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 2014 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 2014 (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 2014

Prepared by: Beijing Jingcheng Machinery Electric Company Limited *Unit: RMB (Yuan)*

Items	*Note*	Closing balance	Beginning balance
Current assets:			
Monetary fund		**163,962,823.33**	337,743,216.12
Transaction settlement funds			
Lendings to banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable		**13,148,883.12**	28,387,575.12
Accounts receivable	*10*	**404,135,634.03**	407,991,348.42
Prepayments		**78,985,528.99**	41,013,304.21
Premiums receivable			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables		**6,435,698.19**	5,686,434.58
Purchase and resale of financial assets			
Inventories		**572,992,423.57**	734,199,271.84
Assets held for sale			15,685,687.13
Non-current assets due within one year			
Other current assets			32,997.34
Total current assets		**1,239,660,991.23**	1,570,739,834.76

Items	Note	Closing balance	Beginning balance
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		**55,004,776.68**	63,231,444.54
Investment properties			9,519,696.39
Fixed assets		**1,016,720,860.27**	714,960,989.70
Construction in progress		**22,888,621.63**	278,770,258.89
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		**160,501,145.59**	173,810,162.12
Development expenditure			
Goodwill		**6,562,344.06**	6,562,344.06
Long-term deferred expenses		**1,493,671.24**	2,634,697.21
Deferred income tax assets		**5,050,938.96**	9,131,448.40
Other non-current assets			
Total non-current assets		**1,268,222,358.43**	1,258,621,041.31
Total assets		**2,507,883,349.66**	2,829,360,876.07
Current liabilities:			
Short-term borrowings		**318,051,050.00**	482,613,152.34
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable		**105,000,000.00**	80,000,000.00
Accounts payable	*11*	**371,989,158.86**	395,472,131.25
Receipts in advance		**29,715,136.98**	135,006,560.18
Funds from sale and repurchase of financial assets			
Handling charges and commission payable			
Wages payable		**17,397,862.19**	22,005,882.88
Tax payable		**-34,274,412.01**	2,260,951.16
Interest payable		**76,666.67**	305,666.69
Dividends payable			1,551,900.00
Other payables		**109,898,562.61**	416,598,343.16
Reinsurance payables			
Insurance contract reserves			
Funds from securities trading agency			
Funds from securities underwriting agency			
Classified as liabilities held for sale			
Non-current liabilities due within one year		**11,000,000.00**	1,560,000.00
Other current liabilities			
Total current liabilities		**928,854,025.30**	1,535,814,587.66

Items	Note	Closing balance	Beginning balance
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
In which: preferred shares			
Perpetual bond			
Long-term payables			
Long-term wages payable		**30,370,000.00**	28,280,000.00
Special payables		**103,900,000.00**	131,468,000.00
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**134,270,000.00**	159,748,000.00
Total liabilities		**1,063,124,025.30**	1,695,562,587.66
Owners' equity:			
Share capital		**422,000,000.00**	422,000,000.00
Other equity instruments			
In which: preferred shares			
Perpetual bond			
Capital reserve		**683,803,181.69**	558,698,626.70
Less: Treasury stock			
Other comprehensive income		**118,733.00**	2,380,550.24
Special reserve			
Surplus reserve		**45,665,647.68**	45,665,647.68
General risk provision			
Undistributed profit	*12*	**-232,056,930.86**	-253,473,137.56
Total shareholders' equity attributable to the parent company		**919,530,631.51**	775,271,687.06
Minority interests		**525,228,692.85**	358,526,601.35
Total shareholders' equity		**1,444,759,324.36**	1,133,798,288.41
Total liabilities and shareholders' equity		**2,507,883,349.66**	2,829,360,876.07

CONSOLIDATED INCOME STATEMENT

For 2014

Prepared by: Beijing Jingcheng Machinery Electric Company Limited *Unit: RMB (Yuan)*

Items	*Note*	**Amount for the current year**	Amount for the previous year
1. Total operating income		**1,806,333,093.44**	2,828,194,349.87
Including: Operating income		**1,806,333,093.44**	2,828,194,349.87
Interest income			
Premium income			
Handling charges and commission income			
2. Total operating cost		**1,970,942,677.43**	2,940,995,400.58
Including: Operating cost		**1,621,482,256.01**	2,402,264,930.73
Interest expenses			
Handling charges and commission expenses			
Payment of surrenders			
Net claim expenses			
Net provision for insurance contract reserves			
Policy dividend payment			
Expenses for reinsurance accepted			
Business tax and surcharge		**21,226,908.28**	8,782,371.08
Sales expenses		**102,661,594.08**	158,783,476.97
Administrative expenses		**182,887,041.22**	281,480,648.76
Financial expenses		**41,825,014.86**	59,834,213.01
Impairment loss on assets		**859,862.98**	29,849,760.03
Add: Gain on change in fair value (loss expressed with "–")			
Gain on investment (loss expressed with "–")		**100,696,436.75**	4,924,368.24
Including: Gain on investments in associates and joint ventures		**1,503,307.97**	5,566,006.23
Exchange gain (loss expressed with "–")			
3. Operating profit (loss expressed with "–")		**-63,913,147.24**	-107,876,682.47
Add: Non-operating income		**83,939,078.84**	5,906,019.82
Including: Gains on disposal of non-current assets		**81,823,602.10**	792,153.14
Less: Non-operating expenses		**1,979,704.84**	2,653,716.06
Including: Loss on disposal of non-current assets		**283,136.75**	1,979,207.13
4. Total profit (total loss expressed with "–")		**18,046,226.76**	-104,624,378.71
Less: Income tax expenses	*13*	**5,034,208.62**	4,547,816.57

