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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)

(Stock Code: 187)

ANNOUNCEMENT ON 2013 ANNUAL RESULTS

The Board of Directors (the "Board") of Beijing Jingcheng Machinery Electric Company Limited (the "Company") hereby announces that the preliminary consolidated results as of and ended 31 December 2013 (the "Reporting Period") prepared by the Company and its subsidiaries (the "Group") in accordance with the China Accounting Standards for Business Enterprises are as follows:

I. FINANCIAL DATA

(All amounts are stated in RMB Yuan unless otherwise stated)

CONSOLIDATED BALANCE SHEET

31 December 2013

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB (Yuan)

Items	Note	31 December 2013	31 December 2012
Current assets			
Monetary fund		337,743,216.12	528,041,165.31
Transaction settlement funds			
Lendings to banks			
Financial assets held for trading			
Bills receivable		28,387,575.12	27,652,656.96
Accounts receivable	10	407,991,348.42	526,194,988.82
Prepayments		41,013,304.21	54,964,229.12
Premiums receivable			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			113,600.00
Other receivables		5,686,434.58	50,795,137.59
Purchase and resale of financial assets			
Inventories		734,199,271.84	995,479,780.27
Non-current assets due within one year			
Other current assets		15,718,684.47	
Total current assets		1,570,739,834.76	2,183,241,558.07

Items	Note	31 December 2013	31 December 2012
Non-current assets:			
Granted and entrusted loans and advances			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		63,231,444.54	84,309,221.40
Investment properties		9,519,696.39	6,556,479.32
Fixed assets		714,960,989.70	1,273,027,529.95
Construction in progress		278,770,258.89	54,167,335.66
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		173,810,162.12	178,454,219.80
Development expenditure			
Goodwill		6,562,344.06	6,562,344.06
Long-term unamortised expenses		2,634,697.21	10,372,591.29
Deferred income tax assets		9,131,448.40	6,240,684.98
Other non-current assets			
Total non-current assets		1,258,621,041.31	1,619,690,406.46
Total assets		2,829,360,876.07	3,802,931,964.53
Current liabilities:			
Short-term borrowings		482,613,152.34	640,243,870.99
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Financial liabilities held for trading			
Bills payables		80,000,000.00	104,200,000.00
Accounts payable	11	395,472,131.25	638,233,008.28
Receipts in advance		135,006,560.18	179,715,862.44
Funds from sale and repurchase of financial assets			
Handling charges and commission payable			
Wage payable		20,445,882.88	73,342,027.24
Tax payable		2,260,951.16	-8,590,412.51
Interest payable		305,666.69	1,150,165.34
Dividends payable		1,551,900.00	1,551,900.00
Other payables		416,598,343.16	496,567,182.31
Reinsurance payables			
Insurance contract reserves			
Funds from securities trading agency			
Funds from securities underwriting agency			
Non-current liabilities due within one year			
Other current liabilities		–	1,250,200.56
Total current liabilities		1,534,254,587.66	2,127,663,804.65

Items	Note	31 December 2013	31 December 2012
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Special payables		131,468,000.00	60,562,414.47
Estimated liabilities			2,341,476.38
Deferred income tax liabilities			
Other non-current liabilities			516,075.10
Total non-current liabilities		131,468,000.00	63,419,965.95
Total liabilities		1,665,722,587.66	2,191,083,770.60
Shareholders' equity:			
Paid-up capital (or share capital)		422,000,000.00	422,000,000.00
Capital reserve		558,698,626.70	1,182,742,879.03
Less: Treasury stock			
Special reserve			
Surplus reserve		45,665,647.68	43,172,707.88
General risk provision			
Undistributed profit	12	-222,701,516.40	-211,165,505.29
Exchange difference arising on translation of foreign currency statements		-89,449.76	
Total shareholders' equity attributable to the parent company		803,573,308.22	1,436,750,081.62
Minority interests		360,064,980.19	175,098,112.31
Total shareholders' equity		1,163,638,288.41	1,611,848,193.93
Total liabilities and shareholders' equity		2,829,360,876.07	3,802,931,964.53

CONSOLIDATED INCOME STATEMENT

For 2013

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: RMB (Yuan)

Items	Note	2013	2012
1. Total operating income		2,828,194,349.87	3,045,275,527.04
Including: Operating income		2,828,194,349.87	3,045,275,527.04
Interest income			
Premium income			
Handling charges and commission income			
2. Total operating cost		2,941,375,400.58	3,176,580,144.67
Including: Operating cost		2,402,264,930.73	2,543,156,272.24
Interest expenses			
Handling charges and commission expenses			
Payment of surrenders			

Items	Note	2013	2012
Net claim expenses			
Net provision for insurance contract reserves			
Policy dividend payment			
Expenses for reinsurance accepted			
Business tax and surcharge		8,782,371.08	9,329,370.20
Sales expenses		158,783,476.97	160,056,421.43
Administrative expenses		283,060,648.76	365,040,264.63
Financial expenses		58,634,213.01	45,089,413.43
Impairment loss on assets		29,849,760.03	53,908,402.74
Add: Gain on change in fair value (loss expressed with “-”)			
Gain on investment (loss expressed with “-”)		4,924,368.24	14,461,321.73
Including: Gain on investments in associates and joint ventures		5,566,006.23	13,282,873.54
Exchange gain (loss expressed with “-”)			
3. Operating profit (loss expressed with “-”)		-108,256,682.47	-116,843,295.90
Add: Non-operating income		5,906,019.82	11,754,043.17
Less: Non-operating expenses		2,653,716.06	4,438,460.23
Including: Loss on disposal of non-current assets		1,979,207.13	1,819,131.01
4. Total profit (total loss expressed with “-”)		-105,004,378.71	-109,527,712.96
Less: Income tax expenses	13	4,547,816.57	14,213,603.43
5. Net profit (net loss expressed with “-”)		-109,552,195.28	-123,741,316.39
Net profit attributable to shareholders of the parent company		-108,239,018.44	-124,456,883.57
Net profit prior to the Merger Date of merger of enterprises under the same control		-32,693,979.16	48,404,711.61
Minority interests		-1,313,176.84	715,567.18
6. Earnings per share:			
(1) Basic earnings per share	14	-0.26	-0.29
(2) Diluted earnings per share		-0.26	-0.29
7. Other comprehensive income		-484,482.81	-30,061.05
8. Total comprehensive income		-110,036,678.09	-123,771,377.44
Total comprehensive income attributable to shareholders of the parent company		-108,328,468.20	-124,456,883.57
Total comprehensive income attributable to minority shareholders		-1,708,209.89	685,506.13

Notes to Consolidated Financial Statement

1. Basis for preparation of a financial statement

The Financial Statement has been prepared on the going-concern basis in accordance with the relevant provision of the existing “Accounting Standard for Business Enterprises” promulgated by the Ministry of Finance of the People’s Republic of China and China Securities Regulatory Commission’s “Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2010 Revision)” and the provisions regarding disclosure pursuant to the “The Rules Governing the Listing of Securities” of The Stock Exchange of Hong Kong Limited and the “Companies Ordinance of Hong Kong”.

2. Statement for observing the Accounting Standard for Business Enterprises

The Company’s Financial Statement for 2013 is in compliance with the requirements of the “Accounting Standard for Business Enterprises” and is truly and completely reflecting the financial status of the Company and the Group as of 31 December 2013 and the relevant information regarding the operating results and cashflow for 2013 of the Company and the Group.

3. Accounting year

Accounting year shall run from 1 January to and until 31 December of a calendar year.

4. Reporting currency

The Company and its subsidiaries within the territory shall take Renminbi (RMB) as the reporting currency. Jingcheng Holding (Hong Kong) Company Limited and America Fortune Company shall take US Dollars as the reporting currency.

5. Accounting basis and pricing principle

The Group’s accounting shall take accrual accounting basis. Except for some financial tools being measured by fair value, historical cost shall be the pricing principle.

6. Merger of enterprises

Merger of enterprises refers to the transaction or matter regarding one reported subject, so formed due to the merger of two or more than two separate enterprises. The Company recognises on the Merger Date or the Purchase Date any assets and liabilities obtained due to the merger of enterprises, the Merger Date or the Purchase Date is the day on which the right of control is actually obtained from such party to be merged or the party to be purchased.

Merger of enterprises can be classified as the merger of enterprises under the same control and the merger of enterprises not under the same control.

(1) Merger of enterprises under the same control

The consideration for the merger paid by the merging party and the net assets obtained shall be calculated based on the carrying amount. In event of any difference between the carrying amount of the net assets obtained by the merging party and the carrying amount of the consideration for the merger paid by the merging party, the capital reserve (share premium) is to be adjusted. Should the capital reserve (share premium) be insufficient for the credit entry, the earnings retained are to be adjusted.

(2) Merger of enterprises not under the same control

The cost of merger incurred by the purchasing party and the recognizable assets obtained in the merger shall be calculated based on the fair value on the Purchase Date. If the merger cost is greater than the share (based on the fair value) of the net recognizable assets obtained from the purchased party, the difference derived thereby shall be recognised as good will. If the cost of merger is less than the share (based on the fair value) of the net recognizable assets obtained from the purchased party, the measurements of all of the purchased party's recognizable assets obtained, liabilities or fair value of contingent liabilities and the cost of merger shall firstly be reviewed. Upon verification, if the cost of the merger is still less than the share (based on the fair value) of the net recognizable assets obtained, during the merger, such shall be counted as the current losses and gains.

