

##### 1. Statement of changes in shares

	Before change		Increase and decrease (+,-) in change				After change		
	Amount	Proportion (%)	Issuance of new shares	Bonus issue	Conversion from reserves	Other	Subtotal	Amount	Proportion (%)
(I) Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including: Domestic non-state-owned legal person shares									
Domestic natural person shares									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
(II) Circulating shares not subject to trading moratorium	422,000,000	100						422,000,000	100
1. Renminbi ordinary shares	322,000,000	76.3						322,000,000	76.3
2. Foreign shares listed domestically	0	0						0	0
3. Foreign shares listed overseas	100,000,000	23.7						100,000,000	23.7
4. Others	0	0						0	0
(III) Total shares	422,000,000	100						422,000,000	100

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

There is no change in the number of ordinary shares and share capital structure of the Company.

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

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.

#### (2) Changes in trade-restricted shares

Applicable  Not Applicable

## SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### II. INFORMATION ABOUT SHAREHOLDERS

#### (i) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period 23,234 (in which: 23,168 holders of A shares, 66 holders of H shares)

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

Unit: share

##### Shareholding of top ten shareholders

Name of shareholder	Increase/ decrease during the reporting period	Shareholding as at the end of the period	Ratio (%)	Shareholdings subject to trading moratorium	Pledged or frozen Status	Numbers	Nature of shareholder
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	0	180,620,000	42.80	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	0	99,155,200	23.50	0	Unknown	-	Unknown
Bank Of Communications Co., Ltd. – Chang Xin Quantify the Mixed Type Securities Investment Fund (交通銀行股份有限公司–長信量化 先鋒混合型證券投資基金)	3,729,994	3,729,994	0.88	0	Unknown	-	Unknown
Zeng Youquan (曾佑泉)	84,200	1,768,774	0.42	0	Unknown	-	Unknown
Zhongrong International Trust Co., Ltd. – Zhongrong-Zheng Ying No.196 Security Investment and Capital Raising Trust Plan (中融國際信託有限公司–中融–證贏 196 號 證券投資集合資金信託計劃)	1,475,100	1,475,100	0.35	0	Unknown	-	Unknown
Zhang ping	1,051,242	1,051,242	0.25	0	Unknown	-	Unknown
Guo Xin	886,400	886,400	0.21	0	Unknown	-	Unknown
He yong	197,500	735,200	0.17	0	Unknown	-	Unknown
Hu Xiwen	710,200	710,200	0.17	0	Unknown	-	Unknown
Wang Xueli	700,028	700,028	0.17	0	Unknown	-	Unknown

## SECTION 6 CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

Name of shareholder	Number of Shares not subject to Trading Moratorium	Class and number of shares	
		Class	Number
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	180,620,000	RMB ordinary shares	180,620,000
HKSCC NOMINEES LIMITED	99,155,200	Foreign shares listed overseas	99,155,200
Bank Of Communications Co., Ltd. – Chang Xin Quantify the Mixed Type Securities Investment Fund (交通銀行股份有限公司—長信量化先鋒混合型證券投資基金)	3,729,994	RMB ordinary shares	3,729,994
Zeng Youquan (曾佑泉)	1,768,774	RMB ordinary shares	1,768,774
Zhongrong International Trust Co., Ltd. – Zhongrong-Zheng Ying No.196 Security Investment and Capital Raising Trust Plan (中融國際信託有限公司—中融—證贏196號證券投資集合資金信託計劃)	1,475,100	RMB ordinary shares	1,475,100
Zhang ping	1,051,242	RMB ordinary shares	1,051,242
Guo Xin	886,400	RMB ordinary shares	886,400
He yong	735,200	RMB ordinary shares	735,200
Hu Xiwen	710,200	RMB ordinary shares	710,200
Wang Xueli	700,028	RMB ordinary shares	700,028
Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders	As of the Reporting Period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.		
Explanation on preferred shareholders whose voting rights has resumed and their shareholdings	N/A		

**(iii) Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares**

Applicable  Not applicable

### III. CHANGES IN CONTROLLING SHAREHOLDERS AND BENEFICIAL CONTROLLER

Applicable  Not Applicable



## SECTION 7 INFORMATION ABOUT PREFERENCE SHARE

Applicable  Not Applicable

# SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## I. CHANGES IN SHAREHOLDING

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

Applicable  Not Applicable

Unit: share

Name	Position	Shareholdings at the beginning of the period	Shareholdings at the end of the period	Change in the amount of shareholdings during the Reporting Period	Reason for the change
Wang Jun	Chairman	0	0	0	
Chen Changge	Executive director, General Manager	0	0	0	
Li Junjie	Executive director	0	0	0	
Du Yuexi	Executive director	0	0	0	
Xia Zhonghua	Non-executive director	0	0	0	
Jin Chunyu	Non-executive director	0	0	0	
Fu Hongquan	Non-executive director	0	0	0	
Wu Yan	Independent non-executive director	43,001	43,001	0	
Liu Ning	Independent non-executive director	0	0	0	
Yang Xiaohui	Independent non-executive director	0	0	0	
Fan Yong	Independent non-executive director	0	0	0	
Chang Yun	Chairman of Supervisory Committee	0	0	0	
Liu Zhe	Supervisor	0	0	0	
Wang Yiqing	Supervisor	0	0	0	
Jiang Chi	Chief accountant and secretary to the Board	0	0	0	
Shi Fengwen	Chief engineer	0	0	0	

#### Explanation on other information

- (1) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 30 June 2016, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO), which was required to be recorded in the register under section 352 of the SFO, nor which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
- (2) None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2016.
- (3) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the Reporting Period, the Company had not engaged in any arrangement which would enable the directors or supervisors of the Company or their respective associates to acquire any interest in any shares or debt securities of the Company.

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

Applicable  Not Applicable

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable  Not Applicable

## III. OTHER EXPLANATION

NIL



## SECTION 9 CORPORATE BONDS

Applicable  Not Applicable

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET

30 June 2016

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

Unit: RMB

Item	Note	Ending Balances	Beginning Balance
<b>Current assets:</b>			
Monetary funds	VI.1	105,529,898.38	182,276,574.47
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	9,042,846.73	3,228,891.44
Accounts receivable	VI.3	310,091,318.73	273,293,153.87
Prepayments	VI.4	21,348,169.12	19,166,811.68
Insurance premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interests receivable			
Dividends receivable			
Other receivables	VI.5	6,178,333.80	1,776,665.84
Buying back the sale of financial assets			
Inventories	VI.6	337,102,337.11	390,738,839.19
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VI.7	2,964,494.19	7,082,519.02
<b>Total current assets</b>		<b>792,257,398.06</b>	<b>877,563,455.51</b>
<b>Non-current assets:</b>			
Loans and advances offered			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI.8	70,776,548.38	68,362,103.21
Investment real estate			
Fixed assets	VI.9	920,309,981.73	960,308,435.85
Projects under construction	VI.10	12,243,410.85	8,037,077.84
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.11	153,851,956.47	156,100,837.99
Development expenditures			
Goodwill	VI.12	6,562,344.06	6,562,344.06
Long-term deferred expenses	VI.13	213,198.72	280,524.60
Deferred tax assets	VI.14	240,033.85	277,330.73
Other non-current assets			
<b>Total non-current assets</b>		<b>1,164,197,474.06</b>	<b>1,199,928,654.28</b>
<b>Total assets</b>		<b>1,956,454,872.12</b>	<b>2,077,492,109.79</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2016

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

Unit: RMB

Item	Note	Ending Balances	Beginning Balance
<b>Current liabilities:</b>			
Short-term borrowings	VI.15	170,000,000.00	205,844,240.00
Borrowings from the Central Bank			
Deposit taking and interbank placements			
Borrowing funds			
Financial liabilities measured at fair value through profit or loss in the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable	VI.16	393,527,663.23	398,349,980.01
Accounts received in advance	VI.17	23,104,025.28	29,870,362.75
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	VI.18	17,869,040.35	22,674,924.84
Taxes payable	VI.19	-43,410,003.27	-42,085,395.89
Interests payable	VI.20		74,800.00
Dividends payable			
Other payables	VI.21	175,193,575.04	166,579,358.42
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.22	11,000,000.00	11,000,000.00
Other current liabilities			
<b>Total current liabilities</b>		<b>747,284,300.63</b>	<b>792,308,270.13</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred share			
Perpetual bond			
Long-term payables	VI.23	33,800,649.71	31,310,282.67
Long-term payroll payable	VI.24	103,900,000.00	103,900,000.00
Special payables			
Estimated liabilities			
Deferred incomes			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>137,700,649.71</b>	<b>135,210,282.67</b>
<b>Total liabilities</b>		<b>884,984,950.34</b>	<b>927,518,552.80</b>
<b>Owner's equity:</b>			
Capital stock	VI.25	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred share			
Perpetual bond			
Capital reserves	VI.26	683,803,181.69	683,803,181.69
Less: treasury share			
Other comprehensive incomes	VI.27	2,468,904.13	1,068,547.60
Special reserves			
Surplus reserves	VI.28	45,665,647.68	45,665,647.68
General risk provision			
Undistributed profits	VI.29	-502,038,532.02	-439,874,304.42
<b>Total equity attributable to the shareholders of parent company</b>		<b>651,899,201.48</b>	<b>712,663,072.55</b>
Minority interest	VI.30	419,570,720.30	437,310,484.44
<b>Total shareholder's equity</b>		<b>1,071,469,921.78</b>	<b>1,149,973,556.99</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,956,454,872.12</b>	<b>2,077,492,109.79</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S BALANCE SHEET

30 June 2016

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

Unit: RMB

Item	Note	Ending Balances	Beginning Balance
<b>Current assets:</b>			
Monetary funds	XVI.1	1,281,713.98	4,152,554.89
Financial assets measured at fair value with their variance included in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Prepayments			
Interests receivable	XVI.2	15,873,854.49	15,034,062.82
Dividends receivable			
Other receivables	XVI.3	342,716,780.50	342,700,000.00
Inventories			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>359,872,348.97</b>	<b>361,886,617.71</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI.4	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			
<b>Total non-current assets</b>		<b>694,842,724.41</b>	<b>694,842,724.41</b>
<b>Total assets</b>		<b>1,054,715,073.38</b>	<b>1,056,729,342.12</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S BALANCE SHEET (CONTINUED)

30 June 2016

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

Unit: RMB

Item	Note	Ending Balances	Beginning Balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities measured at fair value through profit or loss in the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance			
Payroll payable	XVI.5	310,409.00	1,750,000.00
Taxes payable	XVI.6	-62,814.38	254,990.45
Interests payable			
Dividends payable			
Other payables	XVI.7	6,848,873.83	4,312,825.50
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>7,096,468.45</b>	<b>6,317,815.95</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred share			
Perpetual bond			
Long-term payables			
Long-term payroll payable			
Special payables			
Estimated liabilities			
Deferred incomes			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>7,096,468.45</b>	<b>6,317,815.95</b>
<b>Owner's equity:</b>			
Capital stock	XVI.8	422,000,000.00	422,000,000.00
Other equity instruments			
Including: preferred share			
Perpetual bond			
Capital reserves	XVI.9	666,639,987.85	666,639,987.85
Less: treasury share			
Other comprehensive incomes			
Special reserves			
Surplus reserves	XVI.10	38,071,282.24	38,071,282.24
Undistributed profits	XVI.11	-79,092,665.16	-76,299,743.92
<b>Total shareholder's equity</b>		<b>1,047,618,604.93</b>	<b>1,050,411,526.17</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,054,715,073.38</b>	<b>1,056,729,342.12</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED INCOME STATEMENT

January – June 2016

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

Unit: RMB

Item	Note	Amount Incurred in Current Period	Amount Incurred in Prior Period
<b>I. Total operating income</b>		<b>485,074,778.92</b>	598,184,100.98
Including: operating income	VI.34	485,074,778.92	598,184,100.98
Interest income			
Earned premium			
Handling charges and commission income			
<b>II. Total operating cost</b>		<b>577,345,492.95</b>	675,847,739.48
Including: operating cost	VI.34	458,962,623.15	563,222,411.06
Interest expenditure			
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.35	2,352,420.20	4,488,362.24
Selling expenses	VI.36	30,334,796.09	28,422,048.37
Administrative expenses	VI.37	64,377,046.08	62,401,704.51
Financial expenses	VI.38	8,676,593.25	9,895,752.83
Loss from asset impairment	VI.39	12,642,014.18	7,417,460.47
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-")	VI.40	2,414,445.17	-4,629,510.77
Including: income from investment in associates and joint ventures		2,414,445.17	-4,629,510.77
Exchange income (loss to be listed with "-")			
<b>III. Operating profits (losses to be listed with "-")</b>		<b>-89,856,268.86</b>	-82,293,149.27
Add: non-operating incomes	VI.41	10,007,222.20	18,587,326.24
Including: gains from disposal of non-current assets		598,517.22	18,474,414.24
Less: non-operating expenses	VI.42	86,136.79	1,157,160.65
Including: losses from disposal of non-current assets		68,525.43	134,864.96
<b>IV. Total profits (total losses to be listed with "-")</b>		<b>-79,935,183.45</b>	-64,862,983.68
Less: income tax expenses	VI.43	1,342,234.26	1,911,878.36
<b>V. Net profits (net loss to be listed with "-")</b>		<b>-81,277,417.71</b>	-66,774,862.04
Net profit attributable to shareholders of parent company		-62,164,227.60	-47,824,744.93
Minority interest income		-19,113,190.11	-18,950,117.11
<b>VI. Net amount of other comprehensive income after tax</b>	VI.48	<b>2,773,782.50</b>	-27,744.54
Net of tax of other comprehensive income attributable to the owners of parent company		1,400,356.53	-13,653.95
(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 to profit or loss in future		1,400,356.53	-13,653.95
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		1,400,356.53	-13,653.95
Net of tax of other consolidated income attributable to the minority shareholders		1,373,425.97	-14,090.59
<b>VII. Total comprehensive income</b>		<b>-78,503,635.21</b>	-66,802,606.58
Total comprehensive income attributable to the shareholders of parent company		-60,763,871.07	-47,838,398.88
Total comprehensive income attributable to the minority shareholders		-17,739,764.14	-18,964,207.70
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share	VI.47	-0.15	-0.11
(II) Diluted earnings per share	VI.47	-0.15	-0.11

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi



# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S INCOME STATEMENT

January – June 2016

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

Unit: RMB

Item	Note	Amount Incurred in Current Period	Amount Incurred in Prior Period
<b>I. Business incomes</b>	XVI.12	<b>708,789.32</b>	1,079,002.31
Less: operating costs	XVI.12		
Business taxes and surcharges		<b>1,908.20</b>	59,795.55
Selling expenses			
Administrative expenses		<b>3,506,351.81</b>	7,614,406.98
Financial expenses		<b>-6,718.95</b>	-19,788.10
Loss from asset impairment		<b>169.50</b>	
Add: incomes from changes in fair value (losses to be listed with "-")			
Investment incomes (losses to be listed with "-")			
Including: income from investment in associates and joint ventures			
<b>II. Operating profit (loss to be listed with "-")</b>		<b>-2,792,921.24</b>	-6,575,412.12
Add: non-operating incomes			
Including: gains from disposal of non-current assets			
Less: non-operating expenses			
Including: losses from disposal of non-current assets			
<b>III. Total profit (total loss to be listed with "-")</b>		<b>-2,792,921.24</b>	-6,575,412.12
Less: income tax expenses			
<b>IV. Net profit (net loss to be listed with "-")</b>		<b>-2,792,921.24</b>	-6,575,412.12
<b>V. Net of tax of other comprehensive income</b>			
(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 to 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			
<b>VI. Total comprehensive income</b>		<b>-2,792,921.24</b>	-6,575,412.12