Items	*Note*	**Amount for the current year**	Amount for the previous year
5. Net profit (net loss expressed with "–")		**13,012,018.14**	-109,172,195.28
Net profit attributable to shareholders of the parent company		**21,416,206.70**	-107,597,719.91
Minority interests		**-8,404,188.56**	–1,574,475.37
6. Net other comprehensive income after tax		**-2,210,772.47**	1,985,517.19
Other comprehensive income net of tax attributable to the owners' of the parent company		**-2,261,817.24**	2,380,550.24
(1) Other comprehensive income that may not be reclassified to profit or loss subsequently		**-2,310,000.00**	2,470,000.00
I. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		**-2,310,000.00**	2,470,000.00
II. Shares of other comprehensive income of investees that may not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that may be reclassified to profit or loss subsequently		**48,182.76**	-89,449.76
I. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
II. Gains or losses from changes in fair value of available-for-sale financial assets			
III. Gains or losses from reclassifying held to maturity investments to available-for-sale financial assets			
IV. Effective portion of cash flow adjusted for hedging gains or losses			
V. Exchange differences from retranslation of financial statements		**48,182.76**	-89,449.76
VI. Others			
Other comprehensive income net of tax attributable to the minority interests		**51,044.77**	-395,033.05
7. Total comprehensive income		**10,801,245.67**	-107,186,678.09
Total comprehensive income attributable to shareholders of the parent company		**19,154,389.46**	-105,217,169.67
Total comprehensive income attributable to minority interests		**-8,353,143.79**	-1,969,508.42
8. Earnings per share			
(1) Basic earnings per share	*14*	**0.05**	-0.25
(2) Diluted earnings per share		**0.05**	-0.25

Notes to Consolidated Financial statements

1. Basis for preparation of a financial statements

The Financial statements has been prepared on the going-concern basis and transactions and events actually occurred in accordance with the "Accounting Standard for Business Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and relevant requirements(Collectively "Accounting Standard for Business Enterprises"), 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 (2014 Revision)" and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in "IV. Significant Accounting Policies and Accounting Estimation" under this section.

2. Statement for observing the Accounting Standard for Business Enterprises

The Company's Financial statements for 2014 are 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 2014 and the relevant information regarding the operating results and cash flow for 2014 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. The currency used for preparation of these financial statements by the Group is RMB.

6. Accounting for the merger of enterprises under the same control and not under the same control

The assets and liabilities obtained during the merger of enterprises under the same control of the Group as the merging party shall be measured based on the carrying amounts in the combined statement of the ultimate controlling party by the party to be merged at the merging date. In event of any difference between the carrying amount of the net assets so obtained and the carrying amount of the consideration for the merger paid by the merging party, the capital reserve is to be adjusted. Should the capital reserve be insufficient for the credit entry, the earnings retained are to be adjusted.

The identifiable assets, liabilities and contingent liabilities of the party to be purchased of the merger of enterprises not under the same control shall be measured at fair value on the purchase date. The cost of merger is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and all relevant direct costs incurred during the merger. Goodwill is recognized by the difference between the costs of business combination over the fair value of net identifiable assets acquired. If the cost of merger is less than the fair value of the net identifiable assets obtained from the purchased party, the fair value of all of the purchased party's identifiable assets, liabilities or contingent liabilities obtained during the merger and non-cash assets of the merging consideration or the fair value of equity securities issued shall firstly be reviewed. Upon verification, if the cost of the merger is still less than the fair value of the net identifiable assets so obtained, the differences shall be included in the non-operating income for the current period of combination.

7. Method of preparing consolidated financial statements

All subsidiaries and structured entities controlled by the Group are included in the scope of the consolidated financial statements.

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

All the major internal transaction, current balance and unrealized loss and gains within the combined scope will be offset when the consolidated financial statements are being prepared. The share of the owner's equities of subsidiaries not attributable to the parent company, as well as the share of the current net profit or loss, other comprehensive income and total comprehensive income attributable to minority interests, shall be shown under the Minority Shareholder's Interest, Minority Shareholder's Profit or Loss, Other Comprehensive Income Attributable to Minority Shareholders and Total Comprehensive Income Attributable to Minority Shareholders respectively.

As for the subsidiary obtained from the merger of enterprises under the same control, its operating results and cash flow shall be included in the consolidated financial statements from the beginning of the consolidation period. In preparation of the comparative consolidated financial statements, the relevant items for the financial statements of the previous year shall be adjusted as if the reporting entities formed after the merger has been existed from the time when it is subject to the control of the ultimate controlling party.

As for the subsidiary obtained from the merger of enterprises not under the same control, its operating results and cash flow shall be included in the consolidated financial statements from the date on which the Group obtained the right of control. In preparation of the consolidated financial statements, the financial statements of the subsidiary shall be adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities determined at the purchase date.