(3) Purchase of minority interest of subsidiaries

After the right of control over a subsidiary has been obtained, all or part of the minority interest in such subsidiary held by the minority shareholders are obtained from such minority shareholders. In the consolidated financial statement, the subsidiary's assets and liabilities shall be reflected by such amount as calculated continuously commencing from the Purchase Date or the Merger Date. The long-term equity investment which is newly added due to the purchase of minority interest shall, in proportion to the new ratio of shareholding, be entitled to the capital reserve (share premium) adjusted for the differential between the shares of such net assets of the subsidiary as calculated continuously commencing from the Purchase Date or the Merger Date. Should the capital reserve (share premium) be insufficient for the credit entry, the earnings retained are to be adjusted.

7. Method of preparing consolidated financial statements

The combined scope of the consolidated financial statements includes the Company and such subsidiaries controlled by the Company.

Control refers to that the party shall have the right to decide upon the finance and operating policy of a company and profits can be generated from such enterprise's operating activities pursuant to such policy. The operating results and financial status of such subsidiary under control commencing from the day when such control begins until the day on which such control ends will be included in the consolidated financial statements.

All the major balance brought forward, transactions and unrealized loss and gains within the combined scope during the merger will be offset when the consolidated financial statements is being prepared. If the subsidiary's shareholders equity and current net loss and gains do not fall in the part held by the Company, they shall be taken as the minority interest and minority loss and gains and separately indicated under shareholders equity and net profit in the consolidated financial statements. If the current loss shared by the subsidiary's minority shareholders is greater than such share in the ownership interests in the subsidiary at the beginning of the period enjoyed by the minority shareholders, the remaining amount is to credit against the minority interests.

Should the subsidiary and the Company adopt different accounting policies or different accounting periods, necessary adjustment should be made to the subsidiary's consolidated financial statements during the preparation of such consolidated financial statements in accordance with the Company's accounting policies or accounting duration.

As for the subsidiary obtained from the merger of enterprises not under the same control, the fair value of the recognizable net assets on the Purchase Date is used as the base for making adjustment to the subsidiary's financial statement when preparing the consolidated financial statements. As for the subsidiary obtained from the merger of enterprises under the same control, such subsidiary is incorporated into the Company's scope of merger commencing from the day on which such subsidiary and the Company are both subject to the control of the final controlling party. The figures of the consolidated financial statements for the beginning of the period and for the previous period will be compared against financial statements and thus corresponding adjustment will be made thereto.

8. Turnover

The Turnover includes the net of the received and receivable of sales of different printers, sales of cryogenic devices for storage and transportation, sales of compressors, sales of spare parts and provision of services and the analysis thereof is as follows:

Items	Amount for this year	Amount for the previous year
Sales of offset presses series	291,291,960.01	366,076,828.89
Sales of intrusion printers series	266,689,924.56	304,755,989.02
Sales of form presses series	8,085,553.80	43,721,353.45
Sales of spare parts and articles	7,633,519.60	16,230,623.59
Compressor business	107,278,938.17	104,173,001.66
Seamless steel gas cylinders	783,911,544.08	1,142,272,475.66
Wrapped cylinders	477,164,867.73	519,862,728.81
Cryogenic gas cylinders	361,637,537.34	210,074,516.15
Cryogenic devices for storage and transportation	158,164,067.44	103,725,730.51
Others	213,480,568.19	145,440,731.21
Total sales	2,675,338,480.92	2,956,333,978.95
Less: sales tax and other additional charges	8,782,371.08	9,329,370.20
Total	2,666,556,109.84	2,947,004,608.75

9. Segmental Information

2013 Annual Report for Segments

Item	Printing Machines	Cryogenic equipment for storage and transportation	Compressors	Others	Offset	Total
Operating income	608,198,035.33	2,112,092,894.53	107,903,420.01			2,828,194,349.87
Of which: Income from external trading	608,198,035.33	2,112,092,894.53	107,903,420.01			2,828,194,349.87
Income from trading between segments						
Operating cost	493,362,432.37	1,816,198,325.56	92,704,172.80			2,402,264,930.73
Fees during the period	168,828,722.40	298,908,208.89	32,595,272.40	146,135.05		500,478,338.74
Total profit of segments (Total loss)	-63,378,243.71	-23,438,533.71	-18,041,466.24	-146,135.05		-105,004,378.71
Total assets	874,745,780.10	2,526,077,132.81	294,810,393.34	142,195,147.91	-1,008,467,578.09	2,829,360,876.07
Of which: single item for material impairment loss on assets						
Total liabilities	13,774,136.35	1,524,426,592.43	134,337,681.42	1,205,769.64	-8,021,592.18	1,665,722,587.66
Supplementary information						
Capital expenses						
Current impairment loss confirmed	6,907,208.56	15,481,813.37	7,460,738.10			29,849,760.03
Of which: amortized impairment on goodwill						
Costs for depreciation and amortization	26,813,699.48	87,690,263.03	2,939,665.10			117,443,627.61
Non-cash costs for items other than impairment loss, depreciation and amortization						

2012 Annual Report for Segments

Item	Printing Machines	Cryogenic equipment for storage and transportation	Compressors	Others	Offset	Total
Operating income	748,254,409.40	2,192,105,264.95	104,915,852.69			3,045,275,527.04
Of which: Income from external trading	748,254,409.40	2,192,105,264.95	104,915,852.69			3,045,275,527.04
Income from trading between segments						
Operating cost	616,796,577.32	1,848,472,089.48	77,887,605.44			2,543,156,272.24
Fees during the period	257,168,519.52	277,635,368.90	35,276,866.37	105,344.70		570,186,099.49
Total profit of segments (Total loss)	-169,435,010.48	62,594,640.08	-2,581,997.86	13,144,970.22	-13,250,314.92	-109,527,712.96
Total assets	1,475,038,749.96	2,021,134,602.74	307,706,274.84	146,742,886.37	-147,690,549.38	3,802,931,964.53
Of which: single item for material impairment loss on assets						
Total liabilities	872,492,107.37	1,190,271,335.47	129,612,283.39	1,243,816.60	-2,535,772.23	2,191,083,770.60
Supplementary information						
Capital expenses						
Current impairment loss confirmed	43,618,774.98	1,982,204.22	8,307,423.54			53,908,402.74
Of which: amortized impairment on goodwill						
Costs for depreciation and amortization	33,717,016.63	3,382,504.73	71,781,340.33			108,880,861.69
Non-cash costs for items other than impairment loss, depreciation and amortization						

10. Accounts receivable

Accounts receivable

Items	Balance at the end of the year	Balance at the beginning of the year
Accounts receivable	437,942,518.43	645,472,118.96
Less: provision for bad debts	29,951,170.01	119,277,130.14
Net amount	407,991,348.42	526,194,988.82

Analysis on the age of accounts receivable

Age of receivables	Balance at the end of the year	Balance at the beginning of the year
Within 1 year	373,601,273.09	470,966,701.15
1-2 years	29,531,750.89	44,086,274.45
2-3 years	3,356,537.71	11,142,013.22
More than 3 years	1,501,786.73	0.00
Total net amount	407,991,348.42	526,194,988.82

11. Accounts payable

(1) Breakdown of accounts payable

Items	Balance at the end of the year	Balance at the beginning of the year
Payment for materials	279,062,239.16	597,383,756.35
Payment for engineering	116,409,892.09	40,849,251.93
Total	395,472,131.25	638,233,008.28

The balance in respect of the account payable at the beginning of the year includes the balance of the assets disposed of being RMB323,922,570.97.

(2) Analysis on the age of accounts payable

Items	Balance at the end of the year	Balance at the beginning of the year
Within 1 year	358,623,557.04	523,075,829.16
1-2 years	30,112,524.44	90,030,187.22
2-3 years	3,394,243.67	7,799,951.03
More than 3 years	3,341,806.10	17,327,040.87
Total	395,472,131.25	638,233,008.28

Large-amount accounts payable with the age of more than one year mainly includes the last sum for settlement and the guarantee deposit since the Company is in lack of capital and has caused delayed payment. However, the Company has adopted the method of roll-over payment regarding the debts which is recognized by the suppliers because the Group has been a long-term and stable customer with reputable image on the market to the suppliers.

- (3) The accounts payable at the end of the year does not include such amount(s) of the shareholders/units which are holding more than 5% (inclusive) of the Company's shares with voting rights.

(4) **Balance of RMB and foreign currency in accounts payable**

Foreign currency	Original currency	Exchange rate for translation of the amount at the end of the year	RMB equivalent	Original currency	Exchange rate for translation of the amount at the beginning of the year	RMB equivalent
US Dollars	815,490.74	6.0969	4,971,965.51	1,320,786.04	6.2855	8,301,800.65
Total			4,971,965.51			8,301,800.65

12. Undistributed profit

This year

Item	Amount	Proportion of appropriation or distribution (%)
Amount at the end of the previous year	-211,165,505.29	
Plus: Adjustment made to the undistributed profit at the end of the year		
Among which: Changes in the accounting policy		
Corrections to the important errors of the previous period		
Changes in the scope of merger under the same control		
Other factors of adjustment		
Amount at the beginning of the year	-211,165,505.29	
Plus: Net profit attributable to the shareholders of the parent company		
for the year	-108,239,018.44	
Others	96,703,007.33	
Less: Allotted statutory surplus public reserve		
Appropriation of discretionary surplus reserve		
Dividend for ordinary shares payable		
Dividend for ordinary shares to be converted into the share capital		
Amount at the end of the year	-222,701,516.40	

Previous Year

Items	Amount	Proportion of appropriation or distribution (%)
Amount at the end of the previous year	-231,668,177.08	
Plus: Adjustment made to the undistributed profit at the end of the year		
Among which: Changes in the accounting policy		
Corrections to the important errors of the previous period		
Changes in the scope of merger under the same control	144,959,555.36	
Other factors of adjustment		
Amount at the beginning of this year	-86,708,621.72	
Plus: Net profit attributable to the shareholders of the parent company		
for the year	-124,456,883.57	
Less: Allotted statutory surplus public reserve		
Appropriation of discretionary surplus reserve		
Dividend for ordinary shares payable		
Dividend for ordinary shares to be converted into the share capital		
Amount at the end of the year	-211,165,505.29	

13. Income tax fees

Items	Amount for the year	Amount for the previous year
Income tax for the current period – China enterprise income tax	7,438,579.99	11,587,188.33
1. China	6,798,692.17	10,301,540.81
2. Hong Kong	0.00	0.00
3. Other regions	639,887.82	1,285,647.52
4. Overstated (understated) figures for the previous years	0.00	0.00
Deferred tax	-2,890,763.42	2,626,415.10
Total	4,547,816.57	14,213,603.43

14. Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by having the combined net profit attributable to the shareholders of ordinary shares of the parent company being divided by the weighted average for the outstanding ordinary shares issued by the parent company.