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT

January – June 2016

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

Unit: RMB

Item	Note	Amount Incurred in Current Period	Amount Incurred in Prior Period
<b>I. Cash flow generated from operating activities</b>			
Cash received from sales of goods or rendering of services		292,645,356.19	324,943,592.84
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 from interests, handling charges and commissions			
Net increase in funds borrowed			
Net increase in repurchase business funds			
Refund of taxes and surcharges		10,223,011.22	8,316,283.18
Other received cash related to operating activities	VI.49	18,014,491.71	35,188,079.88
<b>Subtotal of cash inflows from operating activities</b>		<b>320,882,859.12</b>	<b>368,447,955.90</b>
Cash paid for goods and services		138,291,643.70	194,877,238.01
Net increase in loans and advances to customer			
Net increase in deposits in the Central Bank and other banks			
Cash paid for compensation under original insurance contract			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		103,175,755.92	95,792,184.19
Tax payments		34,461,351.56	33,688,281.46
Other paid cash related to operating activities	VI.49	46,833,949.37	44,544,791.02
<b>Subtotal of cash outflows from operating activities</b>		<b>322,762,700.55</b>	<b>368,902,494.68</b>
<b>Net cash flows from operating activities</b>		<b>-1,879,841.43</b>	<b>-454,538.78</b>
<b>II. Cash flow generated from investing activities:</b>			
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		1,411,693.13	1,950,000.00
Net cash received from disposal of subsidiaries and other business entities			
Other received cash related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>		<b>1,411,693.13</b>	<b>1,950,000.00</b>
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		29,466,129.02	27,506,471.33
Cash paid for investments			
Net increase in pledge loans			
Net cash paid for acquisitions of subsidiaries and other business entities			
Other cash paid related to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>29,466,129.02</b>	<b>27,506,471.33</b>
<b>Net cash flow from investing activities</b>		<b>-28,054,435.89</b>	<b>-25,556,471.33</b>

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2016

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

Unit: RMB

Item	Note	Amount Incurred in Current Period	Amount Incurred in Prior Period
<b>III. Cash flow generated from financing activities:</b>			
Cash received from absorbing investments			
Including: cash received by subsidiaries in absorbing investment of minority shareholders			
Cash received from loans		120,000,000.00	245,389,798.30
Cash received from issuing bonds			
Other cash received related to financing activities			
<b>Subtotal of cash inflows from financing activities</b>		<b>120,000,000.00</b>	<b>245,389,798.30</b>
Cash paid for debt repayment			
Cash payments for interest expenses and distribution of dividends or profits		155,906,160.00	218,051,050.00
Including: dividends and profits paid to minority shareholders by subsidiary		8,113,630.14	13,110,192.29
Other cash paid related to financing activities	VI.49	2,500,000.00	
Subtotal of cash outflows from financing activities		166,519,790.14	231,161,242.29
Net cash flows from financing activities		-46,519,790.14	14,228,556.01
<b>IV. Effect of fluctuations in exchange rate on cash and cash equivalents</b>			
		<b>1,207,391.37</b>	<b>1,758,064.93</b>
<b>V. Net increase in cash and cash equivalents</b>			
Add: beginning balance of cash and cash equivalents	VI.49	-75,246,676.09	-10,024,389.17
	VI.49	175,776,574.47	125,462,823.33
<b>VI. Ending balance of cash and cash equivalents</b>			
	VI.49	<b>100,529,898.38</b>	<b>115,438,434.16</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## PARENT COMPANY'S CASH FLOW STATEMENT

January – June 2016

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

Unit: RMB

Item	Note	Amount Incurred in Current Period	Amount Incurred in Prior Period
<b>I. Cash flow generated from operating activities</b>			
Cash received from sales of goods or rendering of services			
Refunds of taxes			
Other cash received related to operating activities	XVI.13	734,994.31	1,183,754.52
<b>Subtotal of cash inflows from operating activities</b>		<b>734,994.31</b>	<b>1,183,754.52</b>
Cash paid for goods and services			
Cash paid to and on behalf of employees		478,732.82	768,115.38
Tax payments		742,284.84	1,226,442.66
Other cash paid related to operating activities	XVI.13	2,384,817.56	2,272,249.04
<b>Subtotal of cash outflows from operating activities</b>		<b>3,605,835.22</b>	<b>4,266,807.08</b>
<b>Net cash flows from operating activities</b>		<b>-2,870,840.91</b>	<b>-3,083,052.56</b>
<b>II. Cash flows from investing activities:</b>			
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			
Other cash received related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>			
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			
<b>Subtotal of cash outflow from investing activities</b>			
<b>Net cash flow from investing activities</b>			
<b>III. Cash flows generated from financing activities:</b>			
Cash received from absorbing investments			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash received related to financing activities			
<b>Subtotal of cash inflows from financing activities</b>			
Cash paid for debt repayment			
Cash paid for distribution of dividends and profits or for interests			
Other cash paid related to financing activities			
<b>Subtotal of cash outflows from financing activities</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Effect of fluctuations in exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-2,870,840.91</b>	<b>-3,083,052.56</b>
Add: beginning balance of cash and cash equivalents	XVI.13	4,152,554.89	11,915,900.48
<b>VI. Ending balance of cash and cash equivalents</b>	XVI.13	<b>1,281,713.98</b>	<b>8,832,847.92</b>

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

January – June 2016

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

Unit: RMB

Item	Current Period													
	Equity attributable to shareholders of the parent company													
	Capital stock	Other equity instruments			Capital reserves	Less treasury share	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Minority interest	Total owner's equity	
	preferred share	Perpetual bond	Others											
<b>I. Ending balance of the previous period</b>	422,000,000.00				683,883,181.69			1,088,547.60		45,665,647.68		-438,874,304.42	437,310,484.44	1,148,973,556.99
Plus: changes in accounting policies														
Corrections of prior period accounting errors														
Business merger under the same control														
Others														
<b>II. Beginning balance of the current period</b>	422,000,000.00				683,883,181.69			1,088,547.60		45,665,647.68		-438,874,304.42	437,310,484.44	1,148,973,556.99
<b>III. Increase/decrease of the current period (decrease to be listed with "-")</b>														
(I) Total comprehensive income								1,400,266.53				-62,164,227.60	-17,738,764.14	-78,503,625.21
(II) Invested and decreased capital of shareholders														
1. Shareholder's common share														
2. Capital contributed by holders of other equity instruments														
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 provision														
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 period														
2. Amount used in current period														
(VI) Others														
<b>IV. Ending balance of the current period</b>	422,000,000.00				683,883,181.69			2,488,814.13		45,665,647.68		-500,038,532.02	419,570,720.30	1,071,469,931.78

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (CONTINUED)

January – June 2016

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

Unit: RMB

Item	Previous Period												
	Equity attributable to shareholders of the parent company												
	Capital stock	Other equity instruments			Capital reserves	Less treasury share	Other comprehensive incomes	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Minority interest	Total owner's equity
<b>I. Ending balance of the previous period</b>	422,000,000.00				683,803,181.69		118,733.00		45,665,647.68		-332,056,930.86	525,228,692.85	1,444,739,324.36
Add: changes in accounting policies													
Corrections of prior period accounting errors													
Business merger under common control													
Others													
<b>II. Beginning balance of the current period</b>	422,000,000.00				683,803,181.69		118,733.00		45,665,647.68		-332,056,930.86	525,228,692.85	1,444,739,324.36
<b>III. Increase/decrease of the current period (decrease to be listed with "-")</b>													
(I) Total comprehensive income									-13,633.95		-47,824,744.93	-18,964,207.70	-66,802,616.58
(II) Invested and decreased capital of shareholders									-13,633.95		-47,824,744.93	-18,964,207.70	-66,802,616.58
1. Shareholder's common share													
2. Capital contributed by holders of other equity instruments													
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 provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal transfer 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 period													
2. Amount used in current period													
(VI) Others													
<b>IV. Ending balance of the current period</b>	422,000,000.00				683,803,181.69		105,079.05		45,665,647.68		-279,881,675.79	506,264,485.15	1,377,936,717.78

Legal Representative: Wang Jun

Chief Financial Controller: Chen Changge

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

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

January – June 2016

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

Unit: RMB

Item	Current Period										
	Capital stock	Other equity instruments			Capital reserves	Less treasury share	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owner's equities
		Preferred share	Peepetal bond	Others							
<b>I. Ending balance of the previous period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-76,299,743.92	1,050,411,526.17
Add: changes in accounting policies											
Correctors of prior period accounting errors											
Others											
<b>I. Beginning balance of the current period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-76,299,743.92	1,050,411,526.17
<b>II. Increase/Decrease of the current period (Decrease to be listed with "-")</b>											
(I) Total comprehensive income										-2,793,921.24	-2,793,921.24
										-2,793,921.24	-2,793,921.24
(II) Invested and decreased capital of shareholders											
1. Shareholder's common share											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholder's interest											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to the shareholders											
3. Others											
(IV) Internal camover 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 period											
2. Amount used in current period											
(VI) Others											
<b>IV. Ending balance of the current period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-79,093,665.16	1,046,618,604.93

Legal Representative: Wang Jun

Chief Financial Controller: Chen Change

Finance Manager: Jiang Chi

# SECTION 10 FINANCIAL REPORT

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

January – June 2016

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

Unit: RMB

Item	Previous Period										
	Capital stock	Preferred share	Other equity instruments		Capital reserves	Less treasury share	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total owner's equities
			Prepaid bond	Others							
<b>I. Ending balance of the previous period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-77,580,454.28	1,048,130,815.61
Add: changes in accounting policies											
Correctors of prior period accounting errors											
Others											
<b>I. Beginning balance of the current period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-77,580,454.28	1,048,130,815.61
<b>II. Increase/decrease of the current period (decrease to be listed with "-")</b>											
(I) Total comprehensive income										-6,575,412.12	-6,575,412.12
										-6,575,412.12	-6,575,412.12
(II) Invested and decreased capital of shareholders											
1. Shareholder's common share											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in shareholder's interest											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to the shareholders											
3. Others											
(IV) Internal camover 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 period											
2. Amount used in current period											
(VI) Others											
<b>IV. Ending balance of the current period</b>	422,000,000.00				666,639,907.05				38,071,282.24	-84,155,866.40	1,042,555,463.69

Legal Representative: Wang Jun

Chief Financial Controller: Chen Change

Finance Manager: Jiang Chi



# SECTION 10 FINANCIAL REPORT

## 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 13 July 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 16 July 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 16 May 2001 and 11 June 2002 as well as the approval of document ZJFZ [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 RMB1 during the period from 26 December 2002 to 7 January 2003. After issuing of additional shares, the Company has 422,000,000 shares in total, among which 250,000,000 are 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 RMB1.

According to the “Reply on Issues Concerning the Share Segregation Reform of Beiren Printing Machinery Holding Company Limited” (JGZQ [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 29 March 2006.

Beiren Group Corporation sold 21,000,000 unconditioned circulating shares through the Bulk Exchange Platform of Shanghai Stock Exchange on 6 January 2010 and 7 January 2010. On 2 December 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 31 December 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 Holding Company 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 16 June 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 1 September 2012. The Company received the *Shanghai Branch Registrar Confirmation Letter of the China Securities Depository and Clearing Limited Company* on 7 December 2012. Thus the relevant process has been completed.

In 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 26 September 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 31 October 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.

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

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 6 May 2015, 13 May 2015 and 14 May 2015. By 30 June 2016, Jingcheng Holding held 180,620,000 unconditioned circulating A shares of the Company, accounting for 42.80% of the total equity.

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.

# SECTION 10 FINANCIAL REPORT

## 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.

See relevant contents of "VII. Changes in consolidation scope" and "VIII. Interests in other entities" in the Notes for details.

## 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 from January to June 2016 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 30 June 2016.

### 2. Accounting year

An accounting year runs from 1 January to 31 December.

### 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.

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

The assets and liabilities acquired by the Group, as the merging party, in the business merger under the same 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 that of the paid merger consideration 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 at 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 Group on the acquisition date for acquiring control over the acquiree, and all costs directly related to the business merger. Where the merging costs are greater than the share of fair value of identifiable net assets acquired from the acquiree in the business merger, the difference thereof is recognized as goodwill. Where the merging costs are less than the share of fair value of identifiable net assets acquired from the acquiree in the 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 share of fair value of net identifiable assets acquired from the acquiree in the business merger, the difference is included in current non-operating income.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6. Preparation method of consolidated financial statements

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

During preparation of consolidated financial statements, in the event that accounting policy or accounting period adopted by subsidiaries 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 within the scope of consolidation shall be set off during preparation of consolidated financial statements. The share of subsidiary owner's equity not attributable to the parent company and the share 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 the same 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 previous 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 Group 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 projects, the Group, as a joint operation party, recognizes the assets held and the liabilities assumed solely, assets held and liabilities assumed as per the share, as well as the relevant income and expenses solely or as per the share 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 refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and strong liquidity, and is easily convertible to known amounts of cash and subject to low value change risk.

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

#### (1) Foreign currency transaction

The amount of transactions in foreign currency shall be converted into that in RMB at the spot exchange rate on the transaction date.

Monetary items calculated in foreign currency in the balance sheet are converted into RMB at the spot exchange rate on the balance sheet date; the exchange balance is directly included in current profits and losses, except the disposal of exchange balance that is formed by foreign currency borrowings borrowed for acquiring or constructing assets eligible for capitalization as per capitalization principle. The foreign currency non-monetary items measured at historical cost are still measured by using the amount in recording currency converted at 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 when the fair value is recognized. The conversion 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 foreign currency balance sheets shall be converted at the spot exchange rate on the balance sheet date, owner's equity items excluding "undistributed profit" at the spot exchange rate at the time of transaction, and the income and expenditure items in the income statement at the average exchange rate of the current period. The difference arising from the above conversion shall be listed in other comprehensive income items. Foreign currency cash flow shall be converted at the average exchange rate of the current period. The amount of effect of exchange rate fluctuations on cash and cash equivalents shall be separately listed in the cash flow statement.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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, 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 Group has clear intention and capability to hold to 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 risk or reward on the financial asset ownership, if the control over the financial assets is not waived, relevant financial assets should be recognized according to the extent to which they are involved in the transferred financial assets, and relevant liabilities should be recognized correspondingly.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the 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.

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

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

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial assets and financial liabilities (Continued)

#### (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 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.

##### 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 inputs for measuring the fair value are divided into three levels: the inputs for Level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for Level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for Level 1, and the inputs for Level 3 are the inputs that are unobservable for relevant assets or liabilities.

The Group gives priority to the inputs for Level 1 and the inputs for level 3 are the last to consider. The lowest level that has significant impact on the overall fair value measurement determines which level this fair value measurement 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 conditions 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 indicating that the receivables cannot be recovered or can barely be recovered.

The Company applies the allowance method for the accounting of potential bad debt loss and performs separate or combined impairment test at the end of the period, 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 by portfolio.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Bad debt provision for receivables (Continued)

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

Judgment basis or amount standard for determining a significant single amount	Regard receivables with a single amount of over RMB5 million as significant receivables
Drawing method for receivables with significant single amount and drawn bad debt provision on single item	The provision for 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 portfolio (aging analysis method)

Account age portfolio Drawing of bad debt provision by aging analysis

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 portfolio not reflecting risk features of the receivables
Drawing method for bad debts provision	The provision for 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 subject 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 held for sale

The Group classifies assets meeting the following conditions as assets held 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; and such transfer will be completed within one year.

### 14. Long-term equity investments

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

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

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Long-term equity investments (Continued)

It is generally considered that the Group, when holding, directly or indirectly 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 Group 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 the same control, the share 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 associates and joint ventures.

For long-term equity investments subsequently calculated by the cost method, 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 income in accordance with the amount to enjoy.

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 share of net profit to enjoy in the invested entity, the Group will adjust and recognize the net profits of invested entity based on the fair value of identifiable assets in 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 joint ventures and associates and by calculating the share attributable to the investing enterprise based on the shareholding proportion.

For the disposal of long-term equity investment, the difference between the book value and actually obtained price shall be included in current investment income. 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.

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

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

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

### 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 eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities 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 of unused borrowings 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 investments contract or agreements. In case the specified value of the contracts or agreements is not fair, the assets are measured at fair value.



# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Intangible assets (Continued)

Land use right shall be amortized from the date of transfer on an average basis for the term of transfer. Patented technology, non-patented technology and other intangible assets shall be 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. The amount of amortization shall be included in relevant asset costs and current profits and losses according to beneficiaries. 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.

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 associates 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 a single asset, the recoverable amount shall be determined as per the asset group to which the single asset belongs. An asset group is the smallest asset portfolio 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 portfolio of asset groups which is expected to benefit from the synergy of business merger. If the recoverable amount of the asset group or the portfolio 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 portfolio 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 portfolio 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.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 22. Payroll

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

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

On each balance sheet date and 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.

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

#### (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 (RMB1).

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 paying off such liabilities on the balance sheet date.

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

# SECTION 10 FINANCIAL REPORT

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Lease

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 of financial lease, 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. Segment information

The Group determines the operating segments on the basis of internal organization structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes.

