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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: 0187)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company hereby announces that the following is the Report on the Implementation of Reorganization of Material Assets and Connected Transactions by Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司重大資產置換暨關聯交易之實施情況報告) published by Beijing Jingcheng Machinery Electric Company Limited on the website of the Shanghai Stock Exchange (www.sse.com.cn) for information purposes only.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Jiao RuiFang
Company Secretary

Beijing, the PRC
11 April 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.

Place of Listing of A Shares: A Share Securities Code: 600860
Shanghai Stock Exchange
Place of Listing of H Shares: H Share Securities Code:
The Stock Exchange of 00187
Hong Kong Limited

A Share Short Name:
*ST 京城
H Share Short Name
京城機電股份

Beijing Jingcheng Machinery Electric Company Limited

REPORT ON THE PROGRESS OF MATERIAL ASSET REORGANIZATION AND CONNECTED TRANSACTION

Independent Financial Adviser



April 2014

Disclaimer

All members of the Board of Directors of the Company warrant the truthfulness, accuracy and completeness of the contents of this announcement and that it does not contain any false information, misleading statement or material omission and accept joint and several responsibilities for any false information, misleading statement or material omission herein contained.

Any decisions or opinion of the CSRC, State-owned Assets Supervisory Department or other government bodies regarding the Transaction are not expression of substantive judgment or warrant of the value of the shares of the Company or investors' gain, any declaration to the contrary is false and is a misrepresentation.

After the Transaction is completed, the Company will be responsible for the changes in the operation and revenue of the Company; investors are responsible for any investment risk caused by the Transaction.

If investors have any doubt on the Report, they should consult their own stock brokers, lawyers, professional accountants and other professional consultants.

The Company would like to remind investors that the purposes of the Report are for providing information about the status of implementation of the Material Asset Reorganization, if investors would like to have more information, please read the full text of Beiren Printing Machinery Holdings Limited Report on the Progress of Material Asset Reorganization and Connected Transaction and other related documents, such documents are available from the websites of Shanghai Stock Exchange (www.sse.com.cn) and HKExnews of the Stock Exchange (www.hkexnews.hk).

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Definition

In this Report, unless otherwise indicated in the context, the following abbreviations shall have the meaning set out below:—

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| Listed Company, the Company, Company, Beiren Holdings, Jingcheng Company | Beijing Jingcheng Machinery Electric Company Limited, previously known as Beiren Printing Machinery Holdings Limited |
| Counter Party, Jingcheng Holding | Beijing Jingcheng Machinery Electric Holding Co., Ltd. |
| Tianhai Industrial | Beijing Tianhai Industry Co., Ltd. |
| Jingcheng HK | Jingcheng Holding (Hong Kong) Company Limited |
| Jingcheng Compressor | Beijing Jingcheng Compressor Co. Ltd. |
| Outgoing Assets | all the assets and liabilities owned by Beiren Holdings |
| Incoming Assets | 88.50% equity interests in Tianhai Industrial; 100% interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor held by Jingcheng Holding |
| Transaction, Reorganization, Material Asset Reorganization | Beiren Holdings proposed to exchange all its assets and liabilities with all assets relating to gas storage and transportation equipment business held by Jingcheng Holding, with the difference to be paid by Jingcheng Holding in cash. The Outgoing Assets are all assets and liabilities of Beiren Holdings, and the Incoming Assets are 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor held by Jingcheng Holding |
| The Report | Beijing Jingcheng Machinery Electric Company Limited Report on the Progress of Material Asset Reorganization and Connected Transaction |
| Reorganization Framework Agreement | Reorganization framework agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. |

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| Material Asset Reorganization Agreement | Material Asset Reorganization Agreement between Beiren Printing Machinery Holdings Limited, Beijing Jingcheng Machinery Electric Holding Co., Ltd and Beiren Group Corporation |
| Supplemental Agreement | Supplemental Agreement of the Material Asset Reorganization Agreement between Beiren Printing Machinery Holdings Limited, Beijing Jingcheng Machinery Electric Holding Co., Ltd and Beiren Group Corporation |
| Completion Agreement | Material Asset Reorganisation Completion Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation |
| CSRC | China Securities Regulatory Commission |
| Beijing SASAC | State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipal |
| BMCC | Beijing Municipal Commission of Commerce |
| BSCOMC | Beijing State-owned Capital Operation &. Management Centre |
| BSAM | Beijing State-owned Assets Management Co., Ltd. |
| Beiren Group, Transferee | Beiren Group Corporation |
| Beijing Beiyong | Beijing Beiyong Casting Co., Ltd. |
| Fusheng Machine | Beijing Fusheng Machine Co., Ltd. |
| ShineWing | ShineWing Certified Public Accountants (Special General Partnership) |
| RMB | Renminbi, unless as otherwise stated |

I. Introduction of the Transaction proposal

The Company proposed to exchange all its assets and liabilities with all assets relating to gas storage and transportation equipment business held by Jingcheng Holding, with the difference to be paid by Jingcheng Holding in cash.

The Outgoing Assets are all the assets and liabilities owned by the Company, the consideration for the Outgoing Assets was RMB1,184,869,600; the Incoming Assets are 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor held by Jingcheng Holding, the total consideration was RMB1,179,346,700 in total. The amount of difference in the consideration for the Outgoing Assets and Incoming Assets is RMB5,522,900, which will be paid in full by Jingcheng Holding in cash.

After the Transaction is completed, the Company will hold 88.50% equity interests in Tianhai Industrial; 100% interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor.

II. Implementation process of the Reorganization

1. DECISION-MAKING PROCESS AND APPROVAL PROCESS OF THE TRANSACTION

(1) Decision-making process of the Listed Company

- 1) On 5 July 2012, the Company convened the Sixth Meeting of the Seventh Board of Directors, the Beiren Printing Machinery Holdings Limited Report on the Material Asset Reorganization and Connected Transaction (Draft) and the other related resolutions were approved.
- 2) On 5 July 2012, the Company and Jingcheng Holding entered into the Reorganization Framework Agreement .
- 3) On 2 November 2012, the Company convened the Fifth Extraordinary Meeting of the Board of the Seventh Session of the Board of Directors, the “Beiren Printing Machinery Holdings Limited Report on the Material Asset Reorganization and Connected Transaction (Draft)” and the related resolutions were approved.
- 4) On 2 November 2012, the Company and Jingcheng Holding entered into the “Material Asset Reorganization Agreement”.
- 5) On 29 November 2012, the Company and Jingcheng Holding entered into the “Supplemental Agreement”.
- 6) On 18 December 2012, the Transaction proposal was approved at the shareholders’ meeting of the Company.