Items	This year	Previous year
Combined net profit attributable to the shareholders of ordinary shares of the parent company	-108,239,018.44	-124,456,883.57
Combined net profit attributable to the shareholders of ordinary shares of the parent company (after deducting the non-recurring gains and losses)	-76,646,872.99	-173,196,189.59
Weighted average for the outstanding ordinary shares issued by the parent company	422,000,000.00	422,000,000.00
Basic earnings per share (Yuan/share)	-0.26	-0.29
Basic earnings per share (Yuan/share) (after deducting the non-recurring gains and losses)	-0.18	-0.41

The process of calculating the weighted average for the outstanding ordinary shares:

Items	This year	Previous year
Number of outstanding ordinary shares issued at the beginning of the year	422,000,000.00	422,000,000.00
Adjustment made to the public reserve being converted into additional capital	0.00	0.00
Number of outstanding ordinary shares issued at the end of the year	422,000,000.00	422,000,000.00

(2) Diluted earnings per share

Diluted earnings per share is calculated by having the combined net profit attributable to the shareholders of ordinary shares of the parent company (upon adjustment made to the ordinary shares with potential dilution) being divided by the weighted average for the outstanding ordinary shares issued by the Company upon adjustment.

The adjustment factors regarding the combined net profit attributable to the shareholders of ordinary shares of the parent company are the interest of the ordinary shares with potential dilution confirmed as fees for that period, such revenue or fees incurred when the ordinary shares with potential dilution are being converted and the impact from the relevant income tax.

The adjustment factor regarding the weighted average of the outstanding ordinary shares issued by the Company is assumed to be the weighted average of ordinary shares increased when the ordinary shares with potential dilution are being converted into ordinary shares.

Items	This year	Previous year
Combined net profit attributable to the shareholders		
of ordinary shares of the parent company upon adjustment	-108,239,018.44	-124,456,883.57
Combined net profit attributable to the shareholders		
of ordinary shares of the parent company upon adjustment		
(after deducting the non-recurring gains and losses)	-76,646,872.99	-173,196,189.59
Weighted average for the outstanding ordinary shares issued		
by the parent Company upon adjustment	422,000,000.00	422,000,000.00
Diluted earnings per share (Yuan/share)	-0.26	-0.29
Diluted earnings per share (Yuan/share)		
(after deducting the non-recurring gains and losses)	-0.18	-0.41

15. Dividends

There have been no paid or recommended dividends for 2013. There have been no dividends recommended from and during the Reporting Period to the end thereof (2012: nil).

2. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Review for 2013

During the Reporting Period, the Company's material asset reorganisation (the "Material Asset Reorganisation") and connected transaction matters have been approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2013] No. 1240), whereby the Company exchanged all its assets and liabilities with 88.50% equity interest in Beijing Tianhai Industry Co., Ltd. ("Tianhai Industrial"), 100% equity interest in Jingcheng Holding (Hong Kong) Company Limited ("Jingcheng Hong Kong") and 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. ("Jingcheng Compressor") held by Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding"). The Company's business is changed from the manufacturing of printing machines originally to the manufacturing of the gas storage and transportation equipment.

During the Reporting Period, the global economy has been slowly recovering while the tail risks of the European debt crisis remained. The economy of the developed countries changed its downturn trend of the past two years while the economic growth in the developing countries declined in different extent, such that the global economy has shown a slow growth. China insisted on the principle of progress and performance in stability, it adopted a series of policies and measures to stabilize the growth, control the inflation and prevent against risks, and guaranteed the sustainable and healthy development of economy and overall economic stability.

As China increased its efforts to govern environmental pollution, natural gas played an important and strategic role in the development of China's primary energy source. The demand for natural gas storage and transportation equipment has been increasingly growing. Overproduction of traditional gas cylinders and vicious low-price competition in gas storage

and transportation equipment industry caused many manufacturers to run into difficulties in operations.

During the Reporting Period, the Company put focus on utility, reform, market and innovation, and relied on an accurate grasp of the expectation for natural gas market in the beginning of the “Twelfth Five-Year Plan” period and made timely adjustment of strategic layout, and took active measures regarding market support, product support and capability support for facilitating various key work in an orderly and progressive manner. The Company is expected to achieve a successful transformation by the end of the “Twelfth Five-Year Plan” period.

During the Reporting Period, the operating income prepared in accordance with the PRC Accounting Standards was RMB2,828,194,300, and the net profit attributable to the shareholders of the Company was RMB-108,239,000.

1. Improving the Company’s value through Material Assets Reorganisation

During the Reporting Period, the Company exchanged all the assets and liabilities of its original printing machinery manufacturing business, and simultaneously injected the relevant assets in relation to gas storage and transportation business with considerable profitability into the Company so as to achieve the transformation of the Company’s primary business, fundamentally improve the asset quality of the Company, enhance the Company’s ability of sustainable development, practically improve the Company’s value and protect the interests of its medium-sized and minority shareholders.

2. Improving the Company’s system and enhancing its management and control ability

During the Reporting Period, the Company commenced the implementation of the Material Asset Reorganisation on 31 October 2013, and made timely adjustment to the management and control mode of the Company and improved its internal control system; amended the relevant systems including the Articles of Association, the Rules of Procedure for the General Meeting and the Rules of Procedure for the Board of Directors. In order to guarantee the normal operation of the Board and the Supervisory Committee in accordance with laws after the completion of the Material Asset Reorganisation, the Company provided training for its directors, supervisors, senior management and the relevant personnel of its subsidiaries and improved the management and control capability of the Company.

3. Accelerating the preparation and construction of cryogenic equipment base and actively adjusting product mix

During the Reporting Period, the Company actively adjusted the product mix, enhanced its capacity of bulk supply of high-value-added products and accelerated the preparation and construction of the cryogenic equipment base. At present, the construction of civil engineering work of the base has been completed.

4. *Adjusting the sales strategies in a timely manner, fully utilizing the sales network and expanding sales channels*

During the Reporting Period, the Company differentiated sales strategies for different products depending on different competitive environment for improving the sales capability and expanding sales channels. With respect to the sales of new products, the Company encouraged the enthusiasm of sales personnel to explore the market on one hand; on the other hand, it enhanced its support and promotion of high-value-added products. Regarding natural gas related products, the Company has gradually established cooperation with domestic leading heavy truck companies and automobile manufacturers. In 2013, the sales income from natural gas related business represented an increase of 25% as compared with 2012, and its proportion in sales income of Tianhai Industrial reached 39.6%; the business of cryogenic storage tanks had earned good reputation in domestic and overseas markets with sales income increased by 51.5% as compared with that of 2012.

5. *Insisting on technological innovation, strictly controlling the cost and enhancing the Company's efficiency*

During the Reporting Period, the Company has continuously carried out additional accreditation for its products, optimized the product design and standardized modeling and improved the product quality, and continued to make full preparation for the explosive growth in the sector of natural gas. As for traditional industrial gas cylinder products, the Company aimed at every product, every component and every procedure to conserve energy, lower the consumption, reduce cost, enhance the competitive edge of products and the profitability of the Company. Several LNG/L-CNG gas stations designed and developed by the Company itself had been constructed and passed the test for completion verification; the development of marine LNG storage tank and its system has been completed; the newly developed GD8 ultra-large diaphragm compressors had operated continuously for nearly 72 hours; and order placing contracts for several optimized and improved GD4\GD6 compressors had been concluded.

6. *Enhancing procurement management, optimizing the structure of inventories and lowering the cost of products*

During the Reporting Period, the Company enhanced its procurement management and outsourcing management, refined its management of procurement processes through a price comparison and procurement system, carried out dynamic management, onsite reviews and performance supervision of the suppliers, regularly conducted comprehensive assessment of the quality, service, prices and delivery time of products provided by the suppliers, effectively lowered the procurement costs and improved the quality of outsourced products; the Company carried out informatized and dynamic management regarding the inventory with help of the U8 and computer systems, reasonably controlled the quantity of inventories, reduced the occupation of funds and optimized the inventory structure.

7. *Conducting specific legal investigation, strengthening internal audit and strengthening the prevention against and control of legal risks*

During the Reporting Period, the Company strengthened the special legal audit, standardized contract templates and review, strengthened the internal and external audit, enhanced the supervision and management of various matters concerning bidding, actively identified for risk points, strengthened the prevention against and control of legal risks and implemented a fair, just and open management for material procurement and major engineering work.

(II) Outlook for 2014

In 2014, the demand of the global industrial gas cylinder market will not increase to a large extent as compared with last year; the imbalance between supply and demand remains obvious and the competition will become more intense. The demand of natural gas storage and transportation market will improve significantly. Along with the technological advancement and economic development, the rapid growth in car ownership has caused air pollution and energy shortage to cities, which are especially obviously in many cities in China, led by Beijing. This will urge the PRC government to accelerate its replacement of gasoline and diesel vehicles with CNG or LNG fuel vehicles. The boom of natural gas industry has provided vast opportunity for the gas storage and transportation industry; the market for cryogenic storage tanks and transportation tank vehicles maintains a undersupply pattern and the market prospects for lake, river and sea vessels are also optimistic.