8. Turnover

The turnover includes the net amount 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
Sales of intrusion printers series		266,689,924.56
Sales of form presses series		8,085,553.80
Sales of spare parts and articles		7,633,519.60
Compressor business	**42,183,398.47**	107,278,938.17
Seamless steel gas cylinders	**841,015,682.27**	783,911,544.08
Wrapped cylinders	**335,938,765.63**	477,164,867.73
Cryogenic gas cylinders	**225,610,444.04**	361,637,537.34
Cryogenic devices for storage and transportation	**107,720,049.76**	158,164,067.44
Others	**191,679,916.77**	213,480,568.19
Total sales	**1,744,148,256.94**	2,675,338,480.92
Less: sales tax and other additional charges	**21,226,908.28**	8,782,371.08
Total	**1,722,921,348.66**	2,666,556,109.84

9. Segmental Information

Item	Cryogenic devices for storage and transportation	Compressors	Others	Offset	Total
Operating income	1,763,314,617.82	43,018,475.62	11,373,529.44	-11,373,529.44	1,806,333,093.44
Of which: Income from external trading	1,763,314,617.82	43,018,475.62			1,806,333,093.44
Income from trading between segments			11,373,529.44	-11,373,529.44	
Operating cost	1,584,044,477.66	37,437,778.35			1,621,482,256.01
Fees during the period	311,231,693.87	19,367,177.30	8,148,308.43	-11,373,529.44	327,373,650.16
Total profit of segments (Total loss)	-74,893,163.33	-9,003,086.00	87,928,765.69	14,013,710.40	18,046,226.76
Total assets	2,496,350,244.33		1,196,619,680.05	1,185,086,574.72	2,507,883,349.66
Of which: single item for material impairment loss on assets					
Total liabilities	1,405,902,509.77		6,190,108.28	-348,968,592.75	1,063,124,025.30
Supplementary information					
Capital expenses					
Current impairment loss confirmed	5,129,150.60	-4,269,287.62			859,862.98
Of which: amortized impairment on goodwill					
Costs for depreciation and amortization	75,768,947.06	2,539,941.68			78,308,888.74
Non-cash costs for items other than impairment loss, depreciation and amortization					

Reporting segments for 2013

Item	Printing Machines	Cryogenic devices 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						

10. Accounts receivable

(1) Accounts receivable

Items	Balance at the end of the year	Balance at the beginning of the year
Accounts receivable	**416,795,156.63**	437,942,518.43
Less: provision for bad debts	**12,659,522.60**	29,951,170.01
Net amount	**404,135,634.03**	407,991,348.42

(2) Analysis on the age of accounts receivable

Age	Balance at the end of the year	Balance at the beginning of the year
Within 1 year	**359,545,347.11**	373,601,273.09
1-2 years	**32,572,365.87**	29,531,750.89
2-3 years	**11,401,907.29**	3,356,537.71
3-4 years	**313,623.18**	1,501,786.73
4-5 years	**302,390.58**	
More than 5 years		
Net amount	**404,135,634.03**	407,991,348.42

11. Accounts payable

(1) Accounts payable

Age	Balance at the end of the year	Balance at the beginning of the year
Payment for materials	**238,179,437.06**	279,062,239.16
Payment for engineering	**133,809,721.80**	116,409,892.09
Total	**371,989,158.86**	395,472,131.25

(2) Analysis on the age of accounts payable

Age	Balance at the end of the year	Balance at the beginning of the year
Within 1 year	**353,992,764.51**	358,623,557.04
1-2 years	**8,595,392.26**	30,112,524.44
2-3 years	**5,640,704.17**	3,394,243.67
More than 3 years	**3,760,297.92**	3,341,806.10
Total	**371,989,158.86**	395,472,131.25

(3) 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.

12. Undistributed profit

This year

Items	**Amount**	**Proportion of appropriation or distribution (%)**
Amount at the end of the previous year	**-222,701,516.40**	
Plus: Adjustment made to the undistributed profit at the beginning of the year	-30,771,621.16	
Among which: Retroactive adjustment according to new requirements under Accounting	-30,771,621.16	
Standards for Business Enterprises	-30,771,621.16	
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	**-253,473,137.56**	
Plus: Net profit attributable to the shareholders of the parent company for the year	21,416,206.70	
Less: Allotted statutory surplus public reserve		
Appropriation of discretionary surplus reserve		
Provision for general risk		
Dividend for ordinary shares payable		
Dividend for ordinary shares to be converted into the share capital		
Amount at the end of the year	**-232,056,930.86**	

Previous Year

Items	**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	**-31,412,919.69**	
Among which: Changes in the accounting policy	**-31,412,919.69**	
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	**-242,578,424.98**	
Plus: Net profit attributable to the shareholders of the parent company for the year	-107,597,719.91	
Others	96,703,007.33	
Less: Allotted statutory surplus public reserve		
Appropriation of discretionary surplus reserve		
Provision for general risk		
Dividend for ordinary shares payable		
Dividend for ordinary shares to be converted into the share capital		
Amount at the end of the year	**-253,473,137.56**	

13. **Income tax fees**

Items	**Amount for the year**	Amount for the previous year
Income tax for the current period – China enterprise income tax	**1,070,685.46**	6,798,692.17
China	**1,070,685.46**	6,798,692.17
Hong Kong		
Other regions	**2,733,952.38**	639,887.82
Overstated (understated) figures for the previous years		
Deferred tax	**1,229,570.78**	-2,890,763.42
Total	**5,034,208.62**	4,547,816.57

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	**21,416,206.70**	-107,597,719.91
Combined net profit attributable to the shareholders of ordinary shares of the parent company (after deducting the non-recurring gains and losses)	**-156,817,432.32**	-76,005,574.46
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)	**0.05**	-0.25
Basic earnings per share (Yuan/share) (after deducting the non-recurring gains and losses)	**-0.37**	-0.18

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		
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

Items	This year	Previous year
Combined net profit attributable to the shareholders of ordinary shares of the parent company upon adjustment	**21,416,206.70**	-107,597,719.91
Combined net profit attributable to the shareholders of ordinary shares of the parent company upon adjustment (after deducting the non-recurring gains and losses)	**-156,817,432.32**	-76,005,574.46
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)	**0.05**	-0.25
Diluted earnings per share (Yuan/share) (after deducting the non-recurring gains and losses)	**-0.37**	-0.18

15. Dividends

There have been no paid or recommended dividends for 2014. There have been no dividends recommended from and during the Reporting Period to the end thereof (2013: nil).