(2) Decision-making process of the Counter Party

- 1) On 8 June 2012, Jingcheng Holding convened a board meeting and discussed and approved the resolution of exchanging all its assets and liabilities of the Listed Company with all assets relating to gas storage and transportation equipment business held by Jingcheng Holding, with the difference to be paid by Jingcheng Holding in cash.
- 2) On 5 July 2012, Jingcheng Holding and the Company entered into the “Reorganization Framework Agreement”.
- 3) On 2 November 2012, Jingcheng Holding and the Company entered into the “Material Asset Reorganization Agreement”.
- 4) On 29 November 2012, Jingcheng Holding and the Company entered into the “Supplemental Agreement”.

(3) Other authorization, approval, consent and filing already been obtained for the Transaction

- 1) Beijing SASAC has already approved the results of the valuation report of the Transaction and replied and consented the Transaction;
- 2) The Stock Exchange of Hong Kong has granted its approval for the Company to issue circulars to shareholders;
- 3) CSRC has approved this transaction;
- 4) BMCC has approved the change in shareholdings in sino-foreign joint venture and foreign investment enterprise involved in this transaction.

2. COMPLETION OF THE SETTLEMENT ASSETS OF THE TRANSACTION

(1) Status of the transfer registration of the Incoming Assets

The Incoming Assets of the Reorganization are 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor.

On 31 October 2013, the Company entered into the Completion Agreement with Jingcheng Holding and Beiren Group, pursuant to which, Jingcheng Holding discharged its obligation of delivering Incoming Assets on the completion date (31 October 2013). Incoming Assets is actually under the Listed Company's control.

As of the date of the Report, the above 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng Compressor and 100% equity interests in Jingcheng HK have been transferred and registered under the name of the Company.

(2) Status of the transfer registration of the Outgoing Assets

The Outgoing Assets of the Reorganization were all the assets and liabilities originally owned by the Company

On 31 October 2013, the Company entered into Completion Agreement with Jingcheng Holding and Beiren Group, pursuant to which, the obligation of the Listed Company to deliver Outgoing Assets was deemed as discharged on the completion date (31 October 2013) (whether the transfer and ownership registration procedures for Outgoing Assets were completed on the completion date). Outgoing Assets is actually under Beiren Group's control. All rights and obligations attached to Outgoing Assets (including all assets and liabilities of the Listed Company) are enjoyed and assumed by Beiren Group.

As of the execution date of the Report, the book value of the assets delivered by or of which the transfer registration was completed by the Listed Company (as at 31 October 2013, the benchmark date for completion and auditing) was RMB1,513,913,600, or 94.56% of the aggregate book value of the Outgoing Assets of RMB1,601,041,400.

As of the execution date of the Report, land parcels with total area of 43,300 m² and aggregate book value of RMB16,948,100 (as of the completion date, i.e. 31 October 2013), accounting for 1.06% of the aggregate amount of Outgoing Assets, have not been delivered or transferred. The transfer and registration procedure for the title of relevant land parcels is under progress. Buildings with total area of 77,500 m² and aggregate book value of RMB64,253,200 (as of the completion date, i.e. 31 October 2013), accounting for 4.01% of the aggregate amount of Outgoing Assets, have not been delivered or transferred. The transfer and registration procedure for the title of relevant buildings is under progress. The transfer procedure of the account ownership of Tongzhou Housing Maintenance Fund is under progress. The balance of such account amounted to RMB1,135,000, accounting for 0.07% of the aggregate book value. The commerce and industry registration in relation to the transfer of 17.01% equity interest in Beijing Beiyong with a book value of RMB4,788,000, accounting for 0.30% of the aggregate amount of Outgoing Assets, has not been completed.

For those assets of which the transfer registration has not been completed, the Company and the parties concerned have made proper arrangements.

Regarding the existing defects of the Outgoing Assets, Beiren Group undertakes as follows: “The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets.”

Regarding the existing defects of the Outgoing Assets, Jingcheng Holding undertakes as follows: Jingcheng Holding undertakes: “The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets, and will not refuse to sign or request to terminate, change the “Framework Agreement for Material Asset Reorganization between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.”, the “Material Asset Reorganization Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation” and the related agreement due to the defects of the Outgoing Assets.”

The Outgoing Assets under the Reorganization included 17.01% equity interests in Beijing Beiyong, with a book value of RMB4,788,000, or 0.30% of the aggregate book value of the Outgoing Assets. The Outgoing Assets of the Reorganization included 17.01% equity interest of Beijing Casting, its book value was RMB4,788,000, or 0.30% of the total book value of the Outgoing Assets. As Beijing Beiyong's operation does not comply with the construction planning and environmental protection requirements set by local government, the administration for industry and commerce cannot process the commerce and industry registration for changing shareholders. For the purpose of the above 17.01% equity interest in Beijing Beiyong, which has not been transferred, Jingcheng Company, Jingcheng Holding and Beiren Group jointly signed "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beiyong Casting Co., Ltd." and confirmed "Each party confirms that the equity transfer is deemed to be completed. Jingcheng Company would no longer record such equity interest as a long-term investment which means that all shareholder's rights (including but not limited to equity return, voting right and election right), obligations, risks and liabilities under such equity interest have been enjoyed or assumed by Beiren Group and Jingcheng Company has to act correspondingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities assumed or loss suffered by Jingcheng Company as a result of lacking defensive power shall be actually taken by Jingcheng Holding."

Pursuant to the agreement under the Completion Agreement, "if it is not possible to complete delivery or transfer procedure due to any defect or restriction on rights of the Outgoing Assets or otherwise, Beiren Holdings shall not be deemed as breaching the Material Asset Reorganization Agreement. Beiren Group takes over the ownership of those assets which are not possible to complete delivery or transfer procedure. In such case, Beiren Holdings is obligated to follow the requirements and instruction given by Beiren Group and cooperate with Beiren Group to facilitate it to exercise all of the rights attached to the Outgoing Assets."

Given the above agreement and pursuant to those under the Supplementary Confirmation Letter of the Settlement of 17.01% equity interests in Beijing Beiyong Casting Co., Ltd. and the Completion Agreement, the Beiren Group, Jingcheng Holding and Jingcheng Company have internally regarded the transfer of 17.01% equity interests in Beijing Beiyong as completed, which means that all of the rights and obligations under such equity interests actually belong to Beiren Group. However, since the transfer procedure of such equity interests has not yet been completed, the legal consequence as a result of delivery does not carry any defensive power against a third party (a bona fides third party). Since Jingcheng Holding has undertaken to take over such liability and loss and the shareholders holding such equity interests will assume a limited liability for the debts of Beijing Beiyong to extent of their contribution (RMB1,136,000). Therefore, in the situation that all relevant parties practically realize their undertakings, there would be no real impediment to the Reorganization and no material adverse impact to Jingcheng Company upon the completion of the Reorganization.