An operating segment is a component of the Group and satisfies all of the following conditions: it is able to create revenue and incur expenses from ordinary business activities; its operating results can be regularly reviewed by the Group's management for making decision about resources to be allocated and to assess its performance; and for which the accounting information on the financial position, operating results and cash flow of these components is available to the Group. Two or more operating segments can be aggregated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

### 30. Change in significant accounting policies and accounting estimates

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

# SECTION 10 FINANCIAL REPORT

## V. TAXES

### 1. Main taxes and tax rates

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

### 2. Tax preference

On 11 November 2013, Beijing Tianhai Industry Co., Ltd. as 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 the period from January to June 2016.

On 5 December 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 the period from January to June 2016.

# SECTION 10 FINANCIAL REPORT

## VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

Unless specially noted, among the following disclosed data in the financial statements, “beginning of the period” refers to 1 January 2016; “end of the period” refers to 30 June 2016; “current period” runs from 1 January 2016 to 30 June 2016; “previous period” runs from 1 January 2015 to 30 June 2015; and the monetary unit is RMB.

### 1. Monetary funds

Item	End. Balance	Beg. Balance
Cash	112,128.14	65,972.56
Bank deposit	100,417,770.24	175,710,601.91
Other monetary funds	5,000,000.00	6,500,000.00
<b>Total</b>	<b>105,529,898.38</b>	<b>182,276,574.47</b>
Including: total amount deposited abroad	17,126,608.65	11,012,062.02

The balance of other monetary funds is RMB5,000,000.00 of bank acceptance bill deposit.

### 2. Notes receivable

#### (1) Category

Category	End. Balance	Beg. Balance
Bank acceptance bill	9,042,846.73	3,228,891.44

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

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

Item	Ending Derecognized Amount	Ending Non-derecognized Amount
Bank acceptance bill	56,736,146.14	0.00

### 3. Accounts receivable

Item	End. Balance	Beg. Balance
Accounts receivable	332,584,887.18	288,885,774.81
Less: provision for bad debt	22,493,568.45	15,592,620.94
<b>Net amount</b>	<b>310,091,318.73</b>	<b>273,293,153.87</b>

#### (1) Aging analysis of accounts receivable

Account Age	End. Balance	Beg. Balance
Within 1 year	236,700,975.06	213,010,960.72
1-2 years	46,188,983.25	45,006,024.98
2-3 years	23,182,463.24	12,631,718.15
3-4 years	3,128,488.58	2,605,221.90
4-5 years	890,408.60	39,228.12
More than 5 years	0.00	0.00
<b>Net amount</b>	<b>310,091,318.73</b>	<b>273,293,153.87</b>

## SECTION 10 FINANCIAL REPORT

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

#### 3. Accounts receivable (Continued)

##### (2) Classification of accounts receivable by risk

Category	End. Balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Accounts receivable with significant single amount and drawn bad debt provision on single item	0.00	0.00	0.00	0.00	0.00
Accounts receivable with bad debt provision drawn by portfolio of credit risk features	332,584,887.18	100.00	22,493,568.45	6.76	310,091,318.73
Account age portfolio	332,584,887.18	100.00	22,493,568.45	6.76	310,091,318.73
Accounts receivable with insignificant single amount but drawn bad debt provision on single item	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>332,584,887.18</b>	<b>100.00</b>	<b>22,493,568.45</b>	<b>—</b>	<b>310,091,318.73</b>

(Continued)

Category	Beg. Balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Accounts receivable with significant single amount and drawn bad debt provision on single item	0.00	0.00	0.00	0.00	0.00
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 portfolio	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	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>288,885,774.81</b>	<b>100.00</b>	<b>15,592,620.94</b>	<b>—</b>	<b>273,293,153.87</b>

##### 1) In portfolio, accounts receivable with provision for bad debt drawn by aging analysis

Account Age	Accounts receivable	End. Balance Bad debt provision	Drawing proportion (%)
Within 1 year	239,091,894.00	2,390,918.94	1.00
1-2 years	51,321,092.72	5,132,109.47	10.00
2-3 years	28,978,079.05	5,795,615.81	20.00
3-4 years	6,256,977.15	3,128,488.57	50.00
4-5 years	4,452,043.00	3,561,634.40	80.00
More than 5 years	2,484,801.26	2,484,801.26	100.00
<b>Total</b>	<b>332,584,887.18</b>	<b>22,493,568.45</b>	<b>—</b>

# SECTION 10 FINANCIAL REPORT

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

### 3. Accounts receivable (Continued)

#### (3) Drawing and reversal (or recovery) of provision for bad debt in the current period

RMB6,900,947.51 of provision for bad debt is drawn in the current period, with the exchange rate influence being RMB2,810.71.

(4) There is no accounts receivable actually written off during the current period.

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

Name	End. Balance	Account Age	Proportion in Total End. Balance of Accounts Receivable (%)	End. Balance of Bad Debt Provision
Shanghai Qigao Industry and Trade Co., Ltd.	8,293,598.55	0-2 years	2.49	204,839.21
Shiyao Junwang Industry and Trade Co., Ltd.	7,886,600.00	Within 1 year	2.37	78,866.00
Chengdu Huaqi Houpu Holding Co., Ltd.	7,593,604.09	Within 1 year	2.28	75,936.04
Shanxi Jingcheng Electromechanical Equipment Co., Ltd.	5,859,532.73	0-4 years	1.76	1,657,079.07
Dayun Automobile Co., Ltd.	5,771,017.04	Within 1 year	1.74	57,710.17
<b>Total</b>	<b>35,404,352.41</b>	-	<b>10.64</b>	<b>2,074,430.49</b>

### 4. Prepayments

#### (1) Age of prepayment

Item	End. Balance		Beg. Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	19,417,892.11	90.96	16,644,522.81	86.84
1-2 years	1,187,567.22	5.56	1,434,743.97	7.49
2-3 years	122,259.38	0.57	161,344.00	0.84
More than 3 years	620,450.41	2.91	926,200.90	4.83
<b>Total</b>	<b>21,348,169.12</b>	<b>100.00</b>	<b>19,166,811.68</b>	<b>100.00</b>

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

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

Name	End. Balance	Account Age	Proportion in Total End. Balance of Payments (%)
Tianjin Taigang Daming Metal Product Co., Ltd.	4,278,684.25	Within 1 year	20.04
Tianjin Tianbao Electric Power Co., Ltd.	1,822,357.11	Within 1 year	8.54
Langfang XinAo Gas Co., Ltd.	1,000,000.00	Within 1 year	4.68
E-Touch International Logistics Co., Ltd.	957,935.65	Within 1 year	4.49
Tianjin Runde Zhongtian Electromechanical Equipment Co., Ltd.	911,720.48	Within 1 year	4.27
<b>Total</b>	<b>8,970,697.49</b>	-	<b>42.02</b>



# SECTION 10 FINANCIAL REPORT

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

### 5. Other receivables

Item	End. Balance	Beg. Balance
Other receivables	7,615,730.69	3,159,295.79
Less: provision for bad debt	1,437,396.89	1,382,629.95
Net amount	6,178,333.80	1,776,665.84

#### (1) Aging analysis of other accounts receivable

Account Age	End. Balance	Beg. Balance
Within 1 year	5,774,688.90	1,363,056.15
1-2 years	326,746.86	370,361.79
2-3 years	68,186.79	43,163.9
3-4 years	8,711.25	0.00
4-5 years	0.00	84.00
More than 5 years	0.00	0.00
Net amount	6,178,333.80	1,776,665.84

#### (2) Classification of other receivables

Category	End. Balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item	0.00	0.00	0.00	0.00	0.00
Other receivable with bad debt provision drawn by portfolio of credit risk features	7,615,730.69	100.00	1,437,396.89	18.87	6,178,333.80
Account age portfolio	7,615,730.69	100.00	1,437,396.89	18.87	6,178,333.80
Other receivables with insignificant single amount but drawn bad debt provision on single item	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>7,615,730.69</b>	<b>100.00</b>	<b>1,437,396.89</b>	<b>-</b>	<b>6,178,333.80</b>

(Continued)

Category	Beg. Balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Drawing proportion (%)	
Other receivables with significant single amount and bad debt provision drawn on single item	0.00	0.00	0.00	0.00	0.00
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 portfolio	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	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,159,295.79</b>	<b>100.00</b>	<b>1,382,629.95</b>	<b>-</b>	<b>1,776,665.84</b>

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

Account Age	End. Balance Other receivables	Bad debt provision	Drawing proportion (%)
Within 1 year	5,833,019.09	58,330.19	1.00
1-2 years	363,052.19	36,305.33	10.00
2-3 years	85,233.49	17,046.70	20.00
3-4 years	17,422.50	8,711.25	50.00
4-5 years	0.00	0.00	80.00
More than 5 years	1,317,003.42	1,317,003.42	100.00
<b>Total</b>	<b>7,615,730.69</b>	<b>1,437,396.89</b>	<b>-</b>

# SECTION 10 FINANCIAL REPORT

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

### 5. Other receivables (Continued)

#### (3) Drawing and reversal (or recovery) of provision for bad debt in the current period

RMB54,766.94 of provision for bad debt is drawn in the current period.

#### (4) Classification of other receivables by nature

Nature	Ending Book Balance	Beginning Book Balance
Petty cash	2,572,247.24	1,658,549.02
Guarantee deposit and security deposit	94,500.00	213,946.52
Export rebates	3,324,847.45	0.00
Intercourse funds	1,624,136.00	1,286,800.25
<b>Total</b>	<b>7,615,730.69</b>	<b>3,159,295.79</b>

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

Name	Nature	End. Balance	Account Age	Proportion in Total End. Balance of Other Receivables (%)	End. Balance of Bad Debt Provision
Export rebates	Export rebates	3,324,847.45	Within 1 year	43.66	33,248.47
Baogang Ganglian Sales Co., Ltd.	intercourse funds	400,648.84	More than 5 years	5.26	400,648.84
Taiyuan Heavy Industry Co., Ltd.	intercourse funds	350,000.00	More than 5 years	4.60	350,000.00
Quality Control Department of Beijing Tianhai Low Temperature Equipment Co., Ltd.	Petty cash	225,040.00	Within 1 year	2.95	2,250.40
Production Department of Langfang Tianhai	Petty cash	164,000.00	0-2 years	2.15	4,340.00
<b>Total</b>	-	4,464,536.29	-	58.62	790,487.71

### 6. Inventories

#### (1) Classification

Item	Book balance	End. Balance Impairment provision	Book value
Raw materials	202,038,177.34	42,963,260.73	159,074,916.61
Products in process	75,820,702.17	24,747,092.18	51,073,609.99
Commodities in stock	151,532,906.14	24,579,095.63	126,953,810.51
<b>Total</b>	<b>429,391,785.65</b>	<b>92,289,448.54</b>	<b>337,102,337.11</b>

(Continued)

Item	Book balance	Beg. Balance 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
Commodities in stock	171,309,166.78	21,325,756.99	149,983,409.79
<b>Total</b>	<b>487,270,406.62</b>	<b>96,531,567.43</b>	<b>390,738,839.19</b>

# SECTION 10 FINANCIAL REPORT

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

### 6. Inventories (Continued)

#### (2) Inventory impairment provision

Item	Increase in Current Period			Decrease in Current Period		End. Balance
	Beg. Balance	Drawing	Others	Reversal	Other transfer out	
Raw materials	45,774,630.45	0.00	0.00	0.00	2,811,369.72	42,963,260.73
Products in process	29,431,179.99	0.00	0.00	0.00	4,684,087.81	24,747,092.18
Commodities in stock	21,325,756.99	5,689,110.44	0.00	0.00	2,435,771.80	24,579,095.63
<b>Total</b>	<b>96,531,567.43</b>	<b>5,689,110.44</b>	<b>0.00</b>	<b>0.00</b>	<b>9,931,229.33</b>	<b>92,289,448.54</b>

"Other transfer out" under "decrease in current period" refers to the writeoff of inventory impairment provision drawn due to sales of products.

See IV. 12 in the Notes for drawing method for inventory impairment provision.

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

### 7. Other current assets

Nature	Ending Book Balance	Beginning Book Balance
Corporate income tax prepayment	449,802.08	866,907.85
Provisional input VAT	2,514,692.11	6,215,611.17
<b>Total</b>	<b>2,964,494.19</b>	<b>7,082,519.02</b>

### 8. Long-term equity investments

#### (1) Classification

Invested Entity	Beg. Balance	Changes in Current Period							End. Balance	End. Balance of Provision for Impairment	
		Additional investment	Decreased Investment	Interest gain/loss as per equity method	Adjustment of other comprehensive incomes	Other equity changes	Cash dividends or profits declared	Drawing of impairment provision			Others
I. Joint venture											
Shandong Tianhai High Pressure Container Co., Ltd.	56,411,619.44	0.00	0.00	2,447,886.32	0.00	0.00	0.00	0.00	0.00	58,859,505.76	0.00
II. Associate											
Jiangsu Tianhai Special Equipment Co., Ltd.	11,950,483.77	0.00	0.00	-33,441.15	0.00	0.00	0.00	0.00	0.00	11,917,042.62	0.00
<b>Total</b>	<b>68,362,103.21</b>	<b>0.00</b>	<b>0.00</b>	<b>2,414,445.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>70,776,548.38</b>	<b>0.00</b>

#### (2) Analysis of long-term equity investments

Item	End. Balance	Beg. Balance
Listed	-	-
China (excluding Hong Kong)	-	-
Hong Kong	-	-
Other regions	-	-
Subtotal	-	-
Unlisted	70,776,548.38	68,362,103.21
<b>Total</b>	<b>70,776,548.38</b>	<b>68,362,103.21</b>

# SECTION 10 FINANCIAL REPORT

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

### 9. Fixed assets

#### (1) Breakdown

Item	Premises and Buildings	Machinery Equipment	Transportation Means	Office Equipment	Electrical equipment	Total
I. Original book value						
1. Beginning 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
2. Increased amount in current period	0.00	44,444.44	99,781.38	85,224.76	0.00	229,450.58
(1) Purchase	0.00	44,444.44	99,781.38	69,811.97	0.00	214,037.79
(2) Others	0.00	0.00	0.00	15,412.79	0.00	15,412.79
3. Decreased amount in current period	0.00	2,846,460.10	285,513.00	0.00	0.00	3,131,973.10
(1) Disposal	0.00	2,846,460.10	285,513.00	0.00	0.00	3,131,973.10
4. Ending balance	661,687,707.94	816,678,146.10	29,655,995.73	11,732,139.82	25,003,029.20	1,544,757,018.79
II. Accumulated depreciation						
1. Beginning 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
2. Increased amount in current period	7,931,549.52	29,795,097.71	688,132.49	536,553.11	661,588.26	39,612,921.09
(1) Drawing	7,931,549.52	29,795,097.71	688,132.49	527,438.71	661,588.26	39,603,806.69
(2) Others	0.00	0.00	0.00	9,114.40	0.00	9,114.40
3. Decreased amount in current period	0.00	2,260,027.79	256,961.70	0.00	0.00	2,516,989.49
(1) Disposal	0.00	2,260,027.79	256,961.70	0.00	0.00	2,516,989.49
4. Ending balance	141,135,949.91	432,074,045.81	24,787,002.23	7,150,306.90	16,987,437.56	622,134,742.41
III. Provision for impairment						
1. Beginning balance	0.00	2,312,294.65	0.00	0.00	0.00	2,312,294.65
2. Increased amount in current period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased amount in current period	0.00	0.000	0.00	0.00	0.00	0.00
4. Ending balance	0.00	2,312,294.65	0.00	0.00	0.00	2,312,294.65
IV. Book value						
1. Ending book value	520,551,758.03	382,291,805.64	4,868,993.50	4,581,832.92	8,015,591.64	920,309,981.73
2. Beginning 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

The amount of depreciation and amortization for fixed assets recognized as profits or losses is RMB39,603,806.69 (amount of previous period: RMB34,839,703.55) in current period.

Other increases in current period are generated from the influence of exchange rate fluctuation on fixed assets of BTIC AMERICA CORPORATION.

Increase of fixed assets in current period includes RMB0.00 transferred from projects under construction.

The gain from sales of fixed assets in current period is 529,991.79.

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

Item	End. Balance	Beq. Balance
Located in the territory of China	<b>520,551,758.03</b>	528,483,307.55
Long-term (more than 50 years)		
Mid-term (10-50 years)	<b>520,551,758.03</b>	528,483,307.55
Short-term (within 10 years)		
Located abroad	-	-
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
<b>Total</b>	<b>520,551,758.03</b>	528,483,307.55

## SECTION 10 FINANCIAL REPORT

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

#### 9. Fixed assets (Continued)

##### (3) Temporarily idle fixed assets

Item	Original Book Value	Accumulated Depreciation	Provision for Impairment	Book Value	Remarks
Temporarily idle	102,853,056.30	72,511,317.37	332,348.16	30,009,390.77	–

The temporarily idle assets above are mainly related to the original business place (Wufangqiao) of Beijing Tianhai Industry Co., Ltd. which is a subsidiary of the Company and 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 period.