2014 is the fourth year of the implementation of the “Twelfth Five-Year” Strategic Plan being implemented. Facing with the complicated economic situation at home and abroad, and the fierce competition in the industry, the Company will practically implement and deepen the reform and continue the innovation; accelerate the development of new products, strengthen the innovative capability of the Company and further improve the Company’s core competitiveness; take full advantage of the function of the business units, accelerate the construction of the manufacturing base for cryogenic equipment and achieve the industrial distribution as soon as possible; constantly expand the market share, set up and improve the internal control system, improve the product quality and lower the operating risks; constantly carry out the cost control measures, conserve energy and lower the consumption, improve the operating abilities and enable the Company to become the leading company in the global gas storage and transportation equipment industry.

Key work of the Company in 2014

1. *Standardize corporate governance, strengthen internal control and enhance the prevention against and control over the Company’s risks*

The Company will complete the construction and assessment of the internal control system, further streamline the management procedures, improve the level of prevention and control and enhance the standardized management; continue to make information

disclosure, enhance the training for key personnel of various divisions and departments, and subsidiaries of the Company to enable them to familiarize themselves with the laws and regulations system concerning information disclosure as soon as possible, raise the awareness of confidentiality and firmly prevent leakage of inside information, ensure the truth, accuracy and completeness of such information disclosure and guarantee the interests of its medium-sized shareholders and minority shareholders; establish and improve various management systems, strengthen the assessment for the implementation of these systems and enhance the level of preventing against and controlling risks.

2. *Innovate marketing modes, enhance marketing management and increase the market share by the Company's products*

The Company will further improve the pricing mechanism and refine plans of implementation, clarify the division of roles and responsibilities, improve the work efficiency and accelerate the marketing of new business involving LNG gas cylinders, special vehicles and gas stations in order to meet market demand to the largest extent. The Company will further strengthen the education and training, perfect its online marketing procedures, improve the structure of the marketing personnel and enhance the quality of business personnel. By combining both the of online marketing and traditional marketing, the Company will further expand its market shares and increase the market share by the Company's products.

3. *Endeavour greater efforts on the research and development ("R&D") of new products and accelerate the commercialization of new products*

The Company will further strengthen the R&D and improvement of its products, and accelerate the process of new product piloting and trial and meanwhile, the Company will strengthen the interaction with the marketing system and speed up the commercialization of new products. The Company will focus on the process of the R&D of our strategic transformation products including LNG double-pump skid-mounted fueling devices, LNG tank cars, cryogenic liquid mini-storage tank (1-3m³), super-large cryogenic storage tanks, and 35 Mpa (兆帕) aluminium-lined carbon fiber composite gas cylinders for storage of hydrogen fuels and gas. Transformation and upgrade of our products can be implemented as driven by innovation.

4. *Accelerate construction of major investment projects and enhance adjustment to product mix*

The Company will accelerate the construction of major investment projects, enhance the adjustment to product mix, and further improve its strategic layout so as to provide guarantee for transformation and upgrade of its products. As a major investment project of the Company under the "Twelfth Five-Year" Strategic Plan, the construction project of cryogenic production bases is a key for the Company to extend its "gas cylinder" products to the products of "tank, vehicle and station". The Company will actively implement the installation and testing of each production line and all devices, striving to commence

operation as scheduled and to reach 30% to 40% production capacity in the second half of this year.

5. *Strictly control costs, optimize construction of supply chain and improve the efficiency of the Company*

The Company will further adjust and optimize its process flow, reduce costs for mature products and enhance the market competitiveness of its products; maintain balance and connection of production and marketing and strictly control the occupation of funds from accounts receivable and inventories to reduce its operational risk; make full use of information management tool and optimize the construction of supply chain and inventory structure so as to reduce procurement costs as well as improve the efficiency of the Company.

6. *Enhance quality management, reinforce the internal and external audits and improve quality of our products*

The Company will, timely identify problems through internal and external audits and constantly improve the quality management and control system, ensuring its sustained and effective operations; enhance the training for the quality management system so that all levels of staff will understand the work basis, quality standards and methods of inspection and examination and to further raise quality awareness of all staff; facilitate the progress of QMS system project, and enhance the quality management level by means of information technology in order to improve quality of our products.

7. *Strengthen the overall budget management, strengthen budget analysis and improve our management efficiency*

The Company will further strengthen the overall budget management, strictly implement budget analysis and warning control, strengthen the supervision and assessment in the course of carrying out the overall budgeting management, clarify the division of roles and responsibilities and effectively increase the accuracy in preparation of the overall budgets and improve our management efficiency.

(III) Analysis on principal business

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

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Changes (%)
Operating income	2,828,194,349.87	3,045,275,527.04	-7.13
Operating cost	2,402,264,930.73	2,543,156,272.24	-5.54
Sales expense	158,783,476.97	160,056,421.43	-0.80
Management expense	283,060,648.76	365,040,264.63	-22.46
Financial expense	58,634,213.01	45,089,413.43	30.04
Net cash flow from operating activities	-226,602,488.48	-60,172,645.94	Not applicable
Net cash flow from investment activities	-506,462,626.25	-107,203,649.43	Not applicable
Net cash flow from financing activities	551,943,371.00	377,196,823.63	46.33
R&D expenditure	36,929,211.02	46,119,332.13	-19.93

2. Income

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

During the Reporting Period, the sales of gas storage and transportation equipment and compressors declined as compared with 2012, which was mainly attributable to the following factors:

- ① Smaller price difference between oil and natural gas affects the sales revenue of natural gas cylinder products

In 2013, the oil price experienced numerous adjustments and did not follow the rising trend as originally expected. Since the reform of natural gas price in China proceeded gradually, the natural gas price is on an apparent rising trend. As the difference of the prices between oil and natural gas was narrowed as a result of the foregoing changes, the progress of replacing oil fuels with natural gas slowed down and the promotion and application of natural gas in automobiles lost its economic support and slowed down substantially. Consequently, the natural gas cylinder products did not reach the expected sales targets.

- ② The fluctuation of downstream industries affects the sales revenue of traditional industrial gas cylinder products

In 2013, being under the influence of the decline in the operations in the industries which are the main users of industrial gas, including smelting, shipbuilding and construction, the market demand for industrial gas was on a declining trend. This resulted in an overcapacity of industrial seamless steel gas cylinders and fierce competition in the market of traditional industrial seamless steel gas cylinders which led to the decline of the business results of the traditional gas cylinders.

- ③ Impact produced by the fluctuation in sales revenues of Jingcheng Compressor

The compressor industry experienced a decrease in demand and increased competition due to the weak economic growth in 2013. The strategy of sales at reduced prices has to be adopted so as to obtain limited orders. The overall gross profit margin of Jingcheng Compressor declined due to its series of newly launched products such as 2D10 and 4M10 piston compressors which were of lower production capacity and higher costs.

- ④ Impact created by the implementation of anti-dumping and countervailing tax by the United States

According to the final judgment made by the United States International Trade Commission on the anti-dumping and countervailing investigation of high pressure steel cylinders produced in China in May 2012, an anti-dumping duty of 15.81% and a countervailing duty of 6.62% will be imposed on Tianhai Industrial's seamless steel gas cylinders products with DOT standard exported to the United States. Although Tianhai Industrial implemented a series of measures, for example, changing its production to manufacture products with UNISO standard, it takes time for customers in the United States to accept such standard. The new products have not yet made a large-scale bulk sales and the products exported to North America did not reach the expected quantity.

(2) Analysis on the impact of new products and new services

- ① Since the Company actively promoted upgrading of its products and research and development of its new products, the sales revenue from the natural gas business accounts for 39.2% of sales revenue of Tianhai Industrial, representing a 41.5% year-on-year increase.
- ② The project named “Integrated Management Platform of the Remote Diagnosis and Decision Making by Expert for Compressors” was implemented, by which, the on-site problems of sold products could be detected in a timely fashion and maintenance can be provided promptly through remote control system software, and high-quality services were offered to customers.

(3) Analysis on orders

The sales of the Company's seamless steel cylinders decreased by nearly 30% due to the impact produced by macroscopic economic downturn, decrease in market demand and market competition at reduced prices, however the Company's sales of LNG cylinders increased by 190% as compared to the corresponding period last year, and that of LNG storage tanks increased by 43% and achieved bulk delivery at its stations.

(4) Sales to major customers

During the Reporting Period, the total operating income from the top five customers of the Company amounted to RMB329,844,109.01, accounting for 11.66% of the total operating income for the year.

The major customers of Tianhai Industrial include globally renowned gas companies such as Linde and AL, energy companies such as PetroChina and Sinopec, vehicle manufacturers, public transport companies and other companies in the sectors of chemicals industry, fire protection, medical care, urban construction, food, metallurgy, machinery and electronics.

The major customers of Jingcheng Compressor include the enterprises in petroleum system, enterprises in polysilicon and organic silicon industries, nuclear power engineering companies, military and aerospace companies, gas storage and transportation enterprises, private petrochemical enterprises, coal chemical industry enterprises and steel industry enterprises.