(3) Status of the handling of the credits and debts related to the Reorganization

The Incoming Assets of the Reorganization are 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor, there is no change in the debts and liabilities of Tianhai Industrial, Jingcheng HK and Jingcheng Compressor.

The Outgoing Assets of the Reorganization are all the original assets and liabilities of the Company. As of today, the original liabilities of the Company have been transferred to Beiren Group. As at 31 October 2013 (the benchmark date for completion and auditing), the total amount of liabilities (after deducting expected liabilities and special account payables) of the parent company of the Listed Company was RMB755,420,700. As of today, the book value of the liabilities for which consent letters have been obtained is RMB646,955,700, or 85.64% of the book value of the liabilities, of which the consent letters of transfer of liabilities have been obtained from all financial institution creditors; the book value of those liabilities already repaid after the period is RMB36,751,100, or 4.86% of the book value of the liabilities; the book value of those liabilities for which no consent letter has been obtained and the amount of which has not been repaid is RMB71,714,000, or 9.49% of the book value of the liabilities.

Pursuant to the Completion Agreement, for such liabilities not covered by a confirmation letter, Beiren Group has undertaken to unconditionally assume and settle the same to ensure to cause no harm to the Listed Company. If creditors do not agree with such arrangement that such liabilities will be settled by Beiren Group, Beiren Group shall compensate the Listed Company for the amount paid by the Listed Company as a result of taking over relevant liabilities. The parties have confirmed that as of the base date of completion audit, non-transferable liabilities such as tax payables, based on the specified audit report prepared by ShineWing Certified Public Accountants (Special General Partnership), shall be assumed by the Listed Company and Beiren Group shall compensate the Listed Company for the amount it paid for relevant liabilities.

Regarding the transfer of the outgoing liabilities, Beiren Group undertakes as follows: “If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, the company undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, the company will fully compensate Beiren Holdings.”

Regarding the transfer of the outgoing liabilities, Jingcheng Holding undertakes as follows: “If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, Beiren Group Corporation undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, Beiren Group Corporation will fully compensate Beiren Holdings. The company undertakes: the company will undertake several responsibilities for those compensation responsibilities of Beiren Group Corporation.”

(4) Recognition of profits and losses during the transitional period of Reorganization

Pursuant to Material Asset Reorganization Agreement and Completion Agreement, the profits and losses of Outgoing Assets amounting to RMB-217,812,500 during the transitional period (period between the valuation date to completion date) shall be recognized by Beiren Group and the profits and losses of Incoming Assets amounting to RMB5,391,700 during the transitional period shall be recognized by the Listing Company.

III. Discrepancy between the related actual situations and the information disclosed earlier, if any

1. INFORMATION DISCLOSURE FOR THE REORGANIZATION

As of the execution date of the Report,, the Listed Company has performed the information disclosure duty related to the Material Asset Reorganization, conforming to the relevant law, regulations and requirements of the Listing Rules of Shanghai Stock Exchange, there is no material discrepancy between the actual situations and the information already disclosed during the process of implementation of the Material Asset Reorganization.

2. PROFIT FORECAST REALISED OF THE REORGANIZATION

During the process of implementation of the Material Asset Reorganization, ShineWing carried out an audit on the profit forecast of the Incoming Assets and the proforma profit forecast of the Listed Company, and issued the profit forecast audit report.

(1) Profit forecast realised of Incoming Assets under the Reorganization

According to the assurance report on profit forecast realised of incoming assets under the material asset reorganization issued by ShineWing (XYZH/2013TJA2024-4), the actual net profits and forecasted net profits attributable to the owners of the parent for the year 2013 under the relevant interests in Incoming Assets under the Reorganization are as follows:

Unit: RMB '0,000

| Relevant interests in Incoming Assets under the Reorganization | Net profits attributable to the owners of the parent for the year 2013 | |
|---|---|-----------------------|
| | Forecast profits | Actual profits |
| Tianhai Industrial (100% equity interest) | 5,039.05 | -2,796.51 |
| Jingcheng HK (100% equity interest) | 1,421.61 | -14.61 |
| Jingcheng Compressor (100% equity interest) | 357.46 | -1,762.13 |
| Pro forma consolidated figures | 5,406.56 | -4,609.41 |

Note: When preparing the profits forecast report for Jingcheng HK, Jingcheng Holding held 71.56% equity interest in Tianhai Industrial and 100% equity interest in Jingcheng Compressor. Jingcheng HK recognized 28.44% equity interest in Tianhai Industrial by equity accounting method. In December 2012, Jingcheng Holding increased the share capital in Tianhai Industrial, upon which the shareholding of Jingcheng HK in Tianhai Industrial reduced to 11.50% and Jingcheng HK recognized the equity interest in Tianhai Industrial by cost method. Incoming Assets became 88.50% equity interest in Tianhai Industrial, 100% equity interest in Jingcheng HK and 100% equity interest in Jingcheng Compressor.

Actual net profits of Incoming Assets under Reorganization attributable to the owner of the parent for the year 2013 amounted to RMB-46,094,100, which did not attain 50% of the figures stated in the profit forecast report, and the difference amounted to RMB100,159,700.

As the actual profits of Incoming Assets is lower than the forecasted profits for the year 2013, Jingcheng Holding issued a letter dated 28 January 2014 to the Listed Company and guaranteed to compensate the Listed Company in cash for the entire amount of loss of Incoming Assets for the year 2013 as well as the entire amount of forecasted profits of Incoming Assets for the year 2013. According to the assurance report on profit forecast realized of incoming assets under the material asset reorganization issued by ShineWing (XYZH/2013TJA2024-4), the aggregate compensation should be RMB100,159,700, 50% of which and the remaining shall be paid within 10 days and a half of year from the disclosure date of the Listed Company's 2013 annual report respectively.

There were several reasons for the drop in operation results of Incoming Assets for the year 2013. The Company disclosed the risk of fluctuation of profitability and the impact of imposition of the anti-dumping duties and countervailing duties by the US in "The Report of the Material Assets Reorganization and Connected Transactions of Beiren Printing Machinery Holdings Company Limited". However, results of Incoming Assets dropped significantly given that the actual impact of such factors was greater than expected. Detailed analysis is set out below:

1. The smaller price difference of oil and natural gas affects the profitability of natural gas cylinder products

In 2013, the oil price experienced numerous adjustments and did not go up as expected. As the reform of natural gas price in China progressed gradually, the natural gas price is on an apparent rising trend. As the difference in price between oil and natural gas became smaller for the reasons stated above resulting in a slower trend of using natural gas as an alternative fuel to oil, the promotion and application of natural gas automobile lost its economic support and slowed down substantially. Consequently, the natural gas cylinder products of Incoming Assets did not reach the expected sales target.