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

##### (6) Fixed assets in the process of title certificate handling

Item	Book Value	Reason
Buildings of LNG industry base project	278,174,906.75	In progress

#### 10. Projects under construction

##### (1) Breakdown

Item	End. Balance			Beg. Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
III-type cylinder project	8,765,204.34	0.00	8,765,204.34	5,106,765.56	0.00	5,106,765.56
Other equipment	3,478,206.51	0.00	3,478,206.51	2,930,312.28	0.00	2,930,312.28
<b>Total</b>	<b>12,243,410.85</b>	<b>0.00</b>	<b>12,243,410.85</b>	<b>8,037,077.84</b>	<b>0.00</b>	<b>8,037,077.84</b>

##### (2) Changes in major projects under construction

Name of Project	Beg. Balance	Increase in Current Period	Decrease in Current Period		End. Balance
			Transferred to fixed assets	Other decrease	
III-type cylinder project	5,106,765.56	3,658,438.78	0.00	0.00	8,765,204.34

(Continued)

Name of Project	Budget (RMB10,000)	Proportion of Project Investment in Budget (%)	Construction Progress (%)	Accumulated Amount of Capitalized Interest	Including: Amount of Capitalized Interest in Current Period	Capitalization Rate of Interest in Current Period (%)	Source of Funding
III-type cylinder project	58,020,000.00	14.25	50.00	0.00	0.00	0.00	Self-raised

# SECTION 10 FINANCIAL REPORT

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

### 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	769,294.28	178,231,981.36
2. Increased amount in current period	0.00	0.00	0.00	0.00
3. Decreased amount in current period	0.00	0.00	0.00	0.00
4. Ending balance	165,755,637.08	11,707,050.00	769,294.28	178,231,981.36
II. Accumulated amortization				
1. Beginning balance	14,492,579.74	7,136,142.09	502,421.54	22,131,143.37
2. Increased amount in current period	1,711,952.97	499,999.98	36,928.57	2,248,881.52
(1) Drawing	1,711,952.97	499,999.98	36,928.57	2,248,881.52
3. Decreased amount in current period	0.00	0.00	0.00	0.00
4. Ending balance	16,204,532.71	7,636,142.07	539,350.11	24,380,024.89
III. Provision for impairment				
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increased amount in current period	0.00	0.00	0.00	0.00
3. Decreased amount in current period	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Ending book value	149,551,104.37	4,070,907.93	229,944.17	153,851,956.47
2. Beginning book value	151,263,057.34	4,570,907.91	266,872.74	156,100,837.99

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

Item	End. Balance	Beg. Balance
Located in the territory of China	149,551,104.37	151,263,057.34
Long-term (more than 50 years)		
Mid-term (10-50 years)	149,551,104.37	151,263,057.34
Short-term (within 10 years)		
Located abroad	-	-
Long-term (more than 50 years)		
Mid-term (10-50 years)		
Short-term (within 10 years)		
<b>Total</b>	<b>149,551,104.37</b>	<b>151,263,057.34</b>

The amount of depreciation and amortization for intangible assets recognized as profits or losses is RMB2,248,881.52 (amount of previous period: RMB2,237,360.74) in current period.

#### (3) There is no land use right in the process of title certificate handling.

### 12. Goodwill

Invested Entity	Beg. Balance	Increase in Current Period	Decrease in current period	End. Balance
BTIC AMERICA CORPORATION	6,562,344.06	0.00	0.00	6,562,344.06

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

### 13. Long-term deferred expenses

Item	Beg. Balance	Increase in Current Period	Amortization in Current Period	Other Decrease in Current Period	End. Balance
Property comprehensive insurance	280,524.60	0.00	67,325.88	0.00	213,198.72

## SECTION 10 FINANCIAL REPORT

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

#### 14. Deferred tax assets and liabilities

##### (1) Deferred tax assets not offset

Item	End. Balance		Beg. Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	960,135.40	240,033.85	1,066,687.80	277,330.73

##### (2) Details of unrecognized deferred tax assets

Item	End. Balance	Beg. Balance
Deductible temporary difference		
Deductible loss	301,458,013.61	299,451,222.57
Provision for impairment of assets	117,572,573.13	114,752,425.17
<b>Total</b>	<b>419,030,586.74</b>	<b>414,203,647.74</b>

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

Item	End. Balance	Beg. Balance
Year 2015	0.00	0.00
Year 2016	0.00	0.00
Year 2017	28,529,738.47	49,307,148.50
Year 2018	46,686,790.74	23,571,239.03
Year 2019	167,392,266.74	42,853,049.96
Year 2020	58,849,217.66	183,719,785.08
<b>Total</b>	<b>301,458,013.61</b>	<b>299,451,222.57</b>

#### 15. Short-term borrowings

##### (1) Classification

Category	End. Balance	Beg. Balance
Mortgage borrowings	0.00	45,844,240.00
Guaranteed borrowings	170,000,000.00	160,000,000.00
<b>Total</b>	<b>170,000,000.00</b>	<b>205,844,240.00</b>

(2) RMB170,000,000.00 of guaranteed borrowings at the end of the period is guaranteed by Jingcheng Holding.

(3) The weighted average interest rate of short-term borrowings at the end of current period is 4.95% (5.80%, at the end of previous period).

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

#### 16. Accounts payable

##### (1) Accounts payable

Item	End. Balance	Beg. Balance
Material fee	324,650,721.68	255,505,466.51
Project fund	68,876,941.55	142,844,513.50
<b>Total</b>	<b>393,527,663.23</b>	<b>398,349,980.01</b>

# SECTION 10 FINANCIAL REPORT

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

### 16. Accounts payable (Continued)

#### (2) Aging analysis of accounts payable

Item	End. Balance	Beg. Balance
Within 1 year	302,261,911.77	337,795,661.58
1-2 years	61,263,881.65	47,459,433.08
2-3 years	19,136,151.10	4,759,163.51
More than 3 years	10,865,718.71	8,335,721.84
<b>Total</b>	<b>393,527,663.23</b>	<b>398,349,980.01</b>

#### (3) Significant accounts payable with an age of over 1 year

Name	End. Balance	Reasons for not repaying or carrying forward
MCC TianGong Group Corporation Limited	23,910,502.60	Unsettled yet
Tianjin Installation Engineering Co., Ltd.	12,273,738.00	Unsettled yet
China United Engineering Corporation	5,523,780.00	Unsettled yet
Xinxiang Shenkun Machinery Equipment Manufacturing Co., Ltd.	4,557,387.61	Unsettled yet
BUCC (Tianjin) Pressure Equipment Manufacturing Co., Ltd.	3,942,184.76	Unsettled yet
<b>Total</b>	<b>50,207,592.97</b>	

### 17. Accounts received in advance

#### (1) Accounts received in advance

Item	End. Balance	Beg. Balance
Goods payment received in advance	23,104,025.28	29,870,362.75
Including: more than 1 year	11,265,671.76	8,478,410.80

#### (2) Significant accounts received in advance with an age of over 1 year

Name	End. Balance	Reasons for not repaying or carrying forward
WESTPORT POWER INC.	3,725,436.18	Unsettled yet
Jiangxi East-China Special Gases Co., Ltd.	1,203,735.00	Unsettled yet
Handan Futong Transportation and Sales Co., Ltd.	880,000.00	Unsettled yet
HARVEST WISE CASES (HK) COMPANY LIMITED	566,536.30	Unsettled yet
Wuhan Niurui De Specially Gases Ltd.	356,000.00	Unsettled yet
<b>Total</b>	<b>6,731,707.48</b>	



# SECTION 10 FINANCIAL REPORT

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

### 18. Payroll payable

#### (1) Classification

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Short-term remuneration	18,000,955.31	85,764,985.60	91,032,613.18	<b>12,733,327.73</b>
Post-employment welfare-defined contribution plan	775,541.69	13,576,665.90	13,276,548.48	<b>1,075,659.11</b>
Dismissal welfare	0.00	1,212,607.00	1,212,607.00	<b>0.00</b>
Long-term welfare due within one year	3,898,427.84	4,060,053.51	3,898,427.84	<b>4,060,053.51</b>
<b>Total</b>	<b>22,674,924.84</b>	<b>104,614,312.01</b>	<b>109,420,196.50</b>	<b>17,869,040.35</b>

#### (2) Short-term remuneration

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Salary, bonus, allowance and subsidy	11,668,018.81	68,917,308.57	74,206,213.46	<b>6,379,113.92</b>
Employee welfare expenses	227,500.00	2,038,336.36	2,265,836.36	<b>0.00</b>
Social insurance premiums	537,425.93	7,413,317.83	7,271,384.39	<b>679,359.37</b>
Including: medical insurance premiums	464,620.35	6,273,438.49	6,154,192.38	<b>583,866.46</b>
Work-related injury insurance premiums	41,838.09	754,034.56	739,643.61	<b>56,229.04</b>
Maternity insurance premium	30,967.49	385,844.78	377,548.40	<b>39,263.87</b>
Housing funds	0	4,654,079.97	4,618,173.00	<b>35,906.97</b>
Labor union expenditure & personnel education fund	2,989,230.57	1,348,902.87	1,067,365.97	<b>3,270,767.47</b>
Housing allowance	2,578,780.00	1,393,040.00	1,603,640.00	<b>2,368,180.00</b>
<b>Total</b>	<b>18,000,955.31</b>	<b>85,764,985.60</b>	<b>91,032,613.18</b>	<b>12,733,327.73</b>

#### (3) Defined contribution plan

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Basic endowment insurance premium	739,036.73	12,881,164.09	12,600,046.59	<b>1,020,154.23</b>
Unemployment insurance expense	36,504.96	695,501.81	676,501.89	<b>55,504.88</b>
<b>Total</b>	<b>775,541.69</b>	<b>13,576,665.90</b>	<b>13,276,548.48</b>	<b>1,075,659.11</b>

### 19. Taxes payable

Item	End. Balance	Beg. Balance
VAT	<b>-48,975,265.06</b>	-47,151,782.04
Business Tax	<b>0.00</b>	1,028,309.73
Corporate income tax	<b>3,125,254.66</b>	414,740.59
Personal income tax	<b>388,316.63</b>	564,111.53
City maintenance and construction tax	<b>724,523.68</b>	1,507,028.39
House property tax	<b>456,257.49</b>	468,278.69
Land use tax	<b>-102,819.23</b>	-35,527.56
Educational surcharge	<b>342,408.88</b>	888,423.18
Stamp tax	<b>206,923.33</b>	204,594.26
Riverway administrative fee	<b>0.00</b>	9,654.06
Disabled Person Security	<b>400,000.00</b>	0.00
Flood prevention charges	<b>24,396.35</b>	16,773.28
<b>Total</b>	<b>-43,410,003.27</b>	-42,085,395.89

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

# SECTION 10 FINANCIAL REPORT

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

### 20. Interests payable

Item	End. Balance	Beg. Balance
Interest payable of short-term loan	0.00	74,800.00

### 21. Other payables

#### (1) Classification of other payables by nature

Nature	End. Balance	Beg. Balance
Jingcheng Holding borrowings	135,500,000.00	138,000,000.00
Funds disbursed for others, etc.	26,885,360.58	20,505,807.71
Social insurance payment	2,997,998.36	2,781,052.71
Rent	8,575,000.02	2,949,998.00
Property insurance indemnity	1,235,216.08	2,342,500.00
<b>Total</b>	<b>175,193,575.04</b>	<b>166,579,358.42</b>

#### (2) Aging analysis of other payables

Item	End. Balance	Beg. Balance
Within 1 year	167,683,111.62	161,365,243.18
1-2 years	6,563,282.61	4,498,011.18
2-3 years	415,457.25	605,351.00
More than 3 years	531,723.56	110,753.06
<b>Total</b>	<b>175,193,575.04</b>	<b>166,579,358.42</b>

#### (3) Other payables with significant amount and an age of over 1 year

Name	End. Balance	Reasons for repaying or carrying forward
TPCO Investment Co., Ltd.	1,704,203.53	Unsettled yet
Special accounts for the labor union	1,155,216.08	–
<b>Total</b>	<b>2,859,419.61</b>	–

### 22. 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) station products	5,000,000.00	5,000,000.00	Note 1
Welded insulated cylinder products for LNG used by self-pressurization 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 25 December 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 RMB5,000,000 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 1 December 2014. The repayment, however, has not been made at the end of the period.

Note 2: On 22 December 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 RMB2,000,000 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 1 December 2014. The repayment, however, has not been made at the end of the period.

Note 3: On 22 December 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 RMB4,000,000 on the development of low-temperature storage products for liquefied natural gas used by HPDI-T6 motor vehicles. Tianhai Industry will make RMB1,200,000 and RMB2,800,000 of repayment of the non-current liability not repaid at the end of the period that has been adjusted to non-current liability payable due within one year, to Jingcheng Holding within the first 10 working days from 1 December 2014 and 1 December 2015, respectively. Such non-current liability has not been repaid at the end of the period.

# SECTION 10 FINANCIAL REPORT

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

### 23. Long-term payroll payable

#### (1) Classification

Item	End. Balance	Beg. Balance
Net liabilities of post-employment welfare – defined benefit plan	<b>33,800,649.71</b>	31,310,282.67

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

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Beginning balance	<b>35,208,710.51</b>	31,930,000.00
Defined benefit cost included in current profits and losses	<b>3,373,074.71</b>	5,763,051.85
1. Current service cost	<b>2,043,074.71</b>	4,563,051.85
2. Previous service cost	<b>0.00</b>	0.00
3. Settlement gains (losses to be listed with “-”)	<b>0.00</b>	0.00
4. Net interest	<b>1,330,000.00</b>	1,200,000.00
Defined benefit cost included in other comprehensive incomes	<b>0.00</b>	0.00
1. Actuarial gains (losses to be listed with “-”)	<b>0.00</b>	0.00
Other changes	<b>-721,082.00</b>	-2,484,341.34
1. Liabilities eliminated in settlement	<b>0.00</b>	0.00
2. Paid welfare	<b>-721,082.00</b>	-2,484,341.34
Ending balance	<b>37,860,703.22</b>	35,208,710.51
Including: post-employment welfare due within one year	<b>4,060,053.51</b>	3,898,427.84
Ending balance after deducting welfare due within 1 year	<b>33,800,649.71</b>	31,310,282.67

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

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Beginning balance	<b>35,208,710.51</b>	31,930,000.00
Defined benefit cost included in current profits and losses	<b>3,373,074.71</b>	5,763,051.85
Defined benefit cost included in other comprehensive incomes	<b>0.00</b>	0.00
Other changes	<b>-721,082.00</b>	-2,484,341.34
<b>Ending balance</b>	<b>37,860,703.22</b>	35,208,710.51

#### (4) Contents of defined benefit plan, associated risks, and influences on future cash flow, time and uncertainty of the Company:

As to the defined benefit plan, obligations generated by the defined benefit plan 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 treasury bonds matching with the term of such obligations 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 the 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.

# SECTION 10 FINANCIAL REPORT

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

### 24. Special payables

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance	Remarks
Tianhai project of full-wrapped with aluminum liner composite cylinder for vehicle	3,900,000.00	0.00	0.00	<b>3,900,000.00</b>	Note 1
Natural gas storage & transportation equipment manufacturing base project	100,000,000.00	0.00	0.00	<b>100,000,000.00</b>	Note 2
<b>Total</b>	<b>103,900,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>103,900,000.00</b>	-

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 RMB10,000,000 to Tianhai Industry for its project of full-wrapped with aluminum liner composite cylinder for vehicle. The ending balance of the fund payable at the end of the period is RMB3,900,000.

Note 2: On 4 June 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 RMB100,000,000 should be used for the natural gas storage & transportation equipment manufacturing base project. Tianhai Industry received the above fund in August 2013.