II MANAGEMENT DISCUSSION AND ANALYSIS

(I) Review for 2014

During the Reporting Period, the development of global economy remained unbalanced. U.S. economy saw robust recovery while EU economy lacked sustained growth. Emerging markets economies were experiencing structural and periodic adjustments and slowed down their economic growth. The pace of China economic growth turned from high speed into medium high speed.

Due to a sudden halt in the utilization of the huge production capacity accumulated at the time of high speed economic growth, the excess production capacity led to quick deterioration of competition. The circumstance of excess production capacity, varying product quality and low price competition in the industrial gas cylinder market remained. In previous years, the potential of the LNG market was generally favored and the size of the industry expanded dropped by half. However, during the Reporting Period, the international futures price of crude oil halved, leading to the reduction of the price of domestic oil products for 11 times in a row; the domestic price reform for natural gas increased the price of natural gas several times, further narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for "shifting from oil to gas" that the vehicle modification market is basically at a standstill state; and the subsidy policies for electric vehicles led to the less-than-expected development of LNG passenger vehicles.

Facing with such a difficult and complicated market environment, the Company accelerated its adjustment pace for industrial distribution, actively adjusted the sales strategies, and vigorously developed new products to seek for development against the worsening environment to a virtuous circle.

During the Reporting Period, the operating income prepared in accordance with the PRC Accounting Standards was RMB 1,806,333,100, and the net profit attributable to the shareholders of the listed company was RMB 21,416,200.

1. ***Actively promoted the adjustment of the industrial distribution, and accelerated the industrial transformation and upgrade***

   During the Reporting Period, the Company, according to the national strategies of integration of Beijing-Tianjin-Hebei regions, determined the plan for adjustment of industrial distribution, worked out the strategic positioning and profit models of all production bases. The production lines in the Beijing head quarter were planned to be transferred to low cost regions gradually. Over the past year, the speed of industrial adjustment was remarkable. The production base in Huoxian County was rapidly constructed and put into production. The product transfer of Beijing Tianhai to the other subsidiaries was successively initiated, and major projects such as investment cooperation of Shandong Tianhai, product structure adjustment of Tianjin Tianhai, acquisition of large low temperature storage container technology by Tianhai Low Temperature, liquidation of Tianhai Xigang, sales of equity interests in Jingcheng Compressor were successively completed.

2. ***Continuously promoted the total-staff cost management with cost control level constantly upgraded***

During the Reporting Period, the Company continued to implement the total-staff cost management in order to further reduce the cost and improve the product competitiveness. It mainly reduced the cost from the source by optimizing the product design, reduced the procurement costs by enhancing the management of supplies and bidding; and with technology improvement, reengineering of procedures, self-made tooling and independent implementation, such measures greatly reduced the operating costs of the Company.

3. ***Actively adjusted the sales strategies with highlights in the market exploration***

During the Reporting Period, facing with the tough market conditions, the Company actively adjusted the sales strategies, and made great efforts to increase the sales income. According to the unbalanced international situations, the Company over-fulfilled the budget targets of the international business formulated at the beginning of the year by segmenting the market, maintaining old customers, actively developing new customers and products, enhancing the promotion of products with high added value or new products such as low temperature cylinders, SI-LNG cylinders, high pressure light cylinders and type III cylinders. In order to handle the idleness of production capacity in the production bases, the Company adjusted the quotation system and realized tiered prices for the same products to effectively improve the management efficiency.

4. ***Improved the construction of internal control system, enhanced the risk control and safeguarded the Company's interests***

During the Reporting Period, in order to further standardize the operation, adapt to the transfer of the Company's function positioning and comply with the regulatory requirements on listed companies, the Company continued to improve the evaluation and construction of the internal control system, comprehensively sorted out the organizational structure, funding activities, guarantee business and communications of internal information, improved the working mechanism of internal control and determined the internal control measures against all the risks. It sought for the risk points by conducting internal audits, formulated the prevention and control measures and organized the rectification. And meanwhile, the Company made good achievement in collection of accounts receivable and safeguarding of trademarks through legal means.

5. ***Insisted on technical innovation and realized product upgrading***

During the Reporting Period, the Company continued to insist on product innovation, accelerate the development of new products and developed single mouth plate punching aluminum inner type III cylinder, mini tanks. In order to cooperate with the transfer and adjustment of the production lines to other places, which involved more than 80 certificates, the Company re-obtained most of the certificate except for several individual certificated. For example, Tianjin Tianhai completed the certification of U.S. DOT and Korean KGS, Langfang Tianha completed the DOT certification for DOT3 AA tube type cylinders, UNISO9809-1 tube type cylinders and UNISO9809-2 impact extruded cylinders.

(II) Outlook for 2015

It is pointed out in 2015 Yellow Book of World Economy published by Chinese Academy of Social Sciences that, the probability that the world economy will largely recover is small. In comparison with 2014, it is more likely that the economic growth will maintain essentially the same or turn slightly better.