2. The fluctuation of downstream industries affects the profitability of traditional industrial gas cylinder products

In 2013, due to the decline in industries which are the main users of industrial gas, such as smelting, shipbuilding and construction, the market demand for industrial gas is on a declining trend. This resulted in an overcapacity of industrial steel seamless gas cylinders and increasing competition in the market of traditional industrial steel seamless gas cylinders. Consequently, traditional gas cylinder business of Incoming Assets recorded a decrease in financial results.

3. Effects of the fluctuation in the profits of Jingcheng Compressor

With the weak economic growth in 2013, as the volume of production of Jingcheng Compressor newly introduced series of products such as 2D10 and 4M10 piston compressors is relatively low, the cost is relatively high and the overall gross profit margin of Jingcheng Compressor was greatly reduced. Its investee company, Fusheng Machine also faced similar operational difficulties. Its net profit in 2013 dropped significantly which had a large impact on the investment revenue and net profit of Jingcheng Compressor.

4. Effects of the implementation of anti-dumping and countervailing of the United States

According to the final judgment by the United States International Trade Commission on the anti-dumping and countervailing investigation of high pressure steel cylinders made in China in May 2012, a 15.81% anti-dumping duty and a 6.62% countervailing duty will be imposed on part of Tianhai Industrial's steel seamless gas cylinders products with DOT standard exported to the United States. Although Tianhai Industrial implemented a series of measure, for example, changing production to products with UNISO standard, it takes time for customers in the United States to accept such changes. There have been no large-scale sales of the new products as yet and products exported to North America did not reach the expected number.

5. Tianhai Industrial could not sell the college student apartment as scheduled

As the transaction of the sale of college student apartment reviewed and approved in the Board meeting on 31 October 2013 was subject to the requirement that the related shareholders' meeting shall be held 45 days after an A+H-share company issued a notice, the shareholders' meeting regarding such transaction was not held until 16 December 2013. Due to time constraint, the changes of relevant title documents were not completed in 2013. Therefore, the revenue from such sale of college student apartment could not be recognized in 2013 as planned.

(2) Profit forecast realized of the Listed Company

According to the assurance report on profit forecast realised of incoming assets under the Material Asset Reorganization issued by ShineWing (XYZH/2013TJA2024-4), the net profits attributable to the owners of the parent for the year 2013 amounted to RMB-108,238,500, of which the net profits attributable to the shareholders of the parent from January to October amounted to RMB-57,907,900, which did not attain 50% of the figures stated in the profit forecast report.

There were several reasons for the drop in operation results of the Listed Company in 2013. Detailed analysis is set out below:

1. There was a loss in the Outgoing Assets under the Reorganization

The Reorganization was unconditionally approved by the Review Committee for Merger, Acquisition and Reorganization of Listed Companies of CSRC on 21 January 2013. On 26 September 2013, CSRC issued an approval for the Reorganization. On 31 October 2013, the Listed Company entered into the Completion Agreement with Jingcheng Holding and Beiren Group. The completion date of the Reorganization was 31 October 2013.

Outgoing Assets represent the original printing business of Beiren Holdings, which was affected by the internet and the multimedia, the business operation has always been suffering from loss. However, the delay in the completion of the Reorganization made the loss of Outgoing Assets from January to October to be included in the net profit attributable to the owners of the parent of the Listed Company for the year 2013.

2. Incoming Assets under the Reorganization did not realize the profit forecast for the year 2013

Net profits attributable to the owners of the parent of Incoming Assets under the Reorganization for the year 2013 amounted to RMB-46,094,100, which did not attain 50% of the figures stated in the profit forecast report, and the difference amounted to RMB100,159,700. For further details, please refer to the section titled “(1) Profit forecast realized of Incoming Assets under the Reorganization” under “2. PROFIT FORECAST REALIZED OF REORGANIZATION” of “III. Discrepancy between the related actual situations and the information disclosed earlier, if any”.

According to the relevant requirements under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Listed Company have incurred losses for two consecutive years for the year 2012 and 2013, the A shares of the Listed Company has been subject to delisting risk warning. If Listed Company continues to record a negative net profit in 2014, there exists a risk that the A shares of the Listed Company will be suspended for listing. Investors are advised to pay attention to the investment risks.

IV. Changes of directors, supervisors and senior management and deployment of other relevant personnel

1. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 31 October 2013, the “Resolution on changing some senior managerial staff of the Company” was considered and passed at the Twelfth Meeting of the Seventh Board of Directors of the Listed Company: As starting from 31 October 2013, all the original assets and liabilities of the Company were received by Beiren Group Corporation, the personnel were also received and deployed by Beiren Group Corporation, Mr Chen Bangshe, general manager, Mr Kong Dagang, deputy general manager, Mr Chen Changge, Mr Xue Kexin, Mr Cheng Tianming already discharged the employment relationship with the Company and submitted a resignation report to the Board of Directors; with the nomination of the Chairman, all directors attending the meeting unanimously agreed to appoint Mr Hu Chuanzhong as general manager of the Company, with the nomination of the general manager, all directors attending the meeting unanimously agreed to appoint Mr. Kang Yiqing and Mr Li Junjie as deputy general manager of the Company. On 5 November 2013, the date of the Fourteenth Meeting of the Seventh Board of Directors of the Company, the Listed Company considered and passed the resolutions in relation to the change of senior management and accepted the resignation tendered by Mr. Kang Yiqing as the deputy general manager of the Listed Company. By nomination of general manager, the attending Directors unanimously agreed to appoint Mr. Wu Yangzhang and Ms. Jie Yuemei as the deputy general manager and chief engineer of the Company, respectively.

On 16 December 2013, the “Resolution on changing some directors of the Company” was considered and passed at the 2013 First Extraordinary Shareholders’ Meeting of the Listed Company: Mr Jiang Zili was elected as non-executive director of the Seventh Board of Directors of the Company, Mr Wang Pingsheng, Mr Hu Chuanzhong, Mr Wu Yanzhang, Mr Li Junjie were elected as executive directors of the Seventh Board of Directors of the Company while the employee representative supervisor, Ms. Yuan Aihua, was elected at the employees’ meeting and directly became a member of the supervisor committee. After the above new directors assumed duties, Mr Zhang Peiwu, Mr Chen Bangshe, Mr Teng Mingzhi, Mr Li Shenggao, Ms Wei Li would no longer serve as directors of the Company.