### 25. 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 RMB1.

Amount of Current Period

Unit: RMB1,000

Item	Beg. Balance		Current Change				End. Balance		
	Amount	Proportion (%)	New shares offered	Share allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
<b>Conditioned shares</b>									
State-owned corporate shares									
<b>Total conditioned shares</b>									
<b>Unconditioned shares</b>									
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
<b>Total unconditioned shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>
<b>Total shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>

Amount of Previous Period

Unit: RMB1,000

Item	Beg. Balance		Current Change				End. Balance		
	Amount	Proportion (%)	New shares offered	Share allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
<b>Conditioned shares</b>									
State-owned corporate shares									
<b>Total conditioned shares</b>									
<b>Unconditioned shares</b>									
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
<b>Total unconditioned shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>
<b>Total shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>

# SECTION 10 FINANCIAL REPORT

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

### 26. Capital reserves

Amount of Current Period

Item	Beg. Balance	Increase in Current Period	Decrease in current period	End. Balance
Capital stock premium	557,838,342.74	0.00	0.00	<b>557,838,342.74</b>
Other capital reserves	125,964,838.95	0.00	0.00	<b>125,964,838.95</b>
<b>Total</b>	<b>683,803,181.69</b>	<b>0.00</b>	<b>0.00</b>	<b>683,803,181.69</b>

Amount of Previous Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Capital stock premium	557,838,342.74	0.00	0.00	<b>557,838,342.74</b>
Other capital reserves	125,964,838.95	0.00	0.00	<b>125,964,838.95</b>
<b>Total</b>	<b>683,803,181.69</b>	<b>0.00</b>	<b>0.00</b>	<b>683,803,181.69</b>

### 27. Other comprehensive incomes

Item	Beg. Balance	Amount Incurred in Current Period				End. Balance
		Pre-tax amount Incurred in current period	Less: amount included in other comprehensive incomes in previous period and carried over to profits and losses in current period	After-tax amount Less: attributable to the parent company	After-tax amount attributable to minority shareholders	
I. Other comprehensive incomes that cannot be reclassified into losses or profits in future	160,000.00					160,000.00
Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	160,000.00					160,000.00
II. Other comprehensive income to be reclassified into profit or loss in future	908,547.60	2,773,782.50		1,400,356.53	1,373,425.97	2,308,904.13
Conversion difference of foreign currency financial statement	908,547.60	2,773,782.50		1,400,356.53	1,373,425.97	2,308,904.13
<b>Total other comprehensive incomes</b>	<b>1,068,547.60</b>	<b>2,773,782.50</b>		<b>1,400,356.53</b>	<b>1,373,425.97</b>	<b>2,468,904.13</b>

### 28. Surplus reserves

Amount of Current Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Legal surplus reserves	41,838,334.73	0.00	0.00	<b>41,838,334.73</b>
Discretionary surplus reserves	2,906,035.91	0.00	0.00	<b>2,906,035.91</b>
Reserve fund	460,638.52	0.00	0.00	<b>460,638.52</b>
Enterprise development fund	460,638.52	0.00	0.00	<b>460,638.52</b>
<b>Total</b>	<b>45,665,647.68</b>	<b>0.00</b>	<b>0.00</b>	<b>45,665,647.68</b>

Amount of Previous Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Legal surplus reserves	41,838,334.73	0.00	0.00	<b>41,838,334.73</b>
Discretionary surplus reserves	2,906,035.91	0.00	0.00	<b>2,906,035.91</b>
Reserve fund	460,638.52	0.00	0.00	<b>460,638.52</b>
Enterprise development fund	460,638.52	0.00	0.00	<b>460,638.52</b>
<b>Total</b>	<b>45,665,647.68</b>	<b>0.00</b>	<b>0.00</b>	<b>45,665,647.68</b>

# SECTION 10 FINANCIAL REPORT

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

### 29. Undistributed profits

Amount of Current Period

Item	Amount	Drawing or Distribution Proportion (%)
<b>Ending balance of previous period</b>	<b>-439,874,304.42</b>	
Add: adjustment of undistributed profit at the beginning of the period		
<b>Beginning balance of current period</b>	<b>-439,874,304.42</b>	
Add: net profits attributable to shareholders of the parent company in current period	-62,164,227.60	
Less: appropriation of legal surplus reserves		10
Appropriation of discretionary surplus reserves		
Drawing of general risk provision		
Common stock dividends payable		
Common stock dividends turned into capital stock		
<b>Ending balance of current period</b>	<b>-502,038,532.02</b>	

Amount of Previous Period

Item	Amount	Drawing or Distribution Proportion (%)
<b>Ending balance of previous period</b>	<b>-232,056,930.86</b>	
Add: adjustment of undistributed profit at the beginning of the period		
<b>Beginning balance of current period</b>	<b>-232,056,930.86</b>	
Add: net profits attributable to shareholders of the parent company in current period	-47,824,744.93	
Less: appropriation of legal surplus reserves		10
Appropriation of discretionary surplus reserves		
Drawing of general risk provision		
Common stock dividends payable		
Common stock dividends turned into capital stock		
<b>Ending balance of current period</b>	<b>-279,881,675.79</b>	

### 30. Minority interest

Name of Subsidiary	Proportion of Minority Shareholding (%)	Profit and Loss Attributable to Minority Shareholders in Current Period	Dividends Declared to Minority Shareholders in Current Period	Ending Balance of Minority Interests
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-2,306,259.16	0.00	6,182,185.39
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	-520,933.84	0.00	87,307,226.37
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	10.68	220,126.44	0.00	4,768,109.92
Beijing Tianhai Low Temperature Equipment Co., Ltd.	25.00	-4,650,784.69	0.00	5,945,849.43
BTIC AMERICA CORPORATION	49.00	516,173.22	0.00	19,157,000.10
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	61.48	-12,371,512.08	0.00	296,210,349.09
<b>Total</b>	<b>-</b>	<b>-19,113,190.11</b>	<b>0.00</b>	<b>419,570,720.30</b>

# SECTION 10 FINANCIAL REPORT

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

### 31. Net current assets

Item	End. Balance	Beg. Balance
Current assets	792,257,398.06	877,563,455.51
Less: current liabilities	747,284,300.63	792,308,270.13
<b>Net current assets</b>	<b>44,973,097.43</b>	<b>85,255,185.38</b>

### 32. Total assets less current liabilities

Item	End. Balance	Beg. Balance
Total assets	1,956,454,872.12	2,077,492,109.79
Less: current liabilities	747,284,300.63	792,308,270.13
<b>Total assets less current liabilities</b>	<b>1,209,170,571.49</b>	<b>1,285,183,839.66</b>

### 33. Debit/Credit

Summary of debits/credits of the Group:

Item	End. Balance	Beg. Balance
Bank short-term borrowings	170,000,000.00	205,844,240.00
Long-term borrowings	0.00	0.00
Bonds payable	0.00	0.00
Long-term payables	0.00	0.00
Financial lease payment	0.00	0.00
Special payables	114,900,000.00	114,900,000.00
Jingcheng Holding borrowings	135,500,000.00	138,000,000.00
<b>Total</b>	<b>420,400,000.00</b>	<b>458,744,240.00</b>

#### (1) Debit/credit analysis

Item	End. Balance	Beg. Balance
Bank borrowings		
– To be repaid within one year	170,000,000.00	205,844,240.00
– To be repaid after one year	0.00	0.00
Subtotal	170,000,000.00	205,844,240.00
Other borrowings		
– To be repaid within one year	146,500,000.00	149,000,000.00
– To be repaid after one year	103,900,000.00	103,900,000.00
Subtotal	250,400,000.00	252,900,000.00
<b>Total</b>	<b>420,400,000.00</b>	<b>458,744,240.00</b>

#### (2) Debit/credit due date analysis

Bank borrowings:

Item	End. Balance	Beg. Balance
Repaid as required or within one year	170,000,000.00	205,844,240.00
1-2 years	0.00	0.00
2-5 years	0.00	0.00
More than 5 years	0.00	0.00
<b>Total</b>	<b>170,000,000.00</b>	<b>205,844,240.00</b>

Other borrowings:

Item	End. Balance	Beg. Balance
Repaid as required or within one year	146,500,000.00	149,000,000.00
1-2 years	0.00	0.00
2-5 years	0.00	0.00
More than 5 years	103,900,000.00	103,900,000.00
<b>Total</b>	<b>250,400,000.00</b>	<b>252,900,000.00</b>

## SECTION 10 FINANCIAL REPORT

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

#### 34. Operating incomes and costs

##### (1) Breakdown

Item	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Income	Cost	Income	Cost
Main operation	461,157,156.81	433,991,485.63	563,313,268.57	527,974,953.77
Other operation	23,917,622.11	24,971,137.52	34,870,832.41	35,247,457.29
<b>Total</b>	<b>485,074,778.92</b>	<b>458,962,623.15</b>	<b>598,184,100.98</b>	<b>563,222,411.06</b>

##### (2) Gross profit of main operation

Item	Amount of Current Period	Amount of Previous Period
Main operating income	461,157,156.81	563,313,268.57
Main operating cost	433,991,485.63	527,974,953.77
Gross profit	27,165,671.18	35,338,314.80

##### (3) Main operation – classified by products

Industry	Amount of Current Period		Amount of Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Seamless steel gas cylinders	244,377,340.98	223,360,889.66	298,971,754.06	272,564,892.41
Winding cylinders	53,738,322.28	59,413,089.11	57,436,328.79	52,057,521.31
Low temperature cylinders	96,996,900.42	89,140,151.49	80,137,659.39	84,932,080.79
Low temperature storage and transportation equipment	22,243,581.30	20,931,210.00	33,051,097.99	31,219,777.49
Others	43,801,011.83	41,146,145.37	93,716,428.34	87,200,681.77
<b>Total</b>	<b>461,157,156.81</b>	<b>433,991,485.63</b>	<b>563,313,268.57</b>	<b>527,974,953.77</b>

##### (4) Main operation – classified by regions

Item	Amount of Current Period		Amount of Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Domestic sales	203,583,046.41	185,121,091.63	210,467,375.94	198,466,742.11
International sales	257,574,110.40	248,870,394.00	352,845,892.63	329,508,211.66
<b>Total</b>	<b>461,157,156.81</b>	<b>433,991,485.63</b>	<b>563,313,268.57</b>	<b>527,974,953.77</b>

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

Item	Amount of Current Period		Amount of Previous Period	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Material sales	23,917,622.11	24,971,137.52	34,870,832.41	35,247,457.29

(6) Total operating income from the top 5 customers of the Group is RMB83,543,107.23, which represents 17.22% of the total operating income in current period (previous period: 17.53%), as listed below:

Name	Operating Income	Proportion in Total Operating Income (%)
Customer 1	23,525,062.40	4.85
Customer 2	17,519,740.43	3.61
Customer 3	15,581,991.57	3.21
Customer 4	13,729,988.05	2.83
Customer 5	13,186,324.78	2.72
<b>Total</b>	<b>83,543,107.23</b>	<b>17.22</b>



## SECTION 10 FINANCIAL REPORT

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

#### 35. Business taxes and surcharges

Item	Amount of Current Period	Amount of Previous Period
Business tax	130,319.93	85,960.33
City maintenance and construction tax	1,284,716.29	2,539,451.58
Educational surcharge	937,383.98	1,862,950.33
<b>Total</b>	<b>2,352,420.20</b>	<b>4,488,362.24</b>

#### 36. Selling expenses

Item	Amount of Current Period	Amount of Previous Period
Payroll	12,374,079.66	10,031,319.14
Business entertainment expenses	1,780,222.32	801,592.81
Transport charges	10,353,609.64	11,074,487.97
Warehousing and storage charge	627,337.07	447,346.18
Premium	90,698.93	165,034.36
Gas fee	0.00	254,663.60
Exhibition and advertisement expenses	176,138.28	627,506.00
After-sales service charge	461,942.43	647,410.86
Repair cost	183,516.85	172,197.22
Office expenses	212,289.76	206,991.38
Travel expense	2,535,401.05	606,940.56
Others	1,539,560.10	3,386,558.29
<b>Total</b>	<b>30,334,796.09</b>	<b>28,422,048.37</b>

#### 37. Administrative fees

Item	Amount of Current Period	Amount of Previous Period
Taxes	4,747,044.74	5,910,446.51
Office expenses	1,519,143.10	2,082,745.97
Travel expense	472,333.80	352,224.38
Conference expenses	15,000.00	581,881.32
Energy fee	402,258.40	297,556.98
Repair cost	374,467.19	751,954.93
Depreciation cost	4,120,580.76	1,853,914.16
Payroll	35,231,719.76	36,009,483.12
Vehicle fees	808,964.57	649,940.78
Research and development expense	5,232,563.66	2,816,577.08
Business Publicity Fee	622,280.99	13,059.00
Business entertainment expenses	352,593.98	424,150.93
Amortization of intangible assets	2,012,484.46	2,229,893.98
Cost on employment of intermediary organ	1,347,031.14	1,357,668.30
Premium	856,074.78	1,316,088.38
Rent	724,366.60	1,036,093.65
Labor protection fees	496,149.65	113,493.63
Retirement benefits	472,578.80	609,761.19
Material consumption	932,722.25	0.00
Others	3,636,687.45	3,994,770.22
<b>Total</b>	<b>64,377,046.08</b>	<b>62,401,704.51</b>

# SECTION 10 FINANCIAL REPORT

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

### 38. Financial expenses

#### (1) Breakdown

Item	Amount of Current Period	Amount of Previous Period
Interest expenses	9,494,582.49	10,135,159.54
Less: interest income	248,792.32	800,811.34
Add: exchange loss	-1,083,555.65	-2,255,392.35
Add: commission charge	272,054.90	375,146.81
Add: others	242,303.83	2,441,650.17
<b>Total</b>	<b>8,676,593.25</b>	<b>9,895,752.83</b>

#### (2) Details of interest expenses

Item	Amount of Current Period	Amount of Previous Period
Bank borrowings, overdraft interests	8,340,693.60	10,135,159.54
Other interests	1,153,888.89	0.00
Other borrowing interests payable within 5 years	1,153,888.89	0.00
Other borrowing interests payable after 5 years	0.00	0.00
Bond interests drawn at effective interest rate	0.00	0.00
Financial lease expenses	0.00	0.00
Subtotal	9,494,582.49	10,135,159.54
Less: capitalized interests	0.00	0.00
<b>Total</b>	<b>9,494,582.49</b>	<b>10,135,159.54</b>

#### (3) Details of interest income

Item	Amount of Current Period	Amount of Previous Period
Interest income from bank deposits	248,792.32	800,811.34
Interest income from receivables	0.00	0.00
Interest income drawn at effective interest rate	0.00	0.00
Interest income from financial lease payment	0.00	0.00
Interest income from impaired financial assets	0.00	0.00
<b>Total</b>	<b>248,792.32</b>	<b>800,811.34</b>

### 39. Loss from asset impairment

Item	Amount of Current Period	Amount of Previous Period
Bad debt losses	6,952,903.74	7,417,460.47
Inventory impairment loss	5,689,110.44	0.00
<b>Total</b>	<b>12,642,014.18</b>	<b>7,417,460.47</b>

### 40. Investment income

Item	Amount of Current Period	Amount of Previous Period
Long-term equity investment income calculated by equity method	2,414,445.17	-4,629,510.77

All investment incomes generated in the current period are derived from unlisted investments.

# SECTION 10 FINANCIAL REPORT

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

### 41. Non-operating income

#### (1) Details of non-operating income

Item	Amount of Current Period	Amount of Previous Period
Gains from disposal of non-current assets	598,517.22	18,474,414.24
Including: gains from disposal of fixed assets	598,517.22	330,214.24
Gains from disposal of intangible assets	0.00	18,144,200.00
Gains from debt restructuring	1,181,656.21	0.00
Government subsidy	5,904,284.00	112,912.00
Others	2,322,764.77	0.00
<b>Total</b>	<b>10,007,222.20</b>	<b>18,587,326.24</b>

RMB10,007,222.20 is included in non-recurring profit and loss in current period (previous period: RMB18,587,326.24).

#### (2) Details of government subsidies

Item	Amount of Current Period	Amount of Previous Period	Source and Basis
Government subsidies for "double independent" enterprises	3,843,410.00	0.00	Government subsidies for "double independent" enterprises
Energy audit award from Beijing Energy Conservation and Environmental Protection Centre	430,000.00	0.00	Energy audit award from Beijing Energy Conservation and Environmental Protection Centre
Patent funds of Chaoyang District	1,485,396.00	0.00	Provisional Measures on Post Allowances to Beijing Employers for Employing the Disabled
Fund subsidy for guidance of energy-saving development of Chaoyang District	25,850.00	0.00	Fund subsidy for guidance of energy-saving development of Chaoyang District
Government subsidy for "double-anti duties" (anti-subsidy and anti-dumping)	96,788.00	0.00	Beijing Municipal Commission of Commerce
Supporting fund for short-term export credit insurance	0.00	112,912.00	Supporting fund for short-term export credit insurance of Beijing Municipal Commission of Commerce
Others	22,840.00	0.00	Tax relief application form
<b>Total</b>	<b>5,904,284.00</b>	<b>112,912.00</b>	-

### 42. Non-operating expenses

Item	Amount of Current Period	Amount of Previous Period
Total losses from disposal of non-current assets	68,525.43	134,864.96
Including: losses from disposal of fixed assets	68,525.43	134,864.96
Others	17,611.36	1,022,295.69
<b>Total</b>	<b>86,136.79</b>	<b>1,157,160.65</b>

RMB86,136.79 is included in non-recurring profit and loss in current period (previous period: RMB1,157,160.65).