3. Cost

(1) Cost Analysis Table

Unit: Yuan

Sub-products	Component of cost	Sub-products		Corresponding period of last year	Percentage over total cost for the corresponding period of last year (%)	Changes in amount over last year (%)
		Current period	Percentage over total cost for the current period (%)			
Offset presses series	Materials	184,919,024.38	72.69	217,394,571.97	67.78	-14.94
	Labor cost	26,075,388.64	10.25	39,995,726.06	12.47	-34.80
	Manufacturing cost	43,399,622.45	17.06	63,345,275.84	19.75	-31.49
Intrusion printers series	Total	254,394,035.47	100.00	320,735,573.87	100.00	-20.68
	Materials	156,059,061.35	76.48	185,932,192.98	77.64	-16.07
	Labor cost	29,607,962.61	14.51	34,197,729.47	14.28	-13.42
	Manufacturing cost	18,385,096.01	9.01	19,349,975.78	8.08	-4.99
Form presses series	Total	204,052,119.97	100.00	239,479,898.22	100.00	-14.79
	Materials	5,599,995.34	55.74	24,539,151.38	66.96	-77.18
	Labor cost	2,445,351.39	24.34	7,216,881.60	19.69	-66.12
	Manufacturing cost	2,001,290.05	19.92	4,889,698.81	13.34	-59.07
Seamless steel gas cylinders	Total	10,046,636.78	100.00	36,645,731.79	100.00	-72.58
	Materials	564,723,773.52	79.96	874,768,180.81	84.97	-35.44
	Labor cost	56,147,498.74	7.95	70,726,814.20	6.87	-20.61
	Manufacturing cost	85,386,573.56	12.09	84,007,395.03	8.16	1.64
Wrapped cylinders	Total	706,257,845.82	100.00	1,029,502,390.03	100.00	-31.40
	Materials	297,973,150.98	78.04	290,360,265.01	80.48	2.62
	Labor cost	31,309,326.47	8.20	27,275,392.69	7.56	14.79
	Manufacturing cost	52,538,577.11	13.76	43,149,959.86	11.96	21.76
Cryogenic gas cylinders	Total	381,821,054.56	100.00	360,785,617.56	100.00	5.83
	Materials	256,380,906.03	83.29	148,131,606.89	81.43	73.08
	Labor cost	23,455,666.99	7.62	15,116,955.09	8.31	55.16
	Manufacturing cost	27,980,579.13	9.09	18,664,255.03	10.26	49.92
Cryogenic devices for storage and transportation	Total	307,817,152.15	100.00	181,912,817.01	100.00	69.21
	Materials	85,508,517.16	75.00	57,148,095.62	75.00	49.63
	Labor cost	13,681,362.75	12.00	8,381,720.69	11.00	63.23
	Manufacturing cost	14,821,476.31	13.00	10,667,644.52	14.00	38.94
Compressor business	Total	114,011,356.21	100.00	76,197,460.83	100.00	49.63
	Materials	78,102,864.01	84.93	67,477,545.70	87.51	15.75
	Labor cost	3,909,388.03	4.25	2,679,810.00	3.48	45.88
	Manufacturing cost	9,944,943.94	10.81	6,947,184.00	9.01	43.15
Total		91,957,195.98	100.00	77,104,539.70	100.00	19.26

(2) *Major suppliers*

During the Reporting Period, the total purchasing amount from the top five suppliers of the Company amounted to RMB622,943,300, accounting for 47.07% of the total purchasing amounts for the year.

4. *Expense*

Unit: Yuan

Items	Current period	Corresponding period of last year	Changes (%)
Sales expense	158,783,476.97	160,056,421.43	-0.80
Management expense	283,060,648.76	365,040,264.63	-22.46
Financial expense	58,634,213.01	45,089,413.43	30.04

Management expense recorded a significant movement as compared to that of the previous year, mainly attributable to the substantial reduction in the reorganisation expense and severance benefits as a result of reduced unnecessary expenses;

Financial expense recorded a significant movement as compared to that of the previous year, mainly attributable to the increase in loan, interest expense, and also the rise of RMB against USD leading to the increase of exchange losses.

5. *R&D expenditure*

(1) *Table of R&D expenditure*

Unit: Yuan

R&D expenditure for current period	36,929,211.02
Total R&D expenditure	36,929,211.02
Percentage of total R&D expenditure over net asset (%)	3.17
Percentage of total R&D expenditure over operating income (%)	1.31

(2) Description

- ① The optimal design and standardized design finalization of SI-V vehicle LNG gas cylinders has been completed, which has enriched our product lines and satisfied the needs of diverse customers;
- ② The development of LNG frame-typed gas supply system has been completed, cementing the base for the inclusion of the gas supply system of our LNG gas cylinders in the purchasing system of significant and large customers;
- ③ The development of HPDI-T5 and HPDI-T6 LNG storage tanks has been completed with mass production achieved;
- ④ The development of civil LNG cryogenic gas cylinders (including vertical and horizontal types) has been completed;
- ⑤ The development of the marine LNG storage tanker and its system has been completed;
- ⑥ The research and development of the “Piston 80T” product has been completed;
- ⑦ The project named “Integrated Management Platform of the Remote Diagnosis and Decision Making by Expert for Compressors” was implemented. Through the remote control system software, on-site problems of sold products can be detected in a timely fashion and maintenance can be provided promptly. In so doing, the normal use of products can be guaranteed.

6. Cash flow

Unit: Yuan

Items	Current year	Last year	Change
Other Cash receipts in operating activities	15,797,357.06	40,638,816.14	-61.13
Cash payments for goods and services acquired	1,480,601,163.08	1,346,968,843.53	9.92
Other cash payments from operating activities	158,297,083.87	239,892,764.11	-34.01
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	53,744,084.18	127,605.50	42,017.37
Cash receipts from borrowings	1,006,618,001.12	800,252,340.99	25.79
Other cash receipts in financing activities	548,000,000.00	414,800,000.00	32.11
Cash repayments of amount borrowed	660,300,000.00	555,000,000.00	18.97
Other cash payments in financing activities	489,410,000.00	501,640,000.00	-2.44

Description:

Other cash receipts in operating activities decreased over previous year, which was mainly attributable to the receipt of the guarantee deposit in the previous year;

Cash payments for goods and services acquired increased over previous year, which was mainly attributable to the provision made for raw materials following the market price trend of raw materials during the year;

Other cash payments from operating activities decreased over previous year, which was mainly attributable to the decrease in expense and corresponding accounts paid during the year;

Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets increased over previous year, which was mainly attributable to the receipt of part of the amounts on disposal of the college student apartment during the year;

Cash receipts from borrowings increased over the previous year, which was mainly attributable to the increase in the short-term loan during the year;

Other cash receipts in financing activities increased over the previous year, which was mainly attributable to the loan of subsidiaries of the Company from Jingcheng Holding during the year;

Cash repayments of amount borrowed increased over the previous year, which was mainly attributable to the increase in borrowings;

Other cash payments in financing activities decreased over the previous year, which was mainly attributable to the decrease in repayment of loan by subsidiaries of the Company to Jingcheng Holding during the year.

7. Others

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

During the Reporting Period, the Company has implemented the Material Asset Reorganisation and connected transaction matters. On 26 September 2013, the Company received the approval in relation to the Material Asset Reorganisation of Beiren Printing Machinery Holdings Limited (Zheng Jian Xu Ke [2013] No. 1240) from the China Securities Regulatory Commission, whereby the Company's Material Asset Reorganisation and connected transaction matters have been approved. The Company exchanged all of its assets and liabilities with 88.50% equity interest in Tianhai Industrial, 100% equity interest in Jingcheng Hong Kong and 100% equity interest in Jingcheng Compressor held by Jingcheng Holding. Subsequently, the Company shifted its business focus from its previous printing machinery manufacturing business to its existing gas storage and transportation equipment business. The operating income from the newly introduced business of the Company decreased over the same period last year, which was mainly attributable to the following factors: ① the smaller price difference of oil and natural gas affects the profitability of natural gas cylinder products; ② The demand for traditional industrial gas cylinder products declined due to the fluctuation of downstream industries; ③ effects of the fluctuation in the profits of Jingcheng Compressor; and ④ the anti-dumping and countervailing tax implemented by the United States.

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

The Company's Material Asset Reorganisation and connected transaction entered into the completion stage on 31 October 2013. Details are as follows:

- 1) According to the "Material Asset Reorganisation Agreement between Beiren Printing Machinery Holdings Limited, Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" and its supplemental agreement between the parties, the completion period for the Material Asset Reorganisation commenced from 26 September 2013.
- 2) On 31 October 2013, an approval was obtained from the Twelfth Meeting of the Seventh Session of the Board of Directors of the Company by way of resolution, the Company entered into the "Material Asset Reorganisation Completion Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" with Jingcheng Holding and Beiren Group Corporation.

- 3) On 16 December 2013, the resolution regarding the amendments to the articles of association of the Company was passed at the First Extraordinary General Meeting of 2013 of the Company. Currently, the approval from Beijing Administration for Industry and Commerce has been obtained; the Company has completed the procedures for the registration of changes in the registered full name of a company, business address and scope of business and obtained the Business License for Enterprises as Legal Persons upon obtaining such changes. Upon obtaining the approval from the Registrar of Companies in Hong Kong, the Company has completed the necessary filing procedures with the Registrar of Companies in Hong Kong and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong.
- 4) At present, each party to the transaction is actively carrying out the relevant procedures for the registration of change in certain land use rights of outgoing assets and the change in businesses for certain subsidiaries.
- 5) As confirmed by the Company, Jingcheng Holding has paid RMB5,522,900 in cash to the Company, being the difference between the outgoing and incoming assets under the Material Asset Reorganisation and such amount has been fully received.

The Company will continue to press on with the follow-up work in respect of the Material Asset Reorganisation and connected transaction, and to perform the information disclosure obligation in accordance with the requirements of relevant laws and regulations.