On 16 December 2013, the “Resolution on changing the supervisors of the Company” was considered and passed at the 2013 First Extraordinary Shareholders’ Meeting of the Listed Company: Ms Liu Zhe, Mr Han Bingkui were elected as supervisors of the Seventh Supervisory Board of the Company, after the above new supervisors assumed duties, Mr Wang Liansheng, Mr Guo Xuan, Ms Wang Huiling would no longer serve as supervisors of the Company.

Other than the above changes, there was no other change of directors, supervisors and senior management of the Listed Company during the process of the Transaction.

2. DEPLOYMENT OF OTHER RELEVANT PERSONNEL

The Incoming Assets of the Reorganization are 88.50% equity interests in Tianhai Industrial, 100% equity interests in Jingcheng HK and 100% equity interests in Jingcheng Compressor. There is no change in the legal person subject of Tianhai Industrial, Jingcheng HK and Jingcheng Compressor, their labour relationship are not affected by the adjustments of the Reorganization.

The Outgoing Assets of the Reorganisation are all the original assets and liabilities of the Company. According to the “Beiren Printing Machinery Holdings Limited Proposal of Deployment of Staff in the Material Asset Reorganization”, and “Material Asset Reorganization Agreement” considered and approved by poll at the Seventh Meeting of the Fourth Labour Representatives of the Listed Company, the arrangements of the personnel involved in the Outgoing Assets were as below: according to the principle of “People moving with the assets”, all original members of the staff of the Listed Company (that is all staff as at the asset completion date, including all the employees registered on the books of the Listed Company itself and branches, retired and resigned employees, resigned employees in the streamlining scheme in 1960s, expatriates etc) would be received and deployed by Beiren Group. Starting from the asset completion date of the Reorganization, the Listed Company would provide benefits to such people according to the law in respect of the employment relationship of all employees of the Listed Company, the organizational relationship (including but not limited to the relationship with the Party), the social insurance relationship of pension, medical services, unemployment, injuries at work and maternity, as well as the other agreements, promises, arrangements and rights and responsibilities in any other forms which existed between them and the Listed Company would be taken over by Beiren Group.

The employment relationship of the original employees of the Listed Company was taken over by Beiren Group according to the above document.

V. Misappropriation of funds and breach of undertaking during the process of implementing the Reorganization, if any

No funds, assets of the Company have been misappropriated by the beneficiary controller or the other associates for non-operating applications, and the Company has not provided security for the beneficiary controller or the other associates during the process of the Transaction.

VI. Related agreements and status of their performance

The agreements involved in the Material Asset Reorganization mainly include the “Reorganization Framework Agreement”, “Material Asset Reorganization Agreement”, “Supplemental Agreement” and “Completion Agreement” etc.

As of the execution date of the Report, the above agreements have taken effect, at present all parties to the Transaction have performed or are performing the contents of the agreements according to the agreements, there has not been any act violating the substantive provisions of the agreements.

VII. Related undertaking and status of its performance

1. UNDERTAKING BY JINGCHENG HOLDING REGARDING THE AVOIDANCE OF COMPETITION WITH ITS COMPETITORS

In order to protect the legitimate interests of the listed company and its general medium and small shareholders, and effectively avoid possible competition between Jingcheng Holding and other companies under its control with the Listed Company, Jingcheng Holding undertakes:

“In respect of the businesses or business opportunities similar to those of the Listed Company that the company and the other companies under the control of the company that the latter contemplates to conduct or actually obtain in the future, and the assets and businesses generated by such businesses or business opportunities may constitute potential competition with its competitors: The Company will not conduct and make efforts to cause the other companies under the control of the Company not to conduct businesses which are the same as or similar to those of the Listed Company in order to avoid direct or indirect competition with the operation of business of the Listed Company. In addition, if unfair impact may be made to the Listed Company in the areas of market share, business opportunities and resource allocation of the Company and the other companies under the control of the Company, the Company will voluntarily give up and make efforts to cause the other companies under the control of the Company to give up business competition with the Listed Company.

The company undertakes that starting from the date of issue of this Letter of Undertaking, it will compensate the Listed Company for any losses suffered or expenses incurred by the Listed Company as a result of the violation of any provisions of this undertaking by the company. This Letter of Undertaking continues to be effective during the period in which the Listed Company legally and validly subsists and the company is the Controlling Shareholder (or beneficial controller) of the Listed Company.”

As of the execution date of the Report, Jingcheng Holding has not made any act breaching the above undertaking during the process of performing the undertaking regarding the avoidance of competition with its competitor.

2. UNDERTAKING BY JINGCHENG HOLDING REGARDING THE REDUCTION AND REGULATION OF CONNECTED TRANSACTIONS

In order to further reduce and standardize connected transactions, protect the legitimate interests of the listed company and its minority shareholders, Jingcheng Holding undertakes: “In respect of the unavoidable connected transaction matters or those which take place with reasonable grounds in the future between the company and the other companies under the control of the company and the Listed Company and the companies under its control, the company and the other companies under the control of the company will follow the principles of openness, fairness and justice for market transactions to conduct transactions at fair and reasonable market prices, and will perform the decision process of connected transactions according to the relevant law, regulations and standardization documents, perform the duty of information disclosure. The company warrants that

the company and the other companies under the control of the company will not obtain any improper benefits through the connected transactions with the Listed Company and the companies under its control or cause the Listed Company and the companies under its control bear any improper duties. The company will bear the responsibilities of compensating the Listed Company and the companies under its control for their losses if the company breaches the above undertaking and carries out transactions with the Listed Company and the companies under its control.”

As of the execution date of the Report, Jingcheng Holding has not made any act breaching the above undertaking during the process of performing the undertaking regarding the reduction and standardization of connected transactions.

3. UNDERTAKING BY JINGCHENG HOLDING REGARDING THE MAINTAINING OF INDEPENDENCE OF THE LISTED COMPANY

In order to safeguard the independence of the personnel, assets, finances, organizations, business aspects of the Listed Company after the completion of this Material Asset Reorganization, Jingcheng Holding issued the “Letter of Undertaking by Beijing Jingcheng Machinery Electric Holding Co., Ltd. regarding the maintaining the independence of the Listed Company”, its main contents are as below:

In order to protect the legitimate interest and independence of the Listed Company, maintain the legitimate interests of the general investors, in particular the small and medium investors, Jingcheng Holding undertakes that after the completion of this Material Asset Reorganization, it will warrant the independence of the personnel, assets, finances, organizations, businesses of the Listed Company. Jingcheng Holding makes concrete undertaking in the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding breaches the above undertaking and causes economic losses to the Listed Company, the former will compensate the Listed Company.