## SECTION 10 FINANCIAL REPORT

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

#### 43. Income tax expenses

Item	Amount of Current Period	Amount of Previous Period
Current income tax – Chinese corporate income tax	1,304,937.38	1,846,028.05
1. China	566,119.88	1,846,028.05
2. Hong Kong		
3. Other regions	738,817.50	0.00
4. Overstatements (understatements) of previous years		
5. Deferred income tax	37,296.88	65,850.31
<b>Total</b>	<b>1,342,234.26</b>	<b>1,911,878.36</b>

#### (2) Adjustment of accounting profit and tax expense

Item	Amount Incurred in Current Period
Total profit from merger of current year	-79,935,183.45
Tax expense calculated at legal/applicable tax rate	-19,983,795.86
Effect of different tax rate applicable to subsidiaries	3,299,600.86
Effect of adjustment of previous income tax	2,450.00
Effect of non-taxable income	
Effect of non-deductible cost, expense and loss	32,065.36
Effect of use of deductible loss of unrecognized deferred tax assets of previous period	
Effect of deductible temporary deferral or deductible loss of unrecognized deferred tax assets of current year	17,991,913.90
Income tax expenses	1,342,234.26

#### 44. Depreciation and amortization

The depreciation/amortization recognized in the income statement is RMB41,920,014.09 in current period (previous year: RMB37,397,136.69).

#### 45. Operating rental expenditure

The operating rental expenditure is RMB10,534,931.76 in current period (previous period: RMB10,689,003.08), without any rental expenditure for industrial units or machineries.

#### 46. Rental income

There are no rental incomes from land and buildings in current period.

# SECTION 10 FINANCIAL REPORT

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

### 47. 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 Period	Previous Period
Consolidated net profit attributable to shareholders of common shares of the parent company	-62,164,227.60	-47,824,744.93
Consolidated net profit attributable to shareholders of common shares of the parent company (deducting non-recurring profit and loss)	-70,312,199.06	-65,371,188.26
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)	-0.15	-0.11
Basic earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.17	-0.15

Calculation of weighted average number of common shares:

Item	Current Period	Previous Period
Beginning balance of outstanding common shares	422,000,000.00	422,000,000.00
Capital reserves transferred to capital	0.00	0.00
Ending balance of outstanding common shares	422,000,000.00	422,000,000.00

#### (2) Diluted earnings per share

Item	Current Period	Previous Period
Consolidated net profit attributable to shareholders of common shares of the parent company after adjustment	-62,164,227.60	-47,824,744.93
Consolidated net profit attributable to shareholders of common shares of the parent company after adjustment (deducting non-recurring profit and loss)	-70,312,199.06	-65,371,188.25
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)	-0.15	-0.11
Diluted earnings per share (RMB/share) (deducting non-recurring profit and loss)	-0.17	-0.15

### 48. Other comprehensive incomes

Item	Amount of Current Period	Amount of Previous Period
1. Gains (losses) arising from financial assets available for sale	0.00	0.00
2. Share of other comprehensive income of invested entities at equity method	0.00	0.00
3. Gains (losses) arising from cash flow hedging	0.00	0.00
4. Conversion difference of foreign currency financial statement	2,773,782.50	-27,744.54
Less: net gain/loss from disposal of foreign operations	0.00	0.00
Subtotal	2,773,782.50	-27,744.54
5. Others	0.00	0.00
<b>Total</b>	<b>2,773,782.50</b>	<b>-27,744.54</b>

# SECTION 10 FINANCIAL REPORT

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

### 49. Notes to cash flow statement

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

##### 1) Other cash received related to operating activities

<b>Item</b>	<b>Amount of Current Period</b>	Amount of Previous Period
Withdrawn deposit	6,620,000.00	32,000,000.00
Interest income	248,792.32	800,811.34
Government subsidy	5,723,450.00	112,912.00
Intercourse funds	1,575,936.31	2,274,356.54
Others	3,846,313.08	0.00
<b>Total</b>	<b>18,014,491.71</b>	<b>35,188,079.88</b>

##### 2) Other cash paid related to operating activities

<b>Item</b>	<b>Amount of Current Period</b>	Amount of Previous Period
Miscellaneous expenses	39,594,893.42	32,565,585.66
Paid deposit	5,417,850.00	0.00
Intercourse funds	564,823.65	11,979,205.36
Others	1,256,382.30	0.00
<b>Total</b>	<b>46,833,949.37</b>	<b>44,544,791.02</b>

##### 3) Other cash paid related financing activities

<b>Item</b>	<b>Amount of Current Period</b>	Amount of Previous Period
Borrowing repaid to Jingcheng Holding	2,500,000.00	0.00

# SECTION 10 FINANCIAL REPORT

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

### 49. Notes to cash flow statement (Continued)

#### (2) Supplementary information of consolidated cash flow statement

Item	Amount of Current Period	Amount of Previous Period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	-81,277,417.71	-66,774,862.04
Add: provision for impairment of assets	12,642,014.18	7,417,460.47
Depreciation of fixed assets	39,603,806.69	34,839,703.55
Amortization of intangible assets	2,248,881.52	2,237,360.74
Amortization of long-term deferred expenses	67,325.88	320,072.40
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	-529,991.79	-23,264,793.78
Loss from retirement of fixed assets (gains to be listed with "-")	0.00	0.00
Losses from changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	8,411,026.84	7,891,025.35
Investment income (loss to be listed with "-")	-2,414,445.17	4,629,510.77
Decrease of deferred tax assets (increases to be listed with "-")	37,296.88	65,927.62
Increases of deferred tax liabilities (decreases to be listed with "-")	0.00	0.00
Decrease of inventory (increase to be listed with "-")	57,878,620.97	35,996,981.25
Decreases of operating receivables (increases to be listed with "-")	-56,150,860.00	522,314.60
Increases of operating payables (decreases to be listed with "-")	17,603,900.28	-4,335,239.71
Others	0.00	0.00
Net cash flows generated from operating activities	-1,879,841.43	-454,538.78
<b>2. Significant investing and financing activities not related to cash deposit and withdrawal:</b>		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets acquired under financial leases		
<b>3. Net change in cash and cash equivalents:</b>		
Ending balance of cash	100,529,898.38	115,438,434.16
Less: beginning balance of cash	175,776,574.47	125,462,823.33
Add: ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-75,246,676.09	-10,024,389.17

#### (3) Cash and cash equivalents

Item	End. Balance	Beg. Balance
Cash	100,529,898.38	175,776,574.47
Including: cash on hand	112,128.14	65,972.56
Bank deposit available for payment at any time	100,417,770.24	175,710,601.91
Other monetary funds available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Including: bond investment due within three months	0.00	0.00
Ending balance of cash and cash equivalents	100,529,898.38	175,776,574.47
Including: cash and cash equivalents with limited use right of the parent company or subsidiaries of the Group	0.00	0.00

### 50. Assets with limited ownership or use right

Item	Ending Book Value	Reason
Monetary funds	5,000,000.00	Security deposit

# SECTION 10 FINANCIAL REPORT

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

### 51. Monetary items in foreign currency

<b>Item</b>	<b>Ending Balance in Foreign Currency</b>	<b>Conversion Exchange Rate</b>	<b>Ending Balance in RMB (Equivalent)</b>
Monetary funds	–	–	40,624,616.15
Including: USD	6,064,910.70	6.6312	40,217,635.83
EUR	52,894.81	7.3750	390,099.22
HKD	19,750.91	0.8547	16,881.10
Accounts receivable	–	–	87,702,338.57
Including: USD	12,655,272.36	6.6312	83,919,642.07
EUR	512,908.00	7.3750	3,782,696.50
Accounts payable	–	–	12,061,731.94
Including: USD	1,817,212.63	6.6312	12,050,300.39
EUR	1,550.04	7.3750	11,431.55
Other payables	–	–	8,360.82
Including: USD	1,260.83	6.6312	8,360.82

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

The consolidation scope does not change in current period.



# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

Name of Subsidiary	Main Premise	Registration Place	Proportion of Shareholding (%)		Acquisition Method
			Direct	Indirect	
Beijing Tianhai Industry Co., Ltd.	Chaoyang District, Beijing	Chaoyang District, Beijing	100.00	0.00	Business merger under the same control
Langfang Tianhai High Pressure Container Co., Ltd.	Langfang, Hebei	Langfang, Hebei	0.00	82.08	Business merger under the same control
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	Tianjin	Tianjin	0.00	55.00	Business merger under the same control
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	Songjiang District, Shanghai	Songjiang District, Shanghai	0.00	89.32	Business merger under the same control
Beijing Tianhai Low Temperature Equipment Co., Ltd.	Daxing District, Beijing	Daxing District, Beijing	0.00	75.00	Business merger under the same control
Beijing Panni Aerial Work Equipment Co., Ltd.	Tongzhou District, Beijing	Tongzhou District, Beijing	0.00	100.00	Business merger under the same control
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. BTIC AMERICA CORPORATION	Houston, USA	Houston, USA	0.00	51.00	Business merger under the same control
Jingcheng Holding (Hong Kong) Company Limited	Hong Kong	Hong Kong	100.00	0.00	Business merger under the same 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	Li Junjie	91110006000036940
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 cooperative enterprise	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	Li Junjie	
Jingcheng Holding (Hong Kong) Company Limited	Limited liability company	Trade and investment	Li Junjie	

#### (2) Important non-wholly-owned subsidiaries

Name of Subsidiary	Proportion of Minority Shareholding (%)	Profit and Loss Attributable to Minority Shareholders in Current Period	Dividends Declared to Minority Shareholders in Current Period	Ending Balance of Minority Interests
Langfang Tianhai High Pressure Container Co., Ltd.	17.92	-2,306,259.16	0.00	6,182,185.39
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	45.00	-520,933.84	0.00	87,307,226.37
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	10.68	220,126.44	0.00	4,768,109.92
Beijing Tianhai Low Temperature Equipment Co., Ltd.	25.00	-4,650,784.69	0.00	5,945,849.43
BTIC AMERICA CORPORATION	49.00	516,173.22	0.00	19,157,000.10
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	61.48	-12,371,512.08	0.00	296,210,349.09
<b>Total</b>	<b>-</b>	<b>-19,113,190.11</b>	<b>0.00</b>	<b>419,570,720.30</b>

# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (2) Important non-wholly-owned subsidiaries (Continued)

Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. (hereinafter referred to as "Minghui Tianhai") was established on 27 November 2012, with a registered capital of RMB10 million wholly contributed by Beijing Tianhai Industry Co., Ltd. (Tianhai Industry). After two capital increases, as of 30 June 2016, the registered capital of Minghui Tianhai has been increased to RMB545,225,200, including RMB210,000,000.00 (38.51%) contributed by Tianhai Industry, RMB170,412,703.00 (31.26%) by Beijing Jingguofa Equity Investment Fund (Limited Partnership) and RMB164,812,525.00 (30.23%) by Beijing Bashi Media Co., Ltd.

According to Articles of Association of Minghui Tianhai, it has 5 directors in the Board of Directors, of which Tianhai Industry nominates 3 and Beijing Jingguofa Equity Investment Fund (Limited Partnership) and Beijing Bashi Media Co., Ltd. nominate 1 respectively. Apart from major matters such as selling all assets of the company that should be subject to approval of two-thirds vote of the Board of Directors, matters such as approving business plan and investment plan of the company and determining setting of internal management departments of the company must be approved by more than half of all the directors. The management shall also be assigned by Tianhai Industry. Tianhai Industry can exert control over Minghui Tianhai and, thus, include it in the scope of consolidated financial statements.

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

Name of Subsidiary	End. Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	118,175,429.69	211,178,102.97	329,353,532.66	135,337,518.51	0.00	135,337,518.51
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	18,454,405.07	18,858,791.63	37,313,196.70	1,606,412.63	0.00	1,606,412.63
Langfang Tianhai High Pressure Container Co., Ltd.	53,814,134.33	221,377,071.52	275,191,205.85	173,230,860.30	0.00	173,230,860.30
Beijing Tianhai Low Temperature Equipment Co., Ltd.	73,364,045.50	8,619,504.86	81,983,550.36	58,200,152.62	0.00	58,200,152.62
BTC AMERICA CORPORATION	45,624,375.13	285,723.68	45,910,098.81	6,814,180.21	0.00	6,814,180.21
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	116,141,764.23	533,162,375.79	649,304,140.02	170,618,817.84	0.00	170,618,817.84

  

Name of Subsidiary	Beg. Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total 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
BTC 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

# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

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

(Continued)

Name of Subsidiary	Amount Incurred in Current Period			
	Operating income	Net profit	Total comprehensive income	Cash flow generated in operating activities
Tianjin Tianhai High Pressure Cylinder Co., Ltd.	146,951,701.52	-1,157,630.74	-1,157,630.74	42,779,635.45
Shanghai Tianhai Composite Gas Cylinder Co., Ltd.	21,604,347.93	1,810,250.30	1,810,250.30	355,994.70
Langfang Tianhai High Pressure Container Co., Ltd.	125,770,243.46	-12,869,749.77	-12,869,749.77	5,154,411.16
Beijing Tianhai Low Temperature Equipment Co., Ltd.	24,253,892.87	-18,603,138.76	-18,603,138.76	-5,377,420.21
BTIC AMERICA CORPORATION	72,558,134.96	1,503,731.56	4,306,641.72	11,630,041.13
Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.	39,657,281.89	-20,119,551.28	-20,119,551.28	29,082,298.04

  

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

### 2. Interest in joint ventures or associates

#### (1) Key joint ventures or associates

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

Shandong Tianhai High Pressure Container Co., Ltd. was established on 12 June 2014, with a registered capital of RMB30 million. Beijing Tianhai Industry Co., Ltd. Contributed RMB15.3 million (51%) and Shandong Yong'an Heli Steel Cylinder Co., Ltd. contributed RMB14.7 million (49%). After capital increase, the registered capital of Shandong Tianhai High Pressure Container Co., Ltd. was increased to RMB114.55 million, including RMB58,420,500 (51%) and RMB56,129,500 (49%) contributed by Beijing Tianhai Industry Co., Ltd. and Shandong Yong'an Heli Steel Cylinder Co., Ltd. respectively. According to Articles of Association of Shandong Tianhai High Pressure Container Co., Ltd., it has 5 directors in the Board of Directors, of which Beijing Tianhai Industry Co., Ltd. nominates 3 members and Shandong Yong'an Heli Steel Cylinder Co., Ltd. nominates 2 members. All decisions made by the Board of Directors on discussed matters shall be valid only after being voted and approved by more than four-fifths of the directors. Daily business operating is managed by delegates from Shandong Yong'an Heli Steel Cylinder Co., Ltd. Therefore, Beijing Tianhai Industry Co., Ltd. can neither exert control over Shandong Tianhai High Pressure Container Co., Ltd. nor include it in the scope of consolidated statements and equity method is adopted for calculation.