2015 will be a key year for full promotion of the reform and adjustment of China, and is also the year for the new normal state of the Chinese economy to experience the hard times. According to the forecasts of economic experts, the year 2015 will probably a periodical low point or bottom for the round of economic downturn of China. It is probable that the economy will present a state of "construction after destruction" or "destructing while constructing". The economic structure will constantly improve and the economy will maintain sustainable growth. It is GDP is expected to grow 7% 2015.

The rise of gas price will restrict the domestic development of natural gas in the short term, yet cannot change the trend of rapid development of natural gas. It is indicated in the inside information from the National Development and Reform Commission that, as the State Council has proposed for many times to accelerate the market-oriented reform, the price reform of natural gas will be accelerated and is expected to complete in the first half of 2015. At present, a mature scheme has been formed for the price reform of natural gas in China, and the ultimate target is to thoroughly connect the gas price with the world with no difference among existing and incremental gas, which is advantageous for the healthy development of natural gas industry in China.

1. ***Improving the benefit level with profits as the core***

All subsidiaries will control better their own resources and formulate specific policies for each company to solve existing problems. Main management staff should have independent ideas of operations, rely on themselves, offer new thoughts, not bounded to old pattern and develop themselves; in terms of principal business, they should change the old thoughts of "waiting, reliance and demanding", but actively seek for the support from shareholders and functional departments to improve their own operating results. And meanwhile, the receivables, inventories and costs must be reduced to improve the economic benefits and keep the costs controlled and less than the costs of competitors.

2. ***Inspiring the innovative vitality of organization and improving the management level of the enterprises***

The Company will, in combination with the requirements on listed companies and the adjustment to the industrial distribution, sort out the organizational relations of major subsidies. And meanwhile, the Company will refine and improve the job responsibilities of all departments to improve the operation efficiency of the organization. According to the new organizational structure, the Company will revise the job responsibilities, and optimize the division of work of all departments to make smooth work connection and avoid evasiveness.

3. ***Changing the marketing model and endeavoring in exploring markets***

First, the Company will integrate the businesses, enhance the development and management of major customs and actively develop large and major customers; second, the Company will sort out and standardize the responsibilities and authority of agents and utilize the roles of key agents; third, the Company will enhance the cultivation of marketing teams, fully mobilize the initiatives of business personnel and enhance the vitality of the team; fourth, the Company will set up three mechanisms, i.e., mechanism for joint development of markets, flexible price mechanism and problem handling mechanism to jointly deal with the market.

4. ***Accelerating the promotion of key working projects***

First, the Company will accelerate the development and utilization of land resources. Second, the Company will utilize various means to dispose of idle assets such as the production equipment after relocation.

5. ***Establishing a new product development and management system and accelerating the research and development of new products***

To rapidly develop and launch new products is one of the major strategies for enterprises to create and maintain their competitive advantages. In 2015, the Company will enhance the development and management of new products, accelerate the research and development as well as launch of new products to focus on the customers and respond rapidly to the market.

(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	Change (%)
Operating income	1,806,333,093.44	2,828,194,349.87	-36.13
Operating cost	1,621,482,256.01	2,402,264,930.73	-32.50
Sales expense	102,661,594.08	158,783,476.97	-35.34
Management expense	182,887,041.22	281,480,648.76	-35.03
Financial expense	41,825,014.86	59,834,213.01	-30.10
Net cash flow from operating activities	-107,897,373.68	-226,602,488.48	52.38
Net cash flow from investment activities	87,653,788.55	-506,462,626.25	-116.22
Net cash flow from financing activities	-160,813,146.23	551,943,371.00	-129.14
R&D expenditure	16,003,399.28	36,929,211.02	-56.66

2. *Income*

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

During the Reporting Period, the sales of gas storage and transportation equipment and compressors declined as compared with 2013, which was mainly attributable to the following factors:

① Smaller price difference of oil and natural gas affected the profitability of natural gas cylinder products

In 2014, due to the weak world economy, technical progress and political factors, the international futures price of crude oil dropped by half and the price of domestic product oil was reduced for 11 times in a row; while the price of natural gas rose in September, narrowing down the price difference with oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for “shifting from oil to gas” that the vehicle modification market is basically at a standstill state.

② The fluctuation of downstream industries had impacts on the profitability of traditional industrial gas cylinder products

In 2014, affected by the decline of industries smelting, shipbuilding and construction industries, in which the industrial gas was used, the demand for the industrial gas declined, leading to the excess production capacity of seamless steel gas cylinders for industrial uses. The competition in the traditional market of seamless steel gas cylinders for industrial use became increasingly fierce, leading to the declines in achievements of traditional industrial gas cylinders. Transportation expenses, labor costs and energy and power related expenses increased, leading to the decline of profits.

(2) *Analysis on factors affecting the product income of companies mainly involved in physical sales*

① The excess production capacity in the country was serious, and sales price had to be reduced to compete for limited market demands.

② Transportation expenses, labor costs and energy and power related expenses increased, leading to the decline of profits.

(3) *Analysis on orders*

In 2015, the gas storage and transportation market will see not much improvement, excess production capacity and fierce price competition will remain. The Company will actively change the marketing model and make great efforts to explore the market.

① Cultivating awareness of integrated marketing and increasing resource allocation

The Company will enhance the supports of marketing sales from internally, continued to increase the allocation of marketing resources in the markets; formulate specific marketing strategies and never lose one order.