As of the execution date of the Report, Jingcheng Holding has closed the financial management information platform and funds centralized management platform of the subsidiaries of the Listed Company, and no act breaching the above undertaking has been made during the process of performing the undertaking regarding the maintaining the independence of the Listed Company.

4. UNDERTAKING BY JINGCHENG HOLDING REGARDING COMPENSATION FOR THE POSSIBLE LOSSES WHICH MAY RESULT FROM THE RISKS OF RELOCATING THE PRODUCTION WORKSHOPS OF BEIJING TIANHAI INDUSTRY CO., LTD. IN MU LIN COUNTY

In order to guarantee that after the Transaction is completed the Listed Company and the small and medium investors in it will not suffer from losses of interests due to the potential moving risk of Tianhai Industrial, Jingcheng Holding undertakes as below:

“If in the future the production workshops of Tianhai Industrial in Mu Lin County is necessary due to real estate problems in defects of the lease, the company will fully compensate in cash the Listed Company after the completion of this transaction for all the losses of Tianhai Industrial caused by the moving process.”

As of the execution date of the Report, Jingcheng Holding has not made any act breaching the above undertaking during the process of performing the undertaking regarding the compensating for the possible losses which may be resulted from the moving risks of the production workshops of Beijing Tianhai Industry Co., Ltd. in Mu Lin County.

5. UNDERTAKING BY JINGCHENG HOLDING, BEIREN GROUP REGARDING THE PRE-EMPTIVE RIGHT OF INVESTEEES OF THE LISTED COMPANY

Regarding the pre-emptive right of the outgoing equity, Counter Party Jingcheng Holding and Transferee Beiren Group undertake respectively:

“The company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes when this reorganization is implemented, the relevant shareholders of some of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the company will agree to accept the equivalent cash assets converted from the long term equity investment in the above Outgoing Assets, and will not demand to terminate or alter the Material Asset Reorganization Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal responsibilities.”

As of the execution date of the Report, Jingcheng Holding, Beiren Group have not made any act breaching the above undertaking regarding the pre-emptive right of investees of the Listed Company.

6. UNDERTAKING REGARDING THE EXISTING DEFECTS OF THE OUTGOING ASSETS AND THE TRANSFER OF THE OUTGOING LIABILITIES

(1) Letter of Undertaking by Jingcheng Holding regarding the handling of the liabilities of the Listed Company

Regarding the handling of the liabilities of the Listed Company, Jingcheng Holding undertakes:

- “1. Within 30 days from the receipt of a notice on this matter of Material Asset Reorganization of Beiren Holdings by the creditors of Beiren Holdings, within 45 days from the date of the first announcement on this matter of Material Asset Reorganization of Beiren Holdings in case of non-receipt of the notice, if they demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings has not repaid the liabilities or provided the security, the company undertakes that it will bear the responsibilities of early repayment of liabilities or the providing of security;
2. If Beiren Holdings cannot reach the creditors, and for those creditors who have not expressed clear opinion after the receipt of the notice or the expiry of the notice period, if they have expressed clearly disagreement opinion before the completion of this Material Asset Reorganization, and Beiren Holdings has not repaid the liabilities nor provided security upon their demand, the company undertakes that it will bear the responsibilities of early repayment of liabilities or the providing of security;
3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after the receipt of the notice or the expiry of the notice period, if after the completion of this Material Asset Reorganization, the recipient of the Outgoing Assets cannot repay its liabilities, the company is in charge of the repayment. After the company has borne the guarantee responsibility and repayment responsibility, it has the right to seek repayment from the recipient of the Outgoing Assets.”

(2) Letter of Undertaking by Jingcheng Holding regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities

In order to realize this Material Asset Reorganization, regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities, Jingcheng Holding undertakes:

“The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets, and will not refuse to sign or request to terminate, change the “Framework Agreement for Material Asset Reorganization between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.”, the “Material Asset Reorganization Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation” and the related agreement due to the defects of the Outgoing Assets.

If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, Beiren Group Corporation undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, Beiren Group Corporation will fully compensate Beiren Holdings. The company undertakes: the company will undertake several responsibilities for those compensation responsibilities of Beiren Group Corporation.”

(3) Letter of Undertaking by Beiren Group regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities

In order to realize this Material Asset Reorganization, regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities, Beiren Group undertakes:

“The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets.

If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, the company undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, the company will fully compensate Beiren Holdings.”

As of the execution date of the Report, Jingcheng Holding already urged Beiren Group to repay the debts, and undertook that if Beiren Group did not repay in time, Jingcheng Holding would be responsible for repayment and providing security, currently the Company has not received any claim, and has not suffered any losses, Jingcheng Holding, Beiren Group have not made any act breaching the above undertaking regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities.

7. UNDERTAKING BY THE COUNTER PARTY AND TRANSACTION TARGETS REGARDING THE PERFECTION OF OWNERSHIP

As for the six premises without title certificates, Tianhai Industrial undertakes that prior to 31 December 2013, it would complete the procedure for obtaining a title certificate for one premise, the guard room with floor area of 68.00 m² possessed by Shanghai Tianhai, its subsidiary; and Jingcheng Compressor undertakes that prior to 31 December 2013, it would complete the procedures for obtaining all title certificates for five premises without title certificates under its ownership, namely the base office, base assembly workshop, base structural parts workshop, base power distribution house and base training center, with gross floor area of 9,394.15 m².

Jingcheng Holding undertakes: “The company will urge Tianhai Industrial and Jingcheng Compressor to strictly perform their undertaking, and finish the handling of the real estate ownership certificates before 31 December 2013. At the same, in order to guarantee the fairness of the value of these Incoming Assets, the company undertakes it will bear all the expenses incurred in the process of handling the above real estate properties with defects. If the ownership issue of the above real estate properties with defects cannot be resolved as scheduled, resulting in losses to Beiren Holdings after this Material Asset Reorganization in the future, the company will make full compensation in time to Beiren Holdings after this Material Asset Reorganization by cash.”

As of the execution date of the Report, the problem of properties with ownership defects possessed by Tianhai Industrial have been solved, Jingcheng Compressor is actively handling the proof of ownership of properties; the Company and Jingcheng Holding will actively execute and handle the related matters of the above undertaking properly according to the relevant law, regulations, regulatory documents and requirements of the Articles of Association.