# SECTION 10 FINANCIAL REPORT

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interest in joint ventures or associates (Continued)

#### (2) Main financial information of important joint ventures

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

Item	Ending Balance/ Amount Incurred in Current Period	Beginning Balance/ Amount Incurred in Previous Period
Current assets:	<b>76,518,896.78</b>	81,314,996.44
Including: cash and cash equivalents	<b>2,577,981.16</b>	4,434,130.67
Non-current assets	<b>124,945,960.88</b>	115,048,071.18
<b>Total assets</b>	<b>201,464,857.66</b>	196,363,067.62
Current liabilities:	<b>78,545,115.97</b>	78,210,361.65
Non-current liabilities	<b>0.00</b>	0.00
<b>Total liabilities</b>	<b>78,545,115.97</b>	78,210,361.65
Minority interest		
Equity attributable to shareholders of the parent company	<b>122,919,741.69</b>	118,152,705.97
Shares of net assets calculated as per the shareholding proportion	<b>62,689,068.26</b>	60,257,880.04
Adjustments	<b>-3,829,562.50</b>	-3,846,260.60
– Goodwill		
– Unrealized profit of internal transaction	<b>-3,829,562.50</b>	-3,846,260.60
– Others		
Book value of equity investment in joint ventures	<b>58,859,505.76</b>	56,411,619.44
Fair value of equity investment in joint ventures with public offer		
Operating income	<b>320,711,629.92</b>	262,381,236.06
Financial expenses	<b>613,337.55</b>	1,178,455.62
Income tax expenses	<b>2,223,753.50</b>	1,025,886.26
Net profit	<b>4,799,777.10</b>	3,374,429.87

##### 2) Jiangsu Tianhai Special Equipment Co., Ltd.

Item	Ending Balance/ Amount Incurred in Current Period	Beginning Balance/ Amount Incurred in Previous Period
Current assets:	<b>10,936,897.84</b>	16,159,673.52
Including: cash and cash equivalents	<b>29,043.38</b>	687,397.80
Non-current assets	<b>46,542,881.32</b>	33,039,302.15
<b>Total assets</b>	<b>57,479,779.16</b>	49,198,975.67
Current liabilities:	<b>283,559.63</b>	
Non-current liabilities		
<b>Total liabilities</b>	<b>283,559.63</b>	
Minority interest	<b>0.00</b>	0.00
Equity attributable to shareholders of the parent company	<b>57,196,219.53</b>	49,198,975.67
Shares of net assets calculated as per the shareholding proportion	<b>20,018,676.84</b>	17,219,641.48
Adjustments	<b>-8,101,634.22</b>	-5,269,157.71
– Goodwill		
– Unrealized profit of internal transaction	<b>-8,101,634.22</b>	-5,269,157.71
– Others		
Book value of equity investment in joint ventures	<b>11,917,042.62</b>	11,950,483.77
Fair value of equity investment in joint ventures with public offer		
Operating income	<b>20,194,982.93</b>	
Financial expenses	<b>2,588.94</b>	
Income tax expenses		
Net profit	<b>-1,002,756.14</b>	

# SECTION 10 FINANCIAL REPORT

## 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 30 June 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. Balance		Beg. Balance	
	Original currency	RMB (Equivalent)	Original currency	RMB (Equivalent)
<b>Monetary funds</b>		<b>40,624,616.15</b>		<b>84,569,307.58</b>
USD	<b>6,064,910.70</b>	<b>40,217,635.83</b>	12,973,120.37	84,242,254.44
EUR	<b>52,894.81</b>	<b>390,099.22</b>	43,762.81	310,505.89
HKD	<b>19,750.91</b>	<b>16,881.10</b>	19,750.84	16,547.25
<b>Accounts receivable</b>		<b>87,702,338.57</b>		<b>47,689,832.66</b>
USD	<b>12,655,272.36</b>	<b>83,919,642.07</b>	7,186,206.80	46,664,352.48
EUR	<b>512,908.00</b>	<b>3,782,696.50</b>	144,531.54	1,025,480.18
<b>Prepayments</b>		<b>6,959,926.94</b>		
USD	<b>1,048,659.49</b>	<b>6,953,870.81</b>		
EUR	<b>821.17</b>	<b>6,056.13</b>		
<b>Accounts payable</b>		<b>12,061,731.94</b>		<b>8,827,167.82</b>
USD	<b>1,817,212.63</b>	<b>12,050,300.39</b>	1,359,364.27	8,827,167.82
EUR	<b>1,550.04</b>	<b>11,431.55</b>		
<b>Accounts received in advance</b>		<b>21,175,544.39</b>		
USD	<b>3,171,915.76</b>	<b>21,033,607.79</b>		
EUR	<b>19,245.64</b>	<b>141,936.60</b>		
<b>Short-term borrowings</b>				<b>5,844,240.00</b>
USD			900,000.00	5,844,240.00
<b>Other payables</b>		<b>8,360.82</b>		<b>16,374.65</b>
USD	<b>1,260.83</b>	<b>8,360.82</b>	2,521.66	16,374.65

##### 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.

# SECTION 10 FINANCIAL REPORT

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Objectives and policies of risk management (Continued)

#### (2) Credit risk

At end of the period, 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 period, 2.49% (previous period: 4.39%) and 10.64% (previous period: 18.83%) 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 period, RMB418.3 million of bank borrowing limit has not been used by the Group and RMB258.8 million in the beginning of the period.

## X. RELATED PARTIES AND RELATED PARTY 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 (%)
Beijing Jingcheng Machinery Electric Holding Company Limited	Chaoyang District, Beijing	Operation management of state-owned assets	RMB2,044,687,100	42.80	42.80

##### 2) Registered capital of the controlling shareholder and changes (Unit: RMB10,000)

Controlling Shareholder	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Beijing Jingcheng Machinery Electric Holding Company Limited	201,098.71	3,370.00	0.00	204,468.71

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

Controlling Shareholder	Amount of Shareholding		Proportion of Shareholding (%)	
	End. balance	Beg. balance	Ending proportion	Beginning proportion
Beijing Jingcheng Machinery Electric Holding Company Limited	18,062.00	18,062.00	42.80	42.80

#### (2) Subsidiaries

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

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 1. Related parties relationship (Continued)

#### (3) Joint ventures and associates

For details of significant joint ventures and associates of the Company, please refer to contents of VIII. 2 (1) in the Notes.

Name	Relation with the Group
Shandong Tianhai High Pressure Container Co., Ltd. Jiangsu Tianhai Special Equipment Co., Ltd.	Joint venture Associate

#### (4) Other related parties

Name	Relation with the Group
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
Zheng Guoxiang	Minority shareholder of subsidiary
Guo Zhihong	Minority shareholder of subsidiary

### 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 Party Transaction	Amount Incurred in Current Period	Amount Incurred in Previous Period
Tianjin Steel Pipe & Steel Trade Co., Ltd.	Raw materials	31,072,110.65	70,440,655.00
Shandong Tianhai High Pressure Container Co., Ltd.	Products	30,741,600.60	16,618,100.43
<b>Total</b>	-	<b>61,813,711.25</b>	<b>87,058,755.43</b>

##### 2) Selling goods and offering labor services

Related Party	Content of Related Party Transaction	Amount Incurred in Current Period	Amount Incurred in Previous Period
Shandong Tianhai High Pressure Container Co., Ltd.	Equipment selling	369,761.15	16,064,086.00

## SECTION 10 FINANCIAL REPORT

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 2. Related party transaction (Continued)

##### (2) Related party lease

###### Lease

Lessor	Lessee	Leased Assets	Recognized Rental Expense of Current Period	Recognized Rental Expense of Previous Period
Beijing No. 1 Machine Tool Plant	Beijing Panni Aerial Work Equipment Co., Ltd.	Tenement	95,000.00	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	0	756,603.33

##### (3) Related party guarantees

Guarantor	Guarantee	Amount	From	To	Guarantee has been performed or not
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd	30,000,000.00	2015/12/15	2018/12/15	No
		20,000,000.00	2016/1/28	2019/1/28	No
		30,000,000.00	2016/5/13	2019/5/13	No
		20,000,000.00	2015/8/24	2018/8/23	No
		30,000,000.00	2016/5/27	2019/5/26	No
		40,000,000.00	2016/1/22	2019/1/22	No
<b>Total</b>		<b>170,000,000.00</b>	-	-	-

##### (4) Capital lending between related parties

Lender	Borrower	Amount	From	Expiry Date	Rate of Interest
Jingcheng Holding	Beijing Tianhai Industry Co., Ltd.	50,000,000.00	2015/11/8	2016/5/7	4.60%
	Langfang Tianhai High Pressure Container Co., Ltd.	2016/5/8	2016/1/7	4.35%	
		85,500,000.00	2015/10/1	2016/9/30	4.60%

##### (5) Related party interest expense

Name of Related Party	Amount of Current Period	Amount of Previous Period
Jingcheng Holding	2,043,102.78	2,640,000.00

#### 3. Consolidation and the parent company

##### (1) Remuneration of key management personnel

Item	Amount Incurred in Current Period	Amount Incurred in Previous Period
Remuneration of key management personnel		
Emoluments	330,272.45	458,656.51
Salary and other benefits	1,606,487.03	1,145,832.38
Contribution to retirement fund plan	111,680.64	71,938.08
<b>Total</b>	<b>2,048,440.12</b>	<b>1,676,426.97</b>



# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 3. Consolidation and the parent company (Continued)

#### (1) Remuneration of key management personnel (Continued)

Analysis of remuneration of key management personnel:

Name and Post	Amount of Current Period			Total
	Emoluments	Salary and other benefits	Contribution to retirement fund plan	
<b>Executive Director</b>				
Wang Jun		103,859.36	9,306.72	113,166.08
Chen Changge	54,567.59	144,039.36	9,306.72	207,913.67
Li Junjie	53,333.00	131,289.36	9,306.72	193,929.08
Jiang Chi	43,565.99	118,539.36	9,306.72	171,412.07
Du Yuexi		114,531.36	9,306.72	123,838.08
<b>Non-executive Director</b>				
Xia Zhonghua		193,664.36	9,306.72	202,971.08
Jin Chunyu		162,460.36	9,306.72	171,767.08
Fu Hongquan		167,056.36	9,306.72	176,363.08
<b>Independent Non-executive Director</b>				
Wu Yan				
Liu Ning				
Yang Xiaohui				
Fan Yong				
<b>Supervisor</b>				
Chang Yun		147,304.07	9,306.72	156,610.79
Wang Yiqing	58,697.18	96,864.36	9,306.72	164,868.26
Liu Zhe	67,977.70	108,339.36	9,306.72	185,623.78
<b>Other Senior Management Personnel</b>				
Shi Fengwen (Chief Engineer)	52,130.99	118,539.36	9,306.72	179,977.07
<b>Total</b>	<b>330,272.45</b>	<b>1,606,487.03</b>	<b>111,680.64</b>	<b>2,048,440.12</b>

(Continued)

Name and Post	Amount of Previous Period			Total
	Emoluments	Salary and other benefits	Contribution to retirement fund plan	
<b>Executive Director</b>				
Hu Chuanzhong		154,168.10	8,341.92	162,510.02
Li Junjie		154,168.10	8,341.92	162,510.02
Liu Zhe		121,768.06	8,341.92	130,109.98
Jiang Chi		121,666.06	8,341.92	130,109.98
<b>Non-executive Director</b>				
Xia Zhonghua	54,000.00	124,995.08	8,341.92	187,337.00
Jin Chunyu		13,488.68	1,390.32	14,879.00
Fu Hongquan		15,180.68	1,390.32	16,571.00
<b>Independent Non-executive Director</b>				
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
<b>Supervisor</b>				
Chang Yun	54,000.00	84,171.40	6,951.60	145,123.00
Wang Yiqing		91,597.08	8,341.92	99,939.00
Wang Weijing		9,166.24	1,031.76	10,198.00
<b>Other Senior Management Personnel</b>				
Jie Yuemei (Chief Engineer)	0	89,464.58	0	89,464.58
Zhou Yongjun (Former Non-executive Director)	110,656.51	52,662.72	5,561.28	168,880.51
Han Bingkui (Former Supervisor)		113,335.60	5,561.28	118,896.88
<b>Total</b>	<b>458,656.51</b>	<b>1,145,832.38</b>	<b>71,938.08</b>	<b>1,676,426.97</b>

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

# SECTION 10 FINANCIAL REPORT

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 3. Consolidation and the parent company (Continued)

#### (2) Employee remuneration:

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

### 4. Balance of transactions with related parties

#### (1) Consolidation

##### 1) Receivables from related parties

Item	Related Party	End. Balance		Beg. Balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Jiangsu Tianhai Special Equipment Co., Ltd.	5,284,361.27	52,843.61	7,287,737.25	72,877.37
	Shandong Tianhai High Pressure Container Co., Ltd.	607,767.95	60,776.80	1,903,391.68	19,033.92
Other receivables	Jiangsu Tianhai Special Equipment Co., Ltd.	122,962.56	1,229.63	14,148.92	141.49
Prepayments	Shandong Tianhai High Pressure Container Co., Ltd.	0.00	0.00	5,034,891.19	0.00

##### 2) Payables to 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.	37,221,989.54	38,407,665.90
	Shandong Tianhai High Pressure Container Co., Ltd.	723,278.28	2,056,366.20
Other payables	Jingcheng Holding	135,500,000.00	138,000,000.00
	Beijing No. 1 Machine Tool Plant	352,227.09	311,652.09
	TPCO Investment Co., Ltd.	1,704,203.53	1,917,312.44
Accounts received in advance	Jiangsu Tianhai Special Equipment Co., Ltd.	783,500.00	0.00
	Shandong Tianhai High Pressure Container Co., Ltd.	47,792.00	0.00
Non-current liabilities due within one year	Jingcheng Holding	11,000,000.00	11,000,000.00
Special payables	Jingcheng Holding	103,900,000.00	103,900,000.00

#### (2) Parent company

##### 1) Receivables from related parties

Item	Related Party	End. Balance		Beg. Balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Beijing Tianhai Industry Co., Ltd.	342,700,000.00	0.00	340,000,000.00	0.00

##### 2) Payables to related parties

Item	Related Party	End. Balance	Beg. Balance
Other Payables	Beiren Corporation Group	3,800,575.23	1,139,975.21

## XI. SHARE-BASED PAYMENT

The Group has no share-based payment as of 30 June 2016.

## XII. CONTINGENCIES

There are no material contingencies for the Group to disclose as of 30 June 2016.

# SECTION 10 FINANCIAL REPORT

## XIII. COMMITMENTS

### 1. Significant commitments

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

On 30 June 2016, 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:

<b>Period</b>	<b>Amount of Current Period</b>	<b>Amount of Previous Period</b>
Year T+1	<b>1,886,860.00</b>	4,186,860.00
Year T+2	<b>1,886,860.00</b>	4,186,860.00
Year T+3	<b>1,886,860.00</b>	1,886,860.00
After Year T+3	<b>18,868,600.00</b>	19,548,600.00
<b>Total</b>	<b>24,529,180.00</b>	29,809,180.00

2. There is no other significant commitment for the Group to disclose as of 30 June 2016, except for the commitments above.

## XIV. EVENTS AFTER BALANCE SHEET DATE

There are no events after the balance sheet date for the Group to disclose by the date of approval of the financial report.

## XV. OTHER MAJOR MATTERS

### 1. Exchange of non-monetary assets

The Group has no exchange of non-monetary assets as of 30 June 2016.

### 2. Major asset restructuring event

On 3 February 2016, the Company issued the *Issuance of Shares of Beijing Jingcheng Machinery Electric Co., Ltd. and Cash Payment in Consideration of Asset Acquisition and Raising of Counterpart Fund Constituting Related Party Transaction (Proposal) and Its Summary*. According to Article 44 of the *Administrative Measures on Major Asset Restructuring of Listed Companies in the Questions and Answers about Issuance of Shares by Listed Companies to Acquire Assets and Raising Supporting Proceeds* issued by China Securities Regulatory Commission on 17 June 2016 during the implementation of this major asset restructuring, this major asset restructuring matter has significant influence. The Company plans to terminate this major asset restructuring. On 30 June 2016, the Company convened the 19th extraordinary meeting of the eighth session of the board of directors, deliberated and passed the *Proposal on Termination of Asset Restructuring Matter*, and decided to terminate this asset restructuring matter.