② Changing the marketing model and enhancing the marketing administration

The Company will integrate the businesses, and enhance the development and administration of major customers. First, the Company will gradually form a comprehensive service ecological chains consisting of "sales + technologies + quality + service" and actively explore major customers; second, the Company will continue to conduct cooperation with manufacturers with strength and competitiveness to jointly explore the main machine markets; third, the Company will further decrease the number of agents, sort out and standardize the job responsibilities and licensing rights of the agents, and fully exert the roles of key agents.

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

To rapidly develop and launch new products is one of the major strategies for enterprises to create and maintain their competitive advantages. In 2015, the Company will enhance the development and management of new products, accelerate the research and development as well as launch of new products to focus on the customers and respond rapidly to the market. And it will establish an efficient new product development and management system.

① The Company will establish the "market-oriented and customer centered" idea for the research and development of new products, make in-depth research on the gas storage markets, find out the potential demands, comprehensively understand the wishes of customers and grasp the right direction. This is a key move to the success of research and development of new products.

② The Company will attempt to set to the IPD (integrated product development) procedure management system, the core concept of which is to make effective investment portfolio analysis for the research and development products, focus on inter-department cooperation, reduce the period of research, development and launch of new products and realize a concise and efficient procedural management over the research and development of new products.

③ The Company will improve the assessment methods for the research and development of new products and fully mobilize the initiatives of R&D personnel.

(5) Sales to major customers

During the Reporting Period, the sales revenue from top five customers of the Company amounted to RMB 343,018,900, accounting for 18.99% of total revenue.

3. *Cost*

(1) Cost analysis table

Unit: Yuan

Analysis by products

Product	Component of cost	Current period	Proportion over total cost for the current period (%)	Corresponding period of last year	Proportion over total cost for corresponding period of last year (%)	Changes in amount over last year (%)	Remarks
Offset presses series	Materials			184,919,024.38	72.69	-100.00	
	Labor cost			26,075,388.64	10.25	-100.00	
	Manufacturing cost			43,399,622.45	17.06	-100.00	
	Total	–	–	254,394,035.47	100.00	-100.00	
Intrusion printers series	Materials	–		156,059,061.35	76.48	-100.00	
	Labor cost	–		29,607,962.61	14.51	-100.00	
	Manufacturing cost	–		18,385,096.01	9.01	-100.00	
	Total	–	–	204,052,119.97	100.00	-100.00	
Form presses	Materials	–		5,599,995.34	55.74	-100.00	
	Labor cost	–		2,445,351.39	24.34	-100.00	
	Manufacturing cost	–		2,001,290.05	19.92	-100.00	
	Total	–	–	10,046,636.78	100.00	-100.00	
Seamless steel gas cylinders	Materials	520,639,071.06	68.79	564,723,773.52	79.96	-7.81	
	Labor cost	63,272,897.72	8.36	56,147,498.74	7.95	12.69	
	Manufacturing cost	172,940,874.75	22.85	85,386,573.56	12.09	102.54	
	Total	756,852,843.53	100.00	706,257,845.82	100.00	7.16	
Wrapped cylinders	Materials	190,594,610.44	66.57	297,973,150.98	78.04	-36.04	
	Labor cost	28,258,506.91	9.87	31,309,326.47	8.20	-9.74	
	Manufacturing cost	67,453,943.55	23.56	52,538,577.11	13.76	28.39	
	Total	286,307,060.90	100.00	381,821,054.56	100.00	-25.02	
Cryogenic gas cylinders	Materials	189,164,963.86	83.83	256,380,906.03	83.29	-26.22	
	Labor cost	15,141,320.62	6.71	23,455,666.99	7.62	–-35.45	
	Manufacturing cost	21,346,779.89	9.46	27,980,579.13	9.09	-23.71	
	Total	225,653,064.37	100.00	307,817,152.15	100.00	-26.69	
Cryogenic devices for storage and transportation	Materials	59,745,750.90	72.26	85,508,517.16	75.00	-30.13	
	Labor cost	11,195,093.65	13.54	13,681,362.75	12.00	-18.17	
	Manufacturing cost	11,740,792.45	14.20	14,821,476.31	13.00	-20.79	
	Total	82,681,637.00	100.00	114,011,356.21	100.00	-27.48	
Compressor business	Materials	27,939,591.51	75.30	78,102,864.01	84.93	-64.23	
	Labor cost	2,675,225.16	7.21	3,909,388.03	4.25	-31.57	
	Manufacturing cost	6,489,554.52	17.49	9,944,943.94	10.81	-34.75	
	Total	37,104,371.20	100.00	91,957,195.98	100.00	-59.65	

(2) Major suppliers

During the Reporting Period, the total purchasing amount for top five suppliers of the Company amounted to RMB 509,782,100, accounting for 37.21% of the total purchasing amount for the year.

4. Expense

Items	**Current period**	**Corresponding period of last year**	**Changes (%)**
Sales expenses	102,661,594.08	158,783,476.97	-35.34
Management expenses	182,887,041.22	281,480,648.76	-35.03
Financial expenses	41,825,014.86	59,834,213.01	-30.10

Sales expenses decreased by 35.34% as compared with corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 53.48 million included last year. The amount after deduction was RMB 105,303,400, representing a decrease of 2.51%.

Management expenses decreased by 35.03% as compared with corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 95,439,000 included last year. The amount after deduction was RMB 186,041,600, representing a decrease of 1.7%.

Financial expenses decreased by 30.10% as compared with the corresponding period of last year, which was mainly attributable to the expenses of original printer business of RMB 15,672,700 included last year. The amount after deduction was RMB 44,161,500, representing a decrease of 5.29%, which was mainly attributable to decrease of loan.