8. *Description on the progress of development strategies and business plans*

The Company, through the Material Asset Reorganisation, established its development direction of gas storage and transportation products with its product mix focusing on the field of natural gas. In order to ensure the stable and effective implementation of the Company's development strategy, the Company proactively takes steps to ensure the accomplishment of work. Firstly, we will get our business layout in place and strategically shift our operating focus to those lower-cost regions; secondly, we will establish and improve our LNG after-sale service system to enhance our after-sale service quality; thirdly, we will perfect our organizational structure to form a preliminary mode of management and control with multi-divisional structure; fourthly, we will strengthen our internal control and enhance the standard of risk management and standard.

(IV) Analysis on industry, products or regional operation

1. Principal business by industry and by product

Unit: Yuan Currency: RMB

Principal business by product

Sector of Product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in gross profit margin over last year (%)
Sales of offset printers	291,291,960.01	254,394,035.47	12.67	-20.43	-20.68	Increased by 0.28 percent
Sales of intrusion printers	266,689,924.56	204,052,119.97	23.49	-12.49	-14.79	Increased by 2.07 percent
Sales of form printers	8,085,553.80	10,046,636.78	-24.25	-81.51	-72.58	Decreased by 40.44 percent
Sales of spare parts	7,633,519.60	5,560,735.48	27.15	-52.97	-52.66	Decreased by 0.47 percent
Compressor business	107,278,938.17	91,957,195.98	14.28	2.98	19.26	Decreased by 11.70 percent
Seamless steel gas cylinders	783,911,544.08	706,257,845.82	9.91	-31.37	-31.40	Increased by 0.03 percent
Wrapped cylinders	477,164,867.73	381,821,054.56	19.98	-8.21	5.83	Decreased by 10.62 percent
Cryogenic gas cylinders	361,637,537.34	307,817,152.15	14.88	72.15	69.21	Increased by 1.48 percent
Cryogenic devices for storage and transportation	158,164,067.44	114,011,356.21	27.92	52.48	49.63	Increased by 1.38 percent
Others	213,480,568.19	192,374,414.39	9.89	46.78	41.24	Increased by 3.54 percent
Total	2,675,338,480.92	2,268,292,546.81	15.21	-9.50	-8.18	Decreased by 1.23 percent

Description:

- (1) The sales results of seamless steel gas cylinder decreased by over 30% due to the impact of the decrease in market demand, overcapacity within the industry and low-price competition, while it is still in the leading position in the domestic market in terms of market share.

- (2) Following the increase in the Company's capacity, enhancement of technological level and continuous improvement of the after-sales service system, the competitive power of the Company's series of cryogenic products (LNG gas cylinders and storage tanks) has improved significantly and has won trust from customers. Therefore, these types of products recorded better performance due to the increase in market demand and the sales increased by over 66.5% as compared with that of the corresponding period.

2. Principal business by geographical location

Unit: Yuan Currency: RMB

Geographical location	Operating income	Increase/decrease operating income compared over last year (%)
Domestic	2,227,071,495.36	-3.33
Overseas	448,266,985.56	-31.31
Total	2,675,338,480.92	-9.50

(V) Analysis on assets and liabilities

1. Analysis table of assets and liabilities

Unit: Yuan

Items	At the end of current period	Percentage of the amount at the end of current period over total asset (%)	At the end of previous period	Percentage of the amount at the end of previous period over total asset (%)	Changes in amount at the end of current over the previous period (%)
Monetary fund	337,743,216.12	11.94	528,041,165.31	13.89	-36.04
Accounts receivables	407,991,348.42	14.42	526,194,988.82	13.84	-22.46
Note receivables	28,387,575.12	1.00	27,652,656.96	0.73	2.66
Other receivables	5,686,434.58	0.20	50,795,137.59	1.34	-88.81
Inventory	734,199,271.84	25.95	995,479,780.27	26.18	-26.25
Investment in real estate	9,519,696.39	0.34	6,556,479.32	0.17	45.2
Investment in long-term equity	63,231,444.54	2.23	84,309,221.40	2.22	-25
Fixed assets	714,960,989.70	25.27	1,273,027,529.95	33.47	-43.84
Projects under construction	278,770,258.89	9.84	54,167,335.66	1.42	414.65
Short-term loan	482,613,152.34	17.06	640,243,870.99	16.84	-24.62

(2) Explanation

Monetary fund recorded a decrease of RMB190,300,000, which was mainly due to the impact produced by the exchange of assets of the Company. After excluding such factor, the monetary fund would maintain basically the same as compared with that at the beginning of the year.

Accounts receivables recorded a decrease of RMB118,200,000, which was mainly due to the exchange of the the Company's assets and liabilities related to printers. After excluding such factor, the accounts receivables would increase by RMB74,060,000. This increase was mainly due to the customers' failure to pay owing to the shortage of funds under the impact of the macro-economic situation.

Other receivables recorded a decrease of RMB45,100,000, which was mainly due to the exchange of the Company's assets and liabilities related to printers. At the beginning of the year, it amounted to RMB18,590,000, for which Minghui Tianhai Gas Storage and Transportation Equipment Sales Ltd. ("Minghui Tianhai") utilized the guarantee deposit for the purchase of land as the grant fee to transfer into the intangible assets for this year.

Inventory recorded a decrease of RMB261,280,000, which was mainly due to of the exchange of the Company's assets and liabilities related to printers. At the beginning of the year, it amounted to RMB403,660,000. After excluding such factor, it would record an increase of RMB142,380,000 at the end of this year, mainly due to that the Group has prepared for certain amounts of reserves to cope with the risk from the rise in the price of raw materials while the market price of raw materials declined.

Investment in properties recorded an increase of RMB2,960,000, which was mainly attributable to that the workshops leased by Jingcheng Compressor have been carried forward since they have met the conditions of being available for use at the end of the year.

Fixed assets recorded a decrease of RMB558,070,000, which was mainly due to the exchange of the Company's assets and liabilities related to printers, while it amounted to RMB498,620,000 at the beginning of the year.

Projects under construction recorded an increase of RMB224,600,000, which was mainly due to the increase of investment in LNG industrial base project of Minghui Tianhai, a subsidiary of the Group for the year.

(VI) Analysis on core competitive power

1. The Company has over 20 patented technologies, including the design and manufacturing technique of CNG cylinders and LNG cylinders. The implementation of these patented technologies safeguarded the enhancement of our product quality.
2. Tianhai Industrial has a relatively high good will in the global industry of gas storage and transportation equipment and Tianhai is also a well-known brand.

3. The Company has currently obtained 41 international product certifications such as American DOT, German TUV, Canadian TC and EU EN etc.
4. 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, accounting for around 50% of the total export quantity.
5. The Company has a high quality talented team: Excellent management team, skilled technical team, top-notch sales team and professional production team, and others.
6. Not only can the Company manufacture high quality products, but it also possesses the capacity of designing and manufacturing complete sets of product line, which laid a solid foundation for improving the quality of our products.

(VII) Analysis on investment

1. General analysis on external investment in equity

During the Reporting Period, Tianhai Industrial, a subsidiary of the Company, made capital injection of RMB200,000,000 to its subsidiary, Minghui Tianhai on 23 August 2013 for developing its gas storage and transportation project. Upon completion of the capital injection, the registered capital of Minghui Tianhai has been changed from RMB10,000,000 to RMB210,000,000 with 100% of its equity rights held by Tianhai Industrial.

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

(1) Entrusted Investment

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

(2) Entrusted Loan

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

3. Use of capital raised

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

4. Projects financed by non-raised funds

Unit: 0'000 Yuan Currency: RMB

Name of project	Project amounts	Project progress	Investment in this year	The cumulative amount of actual investment	Project earnings
Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry)	92,620	<p>The procedures for project initiation, submission for approval, and commencement have been completed.</p> <p>Civil engineering: the construction of the plant and main building and auxiliary building have been completed. Main building and auxiliary building are under renovation, and the construction of the office building is expected to be completed in the first half of 2014.</p>	24,358	26,318	The project is currently under construction

5. Analysis on principal subsidiaries and joint stock companies

Unit: Yuan Currency: RMB

Name of the corporation	Business nature	Principal product or service	Registered capital	Total asset	Net asset	Net profit
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, etc.	US\$ 61.4018 Million	2,526,077,132.81	1,001,650,540.38	-28,406,536.99
Beijing Jingcheng Compressor Co., Ltd.	Production	Design, manufacture and sale of compressors	RMB139,271,500	294,810,393.34	160,472,711.92	-17,621,279.53
Jingcheng Holdings (Hong Kong) Ltd.,	Trade and Investment	Import and export trade, investment holding and consultancy services, etc.	HKD1,000	142,195,147.91	140,989,378.27	-146,135.05

(VIII) Analysis on Financial Position and Business Performance during the Reporting Period

1. Analysis on operating results

In 2013, the total profit of the Company reduced by RMB4,523,300 as compared with the same period last year. The operating income, operating cost and operating profit decreased by 7.13%, 5.54% and 7.35% over the same period of last year respectively. Among this, the operating income from outgoing assets for the year decreased by 18.79%.

Operation of incoming assets as compared with last year

The principal operating income derived from Tianhai Industrial, Jingcheng Compressor and Jingcheng Hong Kong was RMB2,082,845,700 in 2013, representing a decrease of RMB141,162,600 as compared with 2012, and the main operating costs reduced by RMB80,847,300, which was mainly due to the decline in sales volume and unit cost under the impact of the macroscopic economy, the factors that caused the decrease of cost being less than the reduction of the income include the depreciation of plant project which commenced production in late 2012 and the increase of staff which results in the increase of wages.

The expenses for the period increased by RMB22,860,000 as compared with 2012, which was mainly because greater efforts were endeavoured to facilitate the sales of LNG products this year, resulting in the increase of travel and other related expenses of marketing personnel, as well as the increase of interest expenses and exchange losses affected by the increase of borrowings and decline of the USD exchange rate respectively.