3. Except for the item above, the Group has not any major matter to disclose.

# SECTION 10 FINANCIAL REPORT

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

### 1. Monetary funds

Item	End. Balance	Beg. Balance
Cash	91.00	118.00
Bank deposit	1,281,622.98	4,152,436.89
Other monetary funds	0.00	0.00
<b>Total</b>	<b>1,281,713.98</b>	<b>4,152,554.89</b>

### 2. Interests receivable

Item	End. Balance	Beg. Balance
Beijing Tianhai Industry Co., Ltd.	15,873,854.49	15,034,062.82

### 3. Other receivables

Item	End. Balance	Beg. Balance
Other receivables	342,716,950.00	342,700,000.00
Less: provision for bad debt	169.50	0.00
<b>Net amount</b>	<b>342,716,780.50</b>	<b>342,700,000.00</b>

#### (1) Classification of other receivables

Category	End. Balance					Book Value
	Book balance		Bad debt provision		Drawing proportion (%)	
	Amount	Proportion (%)	Amount	Drawing proportion (%)		
Other receivables with significant single amount and bad debt provision drawn on single item	0.00	0.00	0.00	0.00		0.00
Other receivable with bad debt provision drawn by portfolio of credit risk features	342,716,950.00	100.00	169.50	-		342,716,780.50
Portfolio of related parties within the consolidation scope	342,700,000.00	100.00	0.00	0.00		342,700,000.00
Account age portfolio	16,950.00	0.00	169.50	1.00		16,780.50
Other receivables with insignificant single amount but drawn bad debt provision on single item	0.00	0.00	0.00	0.00		0.00
<b>Total</b>	<b>342,716,950.00</b>	<b>100.00</b>	<b>169.50</b>	<b>-</b>		<b>342,716,780.50</b>

(Continued)

Category	Beg. Balance					Book Value
	Book balance		Bad debt provision		Drawing proportion (%)	
	Amount	Proportion (%)	Amount	Drawing proportion (%)		
Other receivables with significant single amount and bad debt provision drawn on single item	0.00	0.00	0.00	0.00		0.00
Other receivable with bad debt provision drawn by portfolio of credit risk features	342,700,000.00	100.00	0.00	-		342,700,000.00
Portfolio of related parties within the consolidation scope	342,700,000.00	100.00	0.00	0.00		342,700,000.00
Account age portfolio	0.00	0.00	0.00	0.00		0.00
Other receivables with insignificant single amount but drawn bad debt provision on single item	0.00	0.00	0.00	0.00		0.00
<b>Total</b>	<b>342,700,000.00</b>	<b>100.00</b>	<b>0.00</b>	<b>-</b>		<b>342,700,000.00</b>

# SECTION 10 FINANCIAL REPORT

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

### 3. Other receivables (Continued)

#### (1) Classification of other receivables (Continued)

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

Account Age	End. Balance		
	Other receivables	Bad debt provision	Drawing proportion (%)
Within 1 year	16,950.00	169.50	1.00
1-2 years	0.00	0.00	10.00
2-3 years	0.00	0.00	20.00
3-4 years	0.00	0.00	50.00
4-5 years	0.00	0.00	80.00
More than 5 years	0.00	0.00	100.00
<b>Total</b>	<b>16,950.00</b>	<b>169.50</b>	<b>-</b>

##### 2) In portfolio, other receivables of related parties in the consolidation scope

Name	End. Balance		
	Other receivables	Bad debt provision	Drawing proportion (%)
Beijing Tianhai Industry Co., Ltd.	342,700,000.00	0.00	0.00

### 4. Long-term equity investments

#### (1) Classification

Item	End. Balance			Beg. Balance		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in Subsidiaries	694,842,724.41	0.00	694,842,724.41	694,842,724.41	0.00	694,842,724.41
Investment in joint ventures and associates						
<b>Total</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>694,842,724.41</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>694,842,724.41</b>

#### (2) Investment in Subsidiaries

Invested Entity	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance	Provision for Impairment Drawn in Current Period	Ending Balance of Provision for Impairment
Beijing Tianhai Industry Co., Ltd.	552,798,696.31	0.00	0.00	552,798,696.31	0.00	0.00
Jingcheng Holding (Hong Kong) Company Limited	142,044,028.10	0.00	0.00	142,044,028.10	0.00	0.00
<b>Total</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>0.00</b>	<b>694,842,724.41</b>	<b>0.00</b>	<b>0.00</b>

#### (3) Analysis of long-term equity investment:

Item	End. Balance	Beg. Balance
Listed	-	-
China (excluding Hong Kong)		
Hong Kong		
Other regions		
Subtotal		
Unlisted	694,842,724.41	694,842,724.41
<b>Total</b>	<b>694,842,724.41</b>	<b>694,842,724.41</b>

## SECTION 10 FINANCIAL REPORT

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

#### 5. Payroll payable

##### (1) Classification

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Short-term remuneration	1,750,000.00	974,557.95	2,414,148.95	<b>310,409.00</b>
Post-employment welfare-defined contribution plan	0.00	373,032.35	373,032.35	<b>0.00</b>
<b>Total</b>	<b>1,750,000.00</b>	<b>1,347,590.30</b>	<b>2,787,181.30</b>	<b>310,409.00</b>

##### (2) Short-term remuneration

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Salary, bonus, allowance and subsidy	1,750,000.00	549,219.67	1,988,810.67	<b>310,409.00</b>
Social insurance premiums	0.00	215,861.28	215,861.28	<b>0.00</b>
Including: medical insurance premiums	0.00	179,884.40	179,884.40	<b>0.00</b>
Work-related injury insurance premiums	0.00	21,586.38	21,586.38	<b>0.00</b>
Maternity insurance premium	0.00	14,390.50	14,390.50	<b>0.00</b>
Housing funds	0.00	209,477.00	209,477.00	<b>0.00</b>
<b>Total</b>	<b>1,750,000.00</b>	<b>974,557.95</b>	<b>2,414,148.95</b>	<b>310,409.00</b>

##### (3) Defined contribution plan

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Basic endowment insurance premium	0.00	355,359.42	355,359.42	<b>0.00</b>
Unemployment insurance expense	0.00	17,672.93	17,672.93	<b>0.00</b>
<b>Total</b>	<b>0.00</b>	<b>373,032.35</b>	<b>373,032.35</b>	<b>0.00</b>

#### 6. Taxes payable

Item	End. Balance	Beg. Balance
VAT	<b>-71,405.08</b>	-51,710.74
Business tax	<b>0.00</b>	253,309.73
City maintenance and construction tax	<b>0.00</b>	17,731.68
Educational surcharge	<b>0.00</b>	12,665.49
Personal income tax	<b>8,590.70</b>	22,994.29
<b>Total</b>	<b>-62,814.38</b>	254,990.45

#### 7. Other payables

##### (1) Classification of other payables by nature

Nature	End. Balance	Beg. Balance
Funds disbursed for others, etc.	<b>3,048,298.60</b>	4,312,825.50
Intercourse funds	<b>3,800,575.23</b>	0.00
<b>Total</b>	<b>6,848,873.83</b>	4,312,825.50

# SECTION 10 FINANCIAL REPORT

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

### 7. Other payables (Continued)

#### (2) Aging analysis of other payables

Item	End. Balance	Beg. Balance
Within 1 year	4,109,753.83	3,512,825.50
1-2 years	1,939,120.00	300,000.00
2-3 years	800,000.00	500,000.00
<b>Total</b>	<b>6,848,873.83</b>	<b>4,312,825.50</b>

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

Name	End. Balance	Reasons for not repaying or carrying forward
Beijing Guoxingjiye Land Planning Co., Ltd.	500,000.00	Unsettled yet

### 8. Capital stock

Amount of Current Period

Unit: RMB1,000

Item	Beg. Balance		Current Change				End. Balance		
	Amount	Proportion (%)	New shares offered	Share allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
<b>Conditioned shares</b>									
State-owned corporate shares									
Total conditioned shares									
<b>Unconditioned shares</b>									
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
<b>Total unconditioned shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>
<b>Total shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>

Amount of Previous Period

Unit: RMB1,000

Item	Beg. Balance		Current Change				End. Balance		
	Amount	Proportion (%)	New shares offered	Share allotment	Capital reserve converted into capital stock	Others	Subtotal	Amount	Proportion (%)
<b>Conditioned shares</b>									
State-owned corporate shares									
Total conditioned shares									
<b>Unconditioned shares</b>									
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
<b>Total unconditioned shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>
<b>Total shares</b>	<b>422,000.00</b>	<b>100.00</b>						<b>422,000.00</b>	<b>100.00</b>

## SECTION 10 FINANCIAL REPORT

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

#### 9. Capital reserves

##### Amount of Current Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Capital stock premium	565,619,913.60	0.00	0.00	<b>565,619,913.60</b>
Other capital reserves	101,020,074.25	0.00	0.00	<b>101,020,074.25</b>
<b>Total</b>	<b>666,639,987.85</b>	<b>0.00</b>	<b>0.00</b>	<b>666,639,987.85</b>

##### Amount of Previous Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Capital stock premium	565,619,913.60	0.00	0.00	<b>565,619,913.60</b>
Other capital reserves	101,020,074.25	0.00	0.00	<b>101,020,074.25</b>
<b>Total</b>	<b>666,639,987.85</b>	<b>0.00</b>	<b>0.00</b>	<b>666,639,987.85</b>

#### 10. Surplus reserves

##### Amount of Current Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Legal surplus reserves	38,071,282.24	0.00	0.00	<b>38,071,282.24</b>

##### Amount of Previous Period

Item	Beg. Balance	Increase in Current Period	Decrease in Current Period	End. Balance
Legal surplus reserves	38,071,282.24	0.00	0.00	<b>38,071,282.24</b>

#### 11. Undistributed profits

##### Amount of Current Period

Item	Amount	Drawing or Distribution Proportion (%)
<b>Beginning balance of previous period</b>	-76,299,743.92	
Add: adjustment of undistributed profit at the beginning of the period		
<b>Beginning balance of current period</b>	-76,299,743.92	
Add: net profits in current period	-2,792,921.24	
Less: appropriation of legal surplus reserves	0.00	10
Appropriation of discretionary surplus reserves	0.00	
Drawing of general risk provision	0.00	
Common stock dividends payable	0.00	
Common stock dividends turned into capital stock	0.00	
<b>Ending balance of current period</b>	<b>-79,092,665.16</b>	

##### Amount of Previous Period

Item	Amount	Drawing or Distribution Proportion (%)
<b>Beginning balance of previous period</b>	-77,580,454.28	
Add: adjustment of undistributed profit at the beginning of the period		
<b>Beginning balance of current period</b>	-77,580,454.28	
Add: net profits in current period	-6,575,412.12	
Less: appropriation of legal surplus reserves	0.00	10
Appropriation of discretionary surplus reserves	0.00	
Drawing of general risk provision	0.00	
Common stock dividends payable	0.00	
Common stock dividends turned into capital stock	0.00	
<b>Ending balance of current period</b>	<b>-84,155,866.40</b>	



## SECTION 10 FINANCIAL REPORT

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

#### 12. Operating incomes and costs

##### (1) Breakdown

Item	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Income	Cost	Income	Cost
Other operation	708,789.32	0.00	1,079,002.31	0.00

##### (2) Other operating incomes and costs

Item	Amount of Current Period		Amount of Previous Period	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Consultation expenses	0.00	0.00	11,000.00	0.00
Fund utilizing fee	708,789.32	0.00	1,068,002.31	0.00
<b>Total</b>	<b>708,789.32</b>	<b>0.00</b>	<b>1,079,002.31</b>	<b>0.00</b>

#### 13. Notes to cash flow statement

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

###### 1) Other cash received related to operating activities

Item	Amount of Current Period	Amount of Previous Period
Interest income	9,724.28	22,281.51
Intercourse funds	725,270.03	1,161,473.01
<b>Total</b>	<b>734,994.31</b>	<b>1,183,754.52</b>

###### 2) Other cash paid related to operating activities

Item	Amount of Current Period	Amount of Previous Period
Miscellaneous expenses	2,384,817.56	2,272,249.04

# SECTION 10 FINANCIAL REPORT

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

### 13. Notes to cash flow statement (Continued)

#### (2) Supplementary information of cash flow statement

Item	Amount of Current Period	Amount of Previous Period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	-2,792,921.24	-6,575,412.12
Add: provision for impairment of assets	169.50	0.00
Depreciation of fixed assets	0.00	0.00
Amortization of intangible assets	0.00	0.00
Amortization of long-term deferred expenses	0.00	0.00
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	0.00	0.00
Loss from retirement of fixed assets (gains to be listed with "-")	0.00	0.00
Losses from changes in fair value (gains to be listed with "-")	0.00	0.00
Financial expenses (gains to be listed with "-")	0.00	0.00
Investment income (loss to be listed with "-")	0.00	0.00
Decrease of deferred tax assets (increases to be listed with "-")	0.00	0.00
Increase of deferred tax liabilities (decreases to be listed with "-")	0.00	0.00
Decrease of inventory (increase to be listed with "-")	0.00	0.00
Decreases of operating receivables (increases to be listed with "-")	-856,741.67	-311,174.56
Increase of operating payables (decreases to be listed with "-")	778,652.50	3,803,534.12
Others	0.00	0.00
Net cash flows generated from operating activities	-2,870,840.91	-3,083,052.56

#### 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	1,281,713.98	8,832,847.92
Less: beginning balance of cash	4,152,554.89	11,915,900.48
Add: ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-2,870,840.91	-3,083,052.56

#### (3) Cash and cash equivalents

Item	End. Balance	Beg. Balance
Cash	1,281,713.98	4,152,554.89
Including: cash on hand	91.00	118.00
Bank deposit available for payment at any time	1,281,622.98	4,152,436.89
Other monetary funds available for payment at any time	0.00	0.00
Cash equivalents	0.00	0.00
Including: bond investment due within three months	0.00	0.00
Ending balance of cash and cash equivalents	1,281,713.98	4,152,554.89

# SECTION 10 FINANCIAL REPORT

## XVII. REPORT APPROVAL

This financial report will be released after being approved by the Board of Directors of the Company on 11 August 2016.

## XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

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

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

Item	Amount of Current Period	Notes
Profits and losses from disposal of non-current assets	529,991.79	VI. 41 and 42 in the Notes
Government subsidy included in current profits and losses	5,904,284.00	VI. 41 in the Notes
Profit and loss of debt restructuring	1,181,656.21	VI. 41 in the Notes
Other non-operating incomes or expenditures except the above items	2,305,153.41	VI. 41 and 42 in the Notes
Other losses and profits conforming to the definition of non-recurring profit and loss	0.00	
<b>Subtotal</b>	<b>9,921,085.41</b>	
Effect of income tax	0.00	
Impact on minority interest income (after-tax)	1,773,113.95	
<b>Total</b>	<b>8,147,971.46</b>	

### 2. Difference between foreign and domestic accounting standards (Unit: RMB1,000)

Item	Net profit		Net Assets	
	Amount of current period	Amount of previous period	Ending balance	Beginning balance
HK GAAP	-81,277	-66,775	1,071,470	1,149,973
Accounting Standards for Business Enterprises	-81,277	-66,775	1,071,470	1,149,973

### 3. Return on net assets and earnings per share

Profit for the Reporting Period	Earnings per Share					
	Weighted Average ROA (%)		Basic earnings per share		Diluted earnings per share	
	January – June 2016	January – June 2015	January – June 2016	January – June 2015	January – June 2016	January – June 2015
Net profit attributable to shareholders of the parent company	-9.11	-5.34	-0.15	-0.11	-0.15	-0.11
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	-10.31	-7.30	-0.17	-0.15	-0.17	-0.15

## SECTION 10 FINANCIAL REPORT

### XIX. OTHER INFORMATION TO DISCLOSE

#### 1. Turnover

Turnover is the received net value and net receivables from sales of different types of cylinders, accumulators, cryogenic storage and transportation containers, gas-storage special containers, bundling equipment and spare parts and services rendered. The analysis is as follows:

<b>Item</b>	<b>Amount of Current Period</b>	Amount of Previous Period
Seamless steel gas cylinders	<b>244,377,340.98</b>	298,971,754.06
Winding cylinders	<b>53,738,322.28</b>	57,436,328.79
Low temperature cylinders	<b>96,996,900.42</b>	80,137,659.39
Low temperature storage and transportation equipment	<b>22,243,581.30</b>	33,051,097.99
Others	<b>43,801,011.83</b>	93,716,428.34
Total sales amount	<b>461,157,156.81</b>	563,313,268.57
Less: sales tax and other surcharges	<b>105,740,855.62</b>	105,207,867.95
<b>Total</b>	<b>355,416,301.19</b>	458,105,400.62

#### 2. Taxes

<b>Item</b>	<b>Amount of Current Period</b>	Amount of Previous Period
Current corporate income tax	<b>1,304,937.38</b>	1,846,028.05
Deferred income tax	<b>37,296.88</b>	65,850.31
<b>Total</b>	<b>1,342,234.26</b>	1,911,878.36

#### 3. Dividend

No dividend paid or declared from January to June 2016. No dividend is declared during this reporting period (January to June 2015: none).

Beijing Jingcheng Machinery Electric Co., Ltd.  
11 August 2016

## SECTION 11 DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	1. Original copy of the interim report signed by the Chairman
	2. The financial statements signed and sealed by the legal representative, the Accounting Director and the Accounting Manager of the Company
	3. Original copies of all documents and announcements of the Company publicly disclosed during the Reporting Period in Shanghai Securities News, Securities Daily, the website of Shanghai Stock Exchange and the website "HKExnews" of the Stock Exchange
	4. The Articles of Association of the Company

The above documents are available for inspection at the office of the Board of Directors of the Company, whose address is No.2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing.

Chairman: **Wang Jun**

Date of approval by the Board: 11 August 2016