8. UNDERTAKING BY JINGCHENG HOLDING REGARDING COMPENSATION FOR THE LISTED COMPANY FOR FAILURE TO REACH THE 2013 PROFIT FORECAST

According to the assurance report on profit forecast realised of incoming assets under the material asset reorganization issued by ShineWing (XYZH/2013TJA2024-4), the actual net profits and forecasted net profits attributable to the owners of the parent for the year 2013 under the relevant interests in Incoming Assets under the Reorganization are as follows:

Unit: RMB '0,000

| Relevant interests in Incoming Assets under the Reorganization | Net profits attributable to the owners of the parent for the year 2013 | |
|---|---|-----------------------|
| | Forecast profits | Actual profits |
| Tianhai Industrial (100% equity interest) | 5,039.05 | -2,796.51 |
| Jingcheng HK (100% equity interest) | 1,421.61 | -14.61 |
| Jingcheng Compressor (100% equity interest) | 357.46 | -1,762.13 |
| Pro forma consolidated figures | 5,406.56 | -4,609.41 |

Note: When preparing the profits forecast report for Jingcheng HK, Jingcheng Holding held 71.56% equity interest in Tianhai Industrial and 100% equity interest in Jingcheng Compressor. Jingcheng HK recognized 28.44% equity interest in Tianhai Industrial by equity accounting method. In December 2012, Jingcheng Holding increased the share capital in Tianhai Industrial, upon which the shareholding of Jingcheng HK in Tianhai Industrial reduced to 11.50% and Jingcheng HK recognized the equity interest in Tianhai Industrial by cost method. Incoming Assets became 88.50% equity interest in Tianhai Industrial, 100% equity interest in Jingcheng HK and 100% equity interest in Jingcheng Compressor.

Actual net profits of Incoming Assets under Reorganization attributable to the owner of the parent for the year 2013 amounted to RMB-46,094,100, which did not attain 50% of the figures stated in the profit forecast report, and the difference amounted to RMB100,159,700.

As the actual profits of Incoming Assets is lower than the forecasted profits for the year 2013, Jingcheng Holding issued a letter dated 28 January 2014 to the Listed Company and guaranteed to compensate the Listed Company in cash for the entire amount of loss of Incoming Assets for the year 2013 as well as the entire amount of forecasted profits of Incoming Assets for the year 2013. According to the assurance report on profit forecast realized of incoming assets under the material asset reorganization issued by ShineWing (XYZH/2013TJA2024-4), the aggregate compensation should be RMB100,159,700, 50% of which and the remaining shall be paid within 10 days and a half of year from the disclosure date of the Listed Company's 2013 annual report respectively.

As of the execution date of the Report, Jingcheng Holding has not made any act breaching the above undertaking during the process of performing the undertaking regarding the compensating the Listed Company for the failure to reach the 2013 profit forecast.

9. UNDERTAKING BY JINGCHENG HOLDING REGARDING THE DELIVERY OF 17.01% EQUITY INTERESTS IN BEIJING BEIYING

According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interests in Beijing Beiying Casting Co., Ltd." jointly signed by the Listed Company, Jingcheng Holding and Beiren Group, the parties jointly confirmed that "Each party confirms that the equity transfer shall be deemed as completed. Jingcheng Company would no longer record such equity interests as a long-term investment which means that all shareholder's rights (including but not limited to right for equity return, voting right and election right), obligations, risks and liabilities attached to such equity interests have been enjoyed or assumed by Beiren Group and Jingcheng Company has to act correspondingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities assumed or loss suffered by Jingcheng Company as a result of lacking defensive power shall be actually taken over by Jingcheng Holding."

Jingcheng Holding has undertaken in the supplementary confirmation letter that: Jingcheng Holding will take over any liability assumed or loss suffered by the Jingcheng Company due to fact that the legal consequence from delivering 17.01% equity interests in Beijing Beiying does not carry any defensive power against a third party (a bona fides third party).

As of the execution date of the Report, Jingcheng Holding still kept its undertaking regarding the delivery of 17.01% equity interests in Beijing Beiying and did not violate the above undertaking.

VIII. Compliance and risks of the related follow up matters

I. MATTERS RELATED TO THE OUTGOING ASSETS

(1) Matters of transfer registration of assets

As of the execution date of the Report, the book value of the assets delivered by or of which the transfer registration was completed by the Listed Company (as at 31 October 2013, the benchmark date for completion and auditing) was RMB1,513,913,600, or 94.56% of the aggregate book value of the Outgoing Assets of RMB 1,601,041,400.

As of the execution date of the Report, land parcels with total area of 43,300 m² and aggregate book value of RMB16,948,100 (as of the completion date, i.e. 31 October 2013), or 1.06% of the aggregate value of Outgoing Assets, have not been delivered or transferred. The transfer and registration procedure for the title certificates of relevant land parcels is under progress. Buildings with gross floor area of 77,500 m² and aggregate book value of RMB64,253,200 (as of the completion date, i.e. 31 October 2013), or 4.01% of the aggregate value of Outgoing Assets, have not been delivered or transferred. The transfer and registration procedure for the title certificates of relevant buildings is under progress. The transfer procedure of the account ownership of Tongzhou Housing Maintenance Fund is under progress. The balance of such account amounted to RMB1,138,500, or 0.07% of the aggregate book value of Outgoing Assets. The commerce and industry registration in relation to the change in shareholders for 17.01% equity interests in Beijing Beiyong with a book value of RMB4,788,000, or 0.30% of the aggregate value of Outgoing Assets, has not been completed.

For those assets of which the transfer registration has not been completed, the Company and the parties concerned have made proper arrangements.

Regarding the existing defects of the Outgoing Assets, Beiren Group undertakes as below: “The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets.”

Regarding the existing defects of the Outgoing Assets, Jingcheng Holding undertakes as below: “The company is fully aware of the existing defects of the Outgoing Assets, the company will bear any losses or legal responsibilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal responsibilities due to the defects of the Outgoing Assets, and will not refuse to sign or request to terminate, change the “Framework Agreement for Material Asset Reorganization between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.”, the “Material Asset Reorganization Agreement between Beiren Printing Machinery Holdings Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beiren Group Corporation” and the related agreement due to the defects of the Outgoing Assets.”