The asset impairment losses increased by RMB12,650,000, which was mainly due to the increase of provision for bad debts as the unsatisfactory collection of receivables from customers, and the increase of provision for the decline in inventories, the net realizable values of part of traditional products being greater than their sales price at the end of the year.

The investment income decreased by RMB9,540,000, which was mainly due to the drop in net profit of Beijing Fusheng Machine Co., Ltd., an associate of Jingcheng Compressor, for 2013.

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

At the end of the Reporting Period, both the assets and liabilities recorded a certain decrease as compared with the beginning of this year, which was mainly attributable to that as the Company conducted Material Assets Reorganisation during the year, retrospective adjustment were made for incoming assets according to the provisions of Accounting Standards for Business Enterprises-Business combinations for merger of enterprises under the common control at the beginning of the year, while the assets and liabilities of the Company have been exchanged at the end of the year.

At the end of the Reporting Period, total assets amounted to RMB2,829,360,900, decreased by 25.60% as compared with the beginning of the year, among which the accounts receivable decreased by 22.46%, inventory decreased by 26.25%, fixed asset decreased by 43.84% and projects under construction increased by 414.65%.

After excluding the impact of outgoing assets at the beginning of the year, the total assets of the incoming assets at the end of year increased by RMB 487,490,000, which was mainly due to the increase of the procurement of raw materials as well as the increase in the projects in LNG bases at the end of year.

Total liabilities amounted to RMB1,665,722,260, decreased by 23.98% as compared with the beginning of the year, among which the short-term loans decreased by 24.62% and amounts payable decreased by 38.04%.

After excluding the impact of outgoing assets at the beginning of the year, the liabilities of incoming assets increased by RMB 338,842,600 as compare with the beginning of the year, which was mainly due to the increase of bank borrowings and payables for construction of LNG project resulting from the greater pressure on capital in 2013.

The total shareholders' equity interest amounted to RMB1,163,638,300, decreased by RMB 448,209,900 or 27.81% as compared with the beginning of the year. This decrease was mainly due to the fact that as result of merger of enterprises under the common control in this year, the capital reserve increased by RMB 659,860,000 at the beginning of the year, and the shareholders' equity interests for the year decreased due to the merger of Tianhai Industrial and Jingcheng Compressor as well as the exchange of Shaanxi Beiren Printing Machinery Co., Ltd.

3. *Financial position analysis*

By implementing its prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a sound capital structure and solid financing channels. The Company 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

	2013	2012
(1) Gearing ratio	58.87%	57.62%
(2) Quick ratio	54.52%	55.82%
(3) Liquidity ratio	102.38%	102.61%

4. *Bank loans*

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB482,613,200, representing a decrease of 24.62% as compared with the beginning of the year. Long-term loan was nil.

5. *Foreign Exchange Risk Management*

The Company held a relatively small amount of deposits in foreign currencies. In addition to the payment of dividends of H shares and fees payable to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and paper for information disclosure, the partial export and import business of the Company is settled in US dollars and Jingcheng Hong Kong and American Fortune Company adopt 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 such measures to reduce the foreign exchange risk.

(IX) Principal Sources of Fund and Its Use

1. *Cash flows from operating activities*

The Company’s cash inflows are mainly derived from the income of product sales. Cash outflow was mainly related to the production and operating activities. The Company’s cash inflow from operating activities for the Reporting Period amounted to RMB2,007,274,000, while cash outflow amounted to RMB2,233,876,500. Net cash flow during the Reporting Period from operating activities amounted to RMB-226,602,500.

2. *Cash flows from investment activities*

Cash inflow from investment activities during the Reporting Period amounted to RMB76,469,100 while cash outflow to investment activities amounted to RMB582,931,700, which was mainly used for capital expense on the purchase of fixed assets and monetary capitals of outgoing assets. The above expenditures were financed by the Company’s internal resources. Net cash flow from investment activities for the Reporting Period amounted to RMB-506,462,600.

3. *Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the Reporting Period amounted to RMB1,754,618,000, which was mainly derived from bank loans, borrowings from Jingcheng Holding and investments received by Minghui Tianhai. Cash outflow to fund-raising activities during the Reporting Period being amounted to RMB1,202,674,600 was mainly for the repayment of bank loans and borrowings from Jingcheng Holding and interests. Net cash flow from fund-raising activities for the Reporting Period amounted to RMB551,943,400.

Net cash flow from operating activities in 2013 decreased by 276.59% over the corresponding period for last year, which was mainly due to a lower amount of cash received from sales of goods and provision of services and increase in payment for purchase of goods. Net cash flow generated from the investment being decreased by 372.43% over last year was mainly attributable to such increase in capital expenses on purchase of fixed assets and the impact by the monetary capitals of outgoing assets during the year. Net cash flow generated from fund-raising activities increased by 46.33% over last year, which was mainly due to the increase in loans borrowed as compared to the corresponding period for last year.

Net cash flow generated from operating activities for the year was RMB-226,660,500. Net profit for the year was RMB-109,552,200, which was mainly attributable to fund-raising activities.

(X) Capital Structure

The Company's capital structure consists of shareholders' equity interests and liabilities during the Reporting Period. Shareholders' equity interests amounted to RMB1,163,638,300. of which, minority interests amounted to RMB360,065,000, and total liabilities amounted to RMB1,665,722,600. Total assets amounted to RMB2,829,360,900. As at the end of the year, the Company's gearing ratio was 58.87%.

Capital structure by liquidity

Total current liabilities	RMB1,534,254,600	Accounting for 54.23% of assets
Total equity interest attributable to shareholders	RMB1,163,638,300	Accounting for 41.13% of assets
of which: minority interests	RMB 360,065,000	Accounting for 12.73% of assets

(XI) Contingent Liability

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

(XII) Competition within the industry and development trend

2014 Analysis and Prediction on Gas Storage and Transportation Market

1. *Analysis and Prediction on Upstream Steel Industry*

WAS (World Steel Association) pointed out that, although it is difficult to change the situation where there is oversupply for the global steel in 2014, the overall market environment will be better than that in 2013, and the steel exports will be stable or increase slightly, and supply of iron ore and coal will become looser gradually and there will be room for its price to reduce. The prices of steel will be the same or a little higher than that of 2013. Yet it is difficult to reverse the situation where poor profits are generated for this industry.

2. *Analysis and Prediction on Downstream Gas Industry*

1) *Industrial Gas Market*

The three major multinational enterprises, led by Linde Industrial Gases, Air Liquide and Praxair, are confident about the prospect of world industrial gas market in 2014, in particular, the China market. Under the influence of the policies regarding the steady growth of economy and rapid development of gas outsourcing businesses, many big gas enterprises are expanding their gas business scale in China.

2) *Natural-Gas Markets*

Being facilitated by the global low-carbon economy growth and high price of petroleum and other expensive energy sources, “energy aerification”, cored on natural and unconventional gas sources has gradually become a trend. As disclosed by U.S. Energy Information Administration (“EIA”), it is predicted that the consumption of natural gas will exceed that of petroleum and natural gas will become the largest energy source in the world and will continue for a considerable period.

In recent years, under great pressure from haze governance, deduction of PM2.5 and energy conservation and emission reduction, natural gas, as a kind of “clean energy”, develop rapidly in China. The acceleration of natural gas reform was clearly put forward at the Third Plenary Session of the 18th Central Committee of the Communist Party, and it is expected that the natural gas industry will be expanding significantly in the next decade and thus every segment in upstream and downstream sectors including sources of gas, gas transmission, storage and sales will benefit therefrom.

3. Analysis and Prediction on Gas Storage and Transportation Equipment Market

- 1) *Conventional industrial gas cylinders are still facing overcapacity and low-price competition and there is growth in demand for high-purity gas cylinders*

In 2014, the global demand for industrial gas cylinders will not grow significantly, the contradiction between supply and demand will be significantly obvious and the competition will be still fierce. Following the adjustment made to national industrial structure and rapid development of energy conservation and environmental protection, electronic information and new energy industries, the demand for special gas will be increased significantly and the demand for domestic high-purity gas cylinders will also grow constantly.

- 2) *The demand in the storage and transportation equipment market of natural gas will improve obviously*

The price of LNG will restore to be rational and gradually reduces its impact on the cylinders for vehicles. However, the market competition will be very vigorous.

(XIII) Development Strategies of the Company

The Company will continue to consolidate its industrial cylinders business and maintain a leading position in this sector. During the course of shifting to the development of natural gas storage and transportation equipment, the Company will strengthen and optimize its products of LNG vehicle cylinders, accelerate the development of industrialization of LNG cryogenic tank, and specially the R&D of the LNG cryogenic tanker vehicles, forming a product portfolio containing cylinders, tankers, vehicles and stations. The Company will innovate its pattern of business development, improve design of channels and marketing organizations, build systematic solutions and speed up transformation from product-oriented to service-oriented and endeavor its best efforts to become an international company at the forefront of the industry of gas storage and transportation globally.

In the field of compressor, the Company will focus on market segment of membrane compressor, pursuing absolute market share and eventually building up our advantage of brand to cover all series of products and the whole industry. The Company will also devote itself to make our piston compressor into a competitive product on the mid-range market, firmly establishing its market image and brand influence as a quality product on the mid-range market.

(XIV) Operating plans

2014 is the fourth year of implementation of the “Twelfth Five-Year” Plan. Facing the complicated domestic and international economic situation and fierce competition in gas storage and transportation equipment industry, the Company will take the opportunity of reorganisation to continuously innovate and deepen the reform. By giving a full play of functions of our business divisions, the Company is able to vigorously focus on the LNG market, accelerate the development of new products such as cylinders, tankers, vehicles and stations to unceasingly expand its market share. The Company will establish and improve its internal control systems to mitigate operational risks, and speed up the construction of the manufacturing base for cryogenic equipment to complete its industrial distribution as soon as possible. The Company will uphold the people-oriented principle to enhance its independent innovation ability and improve its core competitiveness. The Company will continue to implement cost control measures and carry out energy saving and cost reducing to pursue more efficient growth. By improving the quality of products and building the brand of Tianhai, the Company will strive to become a leading company in the industry of global gas storage and transportation equipment and compressor.