5. R&D expenditure

(1) Table of R&D expenditure

Unit: Yuan

R&D expenditure for current period	16,003,399.28
Capitalized R&D expenditure for current period	
Total R&D expenditure	16,003,399.28
Percentage of total R&D expenditure over net asset (%)	1.11
Percentage of total R&D expenditure over operating income (%)	0.89

(2) Description

① The research and development of large-capacity, large-diameter series products such as Type-III aluminum inner carbon fiber fully wrapped composite cylinder was completed;

② The research and development of 35MPa and 70MPa high pressure storage cylinder for hydrogen fuel vehicles was completed;

③ The promotion of HPDI type LNG gas cylinder in China was completed;

④ The construction of gas supply facilities (gas refueling station and regular inspection stations) in combination with the "shifting from coal-to-gas" policies for rural areas was completed;

⑤ The research and development of LNG fuel tanks, LNG storage tanks liquid adding vessels and storage tanks for large LNG vessels.

6. *Cash flows*

Items	Current year	Last year	Change
Cash receipts from sales of goods and rendering of services	1,238,879,958.53	1,952,682,191.03	-36.55
Receipts of tax refunds	17,585,532.73	38,794,498.94	-54.67
Cash payment for goods and service acquired	828,024,734.64	1,480,601,163.08	-44.08
Cash paid to and for employees	309,327,037.10	490,313,983.94	-36.91
Net cash receipts from disposal of subsidiaries and other business units	232,123,306.01	-	-
Other cash receipts in relation to investing activities	-	11,716,300.00	-100.00
Cash paid for investments	58,420,500.00	-	-
Other cash paid for investment activities	8,351,822.34	292,580,707.25	-97.15
Cash receipts from borrowings	308,182,440.13	1,006,618,001.12	-69.38
Other cash receipts in relation to financing activities	189,659,790.29	548,000,000.00	-65.39

Description:

Cash receipts from sales of goods and rendering of services for current period decreased by 36.55% as compared with last year, which was mainly attributable to the fact that the amount for the same period last year contained the information of the outgoing assets from January to October. The amount after removing the information of outgoing assets decreased by 14.98% as compared with last year;

Receipts of tax refunds for current period decreased by 54.67% as compared with last year, which was mainly attributable to the decrease in export rebates received by subsidiaries;

Cash payments for goods and service acquired decreased by 44.08% as compared with last year, and after removing the information of outgoing assets, decreased by 31.78% as compared with last year, which was mainly attributable to the decrease in cash payments for goods for current period;

Cash paid to and for employees decreased by 36.91% as compared with last year, and after removing the information of outgoing assets, increased by 2.08% as compared with last year;

Net cash receipts from disposal of subsidiaries and other business units increased as compared with last year, which was mainly attributable to the payments received from the transfer of the equity interests in Jingcheng Compressor for current period;

Other cash receipts in relation to investing activities decreased as compared with last year; and there were no other cash receipts in relation to investing activities for current period;

Cash payments for investment increased as compared with last year, which was mainly attributable to increase in the investment in Shandong Tianhai for current period;

Other cash payments in relation to investing activities decreased by 97.15% as compared with last year, which was mainly attributable to payment for monetary funds of the outgoing assets last year;

Cash receipts from borrowings decreased by 69.38%, and after removing the outgoing assets, decreased by 48.29% as compared with last year, which was mainly attributable to decrease in short-term loans during the year;

Other cash receipts in relation to financing activities decreased by 64.38% as compared with last year, which was mainly attributable to decrease in loans of the Company's subsidiaries from Jingcheng Holding during the year.

7. Others

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

During the Reporting Period, the main sources of the Company's profits were: 1. in order to reduce the operating costs and deficit units, the Company transferred 100% equity interests of Beijing Jingcheng Compressor Co., Ltd. in 2014; 2. in order to further highlight the principal business and for the needs of relocation, to dispose part of non-operating assets, reduce the number of low-efficient assets, and improve the return on assets of the enterprises, the Company sold the undergraduate's apartment.

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

The Company was informed by its controlling shareholder, Beijing Jingcheng Machinery Electric Holding Co., Ltd. (hereinafter referred to as "Jingcheng Holding"), on 6 April 2012 that it was planning to implement a material assets reorganization relating to the Company. The Company immediately published an Announcement of Suspension of Trading for such purpose and trading of shares of the Company was suspended from 9 April 2012. It then published an Announcement of Suspension of Trading in relation to a Material Asset Reorganization on 13 April 2012 and an Announcement of Extension of Suspension Period in relation to a Material Asset Reorganization on 15 May 2012 and 14 June 2012 respectively. During such period, the Company published an Announcement on the Progress of Material Asset Reorganization once every week. On 5 July 2012, the Company convened the first board meeting for the material assets reorganization. The trading of shares of the Company was resumed on 6 July 2012 and a proposal of material reorganization 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 reorganization and disclosed material assets reorganization proposal. On 18 December 2012, proposal for material assets reorganization was considered and passed at the extraordinary general meeting of the Company.

On 4 January 2013, the Company announced it received CSRC's Acceptance Notice of the Application for Administrative Permission from the China Securities Regulatory Commission (the "CSRC"). On 21 January 2013, the Company announced it received a notice from CSRC that the vetting of the Company's Material Asset Reorganization matters has been carried out in the 2013 second working conference and unconditionally approved by the Listed Companies Merger and Reorganization 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 reorganization was/were suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material assets reorganization was temporarily suspended by the CSRC.