The Outgoing Assets of the Reorganization included 17.01% equity interests in Beijing Beiying, its book value was RMB4,788,000, or 0.30% of the total book value of the Outgoing Assets. As Beijing Beiying's operation does not comply with the construction planning and environmental protection requirements set by local government, the administration for industry and commerce has failed to process the commerce and industry registration for changing shareholders. For the purpose of the above 17.01% equity interests in Beijing Beiying, which have not been transferred, Jingcheng Company, Jingcheng Holding and Beiren Group jointly signed "Supplementary Confirmation Letter of the Settlement of 17.01% equity interests in Beijing Beiying Casting Co., Ltd." and confirmed that "Each party confirms that the equity transfer shall be deemed as completed. Jingcheng Company would no longer record such equity interests as a long-term investment which means that all shareholder's rights (including but not limited to right for equity return, voting right and election right), obligations, risks and liabilities attached to such equity interests have been enjoyed or assumed by Beiren Group and Jingcheng Company has to act correspondingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities assumed or losses suffered by Jingcheng Company as a result of lacking defensive power shall be actually taken over by Jingcheng Holding."

(2) Liabilities transfer matters

As at 31 October 2013 (the benchmark date for completion and auditing), the total amount of liabilities (after deducting accruals and special account payables) of the parent company of the Listed Company was RMB755,420,700. As of today, the book value of the liabilities for which consent letters have been obtained is RMB646,955,700, or 85.64% of the book value of the liabilities, of which the consent letters of transfer of liabilities have been obtained from all financial institution creditors; the book value of those liabilities already repaid after the period is RMB36,751,100, or 4.86% of the book value of the liabilities; the book value of those liabilities for which no consent letter has been obtained and the amount of which has not been repaid is RMB71,714,000, or 9.49% of the book value of the liabilities.

Regarding the existing defects of the Outgoing Assets and the transfer of the outgoing liabilities, Beiren Group undertakes as below: "If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, the company undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, the company will fully compensate Beiren Holdings."

Regarding the transfer of the outgoing liabilities, Jingcheng Holding undertakes as follows: “If no consent of the creditors regarding the transfer of liabilities involved in the Outgoing Assets (including newly incurred liabilities for the period from the benchmark date to the settlement date) has been obtained, Beiren Group Corporation undertakes all the duties, responsibilities and expense related to the claims made by those creditors to Beiren Holdings; if Beiren Holdings bears any responsibilities or suffers any losses as a result of the claim of those liabilities, Beiren Group Corporation will fully compensate Beiren Holdings. The company undertakes: the company will undertake several responsibilities for those compensation responsibilities of Beiren Group Corporation.”

2. CONTINUOUS PERFORMANCE OF UNDERTAKING BY THE PARTIES CONCERNED

In the process of the Transaction, the parties concerned have made several undertaking. Since certain undertaking continues to be valid during a particular period of time, therefore the parties concerned have not yet finished the performance of all undertaking. In the even that the criteria for performing the above undertaking appear, the parties concerned must continue to perform the related undertaking.

IX. Conclusive opinion on the reorganization by the intermediaries

1. OPINION OF THE INDEPENDENT FINANCIAL ADVISOR

The independent financial advisor CITIC Securities was of the view that:

“The Listed Company has obtained necessary approval or authority regarding the Material Asset Reorganization, carried out relevant procedure and discharged its information disclosure obligation in accordance with the requirements under relevant laws and regulations. The transfer procedure for Incoming Assets under Material Asset Reorganization has been completed and the Listed Company has legally and validly obtained Incoming Assets; while the transfer procedure for part of Outgoing Assets under Material Asset Reorganization has not been completed and creditors of certain debts have not issued a letter of consent for the transfer of such debts. However, related parties have dealt with such issues strictly in compliance with existing agreements and there would be no material adverse impact on the Listed Company’s interests upon the completion of the Reorganization. The Listed Company has restructured the positions for directors, supervisors, senior management staff and other related staff depending on the actual situation of Material Asset Reorganization and following the procedure prescribed in laws, regulations and related regulatory documents. No funds, assets of the Company have been misappropriated by the beneficiary controller or the other associates for non-operating applications, and the Company has not provided security for the beneficiary controller or the other associates during the process of the Reorganization. In addition to the undertaking by Jingcheng Compressor and Jingcheng Holding regarding the perfection of ownership of the premises without title certificates possessed by Jingcheng Compressor, the related parties involved in the Material Asset Reorganization have not made any act breaching related agreement or undertakings. The Listed Company and Jingcheng Holding will actively execute and properly handle the related matters of the undertaking regarding the perfection of ownership of the premises without title certificates possessed by Jingcheng Compressor according to the relevant law, regulations, regulatory documents and requirements of the Articles of Association. Independent financial adviser will strictly perform its supervision function to protect the interests of the Listed Company and the minority shareholders in accordance with the requirements under relevant laws, regulations and regulatory documents.

2. OPINION OF THE LEGAL ADVISOR

The legal and financial advisor Beijing Kangda Law Firm was of the view that:

Jingcheng Company has obtained necessary approval and authority for the Material Asset Reorganization, which has been carried out legally and validly. The transfer procedure for Incoming Assets under Material Asset Reorganization has been completed. Jingcheng Company has legally and validly obtained Incoming Assets; while the transfer procedure for part of Outgoing Assets under Material Asset Reorganization has not been completed and creditors of certain debts have not issued a letter of consent for the transfer of such debts. However, as long as all parties strictly perform the Completion Agreement and relevant undertakings, it would not constitute any material legal impediment or risk. The related parties involved in the Material Asset Reorganization have not made any act breaching related agreement or undertakings except that Jingcheng Compressor are still under the process of obtaining the title certificates for its premises.

X. Documents for inspection and inspection method

1. DOCUMENTS FOR INSPECTION

- (1) Audit Opinion of independent financial advisor on the Progress of Material Asset Reorganization and Connected Transaction of Beijing Jingcheng Machinery Electric Company Limited by CITIC Securities Co Ltd
- (2) Legal Opinion on the Progress of Material Asset Reorganization and Connected Transaction of Beijing Jingcheng Machinery Electric Company Limited by Beijing Kangda Law Firm

2. PLACE OF INSPECTION

Investors can read the Report and the related documents for inspection:

(1) Beijing Jingcheng Machinery Electric Company Limited

Business address: No.9 North Tianyang Road, Chaoyang District, Beijing

Legal representative: Jiang Zili

Contact person: Jiao Ruifang

Tel: (010) 6736 5383

Fax: (010) 8739 2058

(2) CITIC Securities Co Ltd

Office address: CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing

CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen

Legal representative: Wang Dongming

Contact person: Qian Yisi; Li li

Tel: (010) 6083 8000

Fax: (010) 6083 3955

(No text below)

(No text on this page, this is the signing page of Beijing Jingcheng Machinery Electric Company Limited Report on the Progress of Material Asset Reorganization and Connected Transaction)

Beijing Jingcheng Machinery Electric Company Limited

11 April 2014