The revenue of the Company’s principal businesses in 2014 is expected to amount to RMB2,400,000,000. To achieve this target, the following measures will be taken:

1. Speed up the progress of constructing the manufacturing base for cryogenic equipment and accelerate the adjustment of industrial structure

The Company will accelerate its industrial restructuring and gradually shift to the natural gas storage and transportation equipment industry from the industrial gas cylinders industry. The Company’s products will be adjusted to a portfolio containing cylinders, tankers, vehicles and stations. The Company will constantly increase the proportion of its natural gas business which is expected to reach over 45% in 2014, and speed up the construction of the manufacturing base for cryogenic equipment which will commence its operation as soon as possible.

2. Accelerate the R&D of new products and expedite the adjustment of product mix

The Company will further strengthen the R&D and improvement of its products, and accelerate the process of new product piloting and trial and meanwhile, the Company will strengthen the interaction with the marketing system and speed up the commercialization of new products. The Company will focus on the process of the R&D of our strategic transformation products including LNG double-pump skid-mounted fueling devices, LNG tank cars, cryogenic liquid mini-storage tank (1-3m³), super-large cryogenic storage tanks, and 35 Mpa (兆帕) aluminium-lined carbon fiber composite gas cylinders for storage of hydrogen fuels and gas. Transformation and upgrade of our products can be implemented as driven by innovation.

3. *Continue to implement cost control to improve efficiency of the Company*

The Company will strengthen its cost control in the design of new products, further reduce account receivables and inventories, further strengthen its management and control of procurement and strictly control the purchase expenses so as to minimize the operational risks and improve the efficiency and effectiveness of the Company.

4. *Make innovation in marketing model and strengthen management of marketing*

The Company will further improve the pricing mechanism and refine plans of implementation, clarify the division of roles and responsibilities, improve the work efficiency and accelerate the marketing of new business involving LNG gas cylinders, special vehicles and gas stations in order to meet market demand to the largest extent. The Company will further strengthen the education and training, perfect its online marketing procedures, improve the structure of the marketing personnel and enhance the quality of business personnel. By combining both the online marketing and traditional marketing modes, the Company will further expand its market shares and increase the market share by the Company's products and ensure the achievement of sales targets.

5. *Actively facilitate the adjustment made to the spatial layout and enhance the Company's strength in its entirety*

By taking the strategic planning of Beijing and Tianjin regions as the guidance, the Company is actively facilitating the adjustment made to the spatial layout of products and is eliminating and compressing the products or industry with low margin while shifting products with high cost towards regions with low cost in higher speed and further enhancing the quality of the Company's assets, uplifting the competitive power of the Company's products and enhancing the Company's strength in its entirety.

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

The Company's current funding can satisfy the needs of the existing business. The Company makes fund planning every year according to the business development. If financing is required, the Company will perform the necessary examination and approval and announcement procedures by strictly following the procedures as stipulated in laws and regulations.

(XVI) Potential material risks

1. In 2014, the Company's new production base can commence its operation, but if there is a macroeconomic downturn which leads to the reduction of market demand, the production capacity of the new base may be idle and the expected targets cannot be achieved.
2. In 2014, the situation of the compressor market will remain severe and the cutthroat competition with low price will continue and the gross margin will be in the downward trend.

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

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

During the Reporting Period, the auditors did not issue any non-standard audit report for the Company.

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

On 16 December 2013, the Company disclosed the announcement of changes in accounting estimation (please refer to relevant announcements published on the websites of SSE at www.sse.com.cn and HKEx at www.hkexnews.hk for details). The Company proposed to change accounting estimations for depreciation life and rate of salvage value of fixed assets and bad debt provision percentage for account receivables. The above changes came into effect from 1 January 2014, and had no impact on the 2013 financial statements.

The changes in accounting estimations are in conformity with Accounting Standards for Enterprises, and the changed depreciation life and rate of salvage value of fixed assets and bad debt provision percentage for account receivables can fairly and accurately reflect the Company's financial situation.

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

During the Reporting Period, there was no correction to material errors for last period.

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

(1) Formulation, implementation or adjustment of dividend policy

In accordance with the requirements of Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission (“CSRC”), the Company had amended and perfected certain provisions concerning profit distribution policies in its articles of association, which have been considered and passed at the seventh meeting of the Seventh Board of Directors held on 26 July 2012 and the first extraordinary general meeting in 2012 (please refer to the announcements dated 26 July 2012 and 18 December 2012 on the websites of SSE at www.sse.com.cn and HKEx at www.hkexnews.hk for details). During the Reporting Period, as the net profit attributable to the parent company of the Company was negative, there was no proposal for cash dividend. However, the Company will strictly comply with the dividend policies in its Articles of Association, and perform decision-making procedures according to the relevant requirements once it has the capability of carrying out profit distribution, making full use of roles of independent directors so as to safeguard legal interests of the medium-sized and minority shareholders.

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

During the Reporting Period, as the parent company recorded a negative profit, there was no proposal for any distribution of cash dividend.

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

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (Yuan) (tax included)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2013	0	0	0	0	-108,239,018.44	0
2012 (After adjustment)	0	0	0	0	-124,456,883.57	0
2011	0	0	0	0	11,382,900.84	0

3 EXPLANATION ON OTHER IMPORTANT MATTERS

1. Government subsidies

During the Reporting Period, the Company obtained subsidies granted by the PRC government in relation to research and development expenses and post allowances for the disabled of RMB2,668,600 in total.

2. Changes in the scope of consolidation for subsidiaries during the Reporting Period

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

3. During the Reporting Period, the Company's subsidiaries were subject to income tax at applicable tax rate of 25%.

4. Review of Financial Results for the Reporting Period by the Audit Committee

The Audit Committee of the Company has reviewed and confirmed the audited annual financial results of the Company for 2013.

5. Corporate Governance Practices

The Company has been in compliance with the code provisions stipulated in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") during the Reporting Period.

6. Model Code for Securities Transactions by Directors and Supervisors

During the Reporting Period, the Company has adopted the model code of conduct regarding securities transactions by directors and supervisors on terms no less than the required standards provided 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 provided in the Model Code for 12 months ended 31 December 2013.

7. Share Capital

(1) During the Reporting Period, there was no change in the total number of shares or the shareholding structure of the Company.

(2) During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

8. Progress of Material Assets Reorganisation

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

reorganisation and disclosed material assets reorganisation proposal. On 18 December 2012, the proposal for material assets reorganisation was considered and passed at the extraordinary general meeting of the Company.

On 4 January 2013, the Company announced that it received the Acceptance Notice of the Application for Administrative Permission 《中國證監會行政許可申請受理通知書》 from the CSRC. On 21 January 2013, the Company announced that it received a notice from CSRC that the vetting of the Company's Material Asset Reorganisation matters has been carried out in the 2013 second working conference and has been unconditionally approved by the Listed Companies Merger and Reorganisation Vetting Committee of the CSRC. Yet, on 25 January 2013, the Company received a notice from CSRC that since party/parties concerned for the Company's material asset reorganisation is/are suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material assets reorganisation has been temporarily suspended by the CSRC. On 26 September 2013, the Company received the approval in relation to the Material Assets Reorganisation of Beiren Printing Machinery Holdings Company Limited (Zheng Jian Xu Ke [2013] No. 1240) from the CSRC, whereby the Company's material asset reorganisation and connected transaction matters have been approved. The Company exchanged all its assets and liabilities with 88.50% equity interest in Tianhai Industrial, 100% equity interest in Jingcheng Hong Kong and 100% equity interest in Jingcheng Compressor held by Jincheng Holding, with the difference to be paid in cash by Jincheng Holding.

On 31 October 2013, the Company entered into "Material Asset Reorganisation Completion Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation" with Jingcheng Holding and Beiren Group Corporation. As at the date of the disclosure, each party is actively carrying out the relevant procedures for registration of change in certain land use rights of outgoing assets and change in businesses for certain subsidiaries. The Company will continue to press on with the follow-up work in respect of the material asset reorganisation and connected transaction, and perform the information disclosure obligation in accordance with the requirements of the relevant laws and regulations.

Since the Company purchased assets due to the Material Asset Reorganisation and connected transactions and the Company cannot achieve 80% of the estimated profit as previously made, the Chairman and the General Manager of the Company together with the independent financial advisor, accountant and the relevant professionals so hired for such reorganisation hereby sincerely apologize to all investors. The relevant apology statement together with the Annual Report will be published on Shanghai Securities News and Securities Daily.

4 ANNUAL REPORT AND OTHER INFORMATION

This Announcement will be published and posted on the web page of the Company (the website of the Company is www.btic.com.cn) and the web page of The Stock Exchange of Hong Kong Limited (the website of the Company is www.hkexnews.hk). The Annual Report in its entirety will be published on the web pages of the Company and The Stock Exchange of Hong Kong Limited on or about 25 April 2014.

By Order of the Board of Directors of
Beijing Jingcheng Machinery Electric Company Limited
Jiang Zili
Chairman

Beijing, China
27 March 2014

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wang Pingsheng, Mr. Hu Chuanzhong, Mr. Wu Yanzhang, Mr. Li Junjie and Ms. Jiang Chi as Executive Directors, Mr. Jiang Zili and Ms. Wu Dongbo as Non-executive Directors and Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as Independent Non-executive Directors.