On 26 September 2013, the Company received the approval in relation to the Material Asset Reorganization of Beiren Printing Machinery Holdings Limited (Zheng Jian Xu Ke [2013] No. 1240) from the CSRC, whereby the Company's material asset reorganization and connected transaction matters have been approved. The Company exchanged all its assets and liabilities with 88.50% equity interest in Beijing Tianhai Industry Co., Ltd, 100% equity interest in Jingcheng Holding (Hong Kong) Company Limited and 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. held by Beijing Jingcheng Machinery Electric Holding Co., Ltd. The difference was to be paid in cash by Jingcheng Holding.

On 31 October 2013, the Company entered into "Material Asset Reorganization 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.

On 16 December 2013, the resolution on the change in company name and amendments to the Articles of Association was considered and approved at the First Extraordinary General Meeting of 2013 of the Company. Upon the approval from Beijing Municipality State Administration of Industry and Commerce obtained, the Company completed the procedures for registration of changes in registered company name, business address and scope of business and obtained the business license after such changes. The Company completed the necessary filing procedures with the Hong Kong Companies Registry upon its approval and received the certificate of change of name of a non-Hong Kong company issued by the Hong Kong Companies Registry.

Jingcheng Holding paid RMB5,522,900 in cash to the Company, being the difference between the outgoing and incoming assets under the material asset reorganization and such amount was fully received.

On 11 April 2014, the Company disclosed the "Announcement on the Completion of Material Asset Reorganization and Connected Transaction" and "Report on the Progress of Material Asset Reorganization and Connected Transaction".

On 1 September 2014, the amount paid by Jingcheng Holding for the compensation of the annual losses for 2013 and the amount for failure to reach the unexpected profits of the incoming assets, which was RMB 100,159,780.29, was fully received.

As at the date of disclosure, the transaction parties involved were actively handling the changes of ownership of the outgoing assets. The Company will continue to speed up the implementation of follow-up work for the material asset replacement and connected transactions, and fulfill the obligations of information disclosure according to relevant requirements of laws and regulations.

8. *Progresses of development strategies and operating plans*

(1) Progress of implementation for development strategies

In 2014, taking into consideration the existing situation, the Company made adjustments to the strategic objectives of the "twelfth five-year plan". In terms of industrial gas, the Company set up the production base of industrial gas cylinder and realized the strategic transfer of low-end products, reduced the costs and ensured the first place in the industrial gas cylinder market; in terms of natural gas, the Company completed the special projects to increase capital to the production base (for LGN industry) of LNG cylinder for vehicle use and cryogenic equipment, focused on the development of natural gas storage and transportation products and further improved the industrial chains of cylinders, tanks, vehicles and stations.

(2) Progresses of operating plans

Throughout 2014, with severe external economic condition and low market demands, the Company faced with unprecedented difficult situations that the income from the principal business and the profits did not reach the targets for 2014. Under such pressure, the Company still completed the construction of the internal control system for listing, accomplished the introduction of strategic investors and finished the overall plan for adjustment and reform. In order that all targets in 2015 will be accomplished, the Company formulated the following measures.

(i) to formulate cost control measures centered on profits and guarantee and improve the gross margin level;

(ii) to motivate the innovative vitality of organizations, cut expenses and improve the management efficiency;

(iii) to change the marketing model and vigorously explore the market;

(iv) to reduce the accounts receivable and inventories, and reduce capital used;

(v) to set up a product development and management system, accelerate the research and development of new products;

(vi) to enhance quality control and improve product quality.

(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				-100.00	-100.00	
Sales of intrusion printers				-100.00	-100.00	
Sales of form printers				-100.00	-100.00	
Sales of spare parts				-100.00	-100.00	
Compressor business	42,183,398.47	37,104,371.20	12.04	-60.68	-59.65	Decreased by 2.24 percentage points
Seamless steel gas cylinders	841,015,682.27	756,852,843.53	10.01	7.28	7.16	Increased by 0.10 percentage point
Wrapped cylinders	335,938,765.63	286,307,060.90	14.77	-29.60	-25.02	Decreased by 5.21 percentage points
Cryogenic gas cylinders	225,610,444.04	225,653,064.37	-0.02	-37.61	-26.69	Decreased by 14.90 percentage points
Cryogenic devices for storage and transportation	107,720,049.76	82,681,637.00	23.24	-31.89	-27.48	Decreased by 4.67 percentage points
Others	191,679,916.77	173,533,641.48	9.47	-10.21	-9.79	Decreased by 0.42 percentage point
Total	1,744,148,256.94	1,562,132,618.48	10.44	-34.81	-31.13	Decreased by 4.78 percentage points

Description:

Affected by the international and domestic depressed macroeconomic situation, the demands for the gas storage and transportation industry decreased, which is particularly affected by the further reduced difference between the prices of oil and gas, adjustment of the oil to gas policy, market demand for products like model SI LNG cylinder, wrapped gas cylinders and small cryogenic tanks of the Company decline drastically, led to a serious decline in sales. Compared to the corresponding period last year, the regional operating income decreased 46.96%.

2. Principal business by geographical region

Unit: Yuan Currency: RMB

Geographical region	**Operating income**	**Increase/ decrease in operating income as compared with last year (%)**
Domestic	1,181,209,109.58	-46.96
Overseas	562,939,147.36	25.58
Total	1,744,148,256.94	-34.81

Description:

The northern regions, southern regions, central and western region of the PRC remained as the Company's principal marketing regions, whilst North America and Southeast Asia are the international principal marketing regions.

(V) Analysis on assets and liabilities

(1) Analysis 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 assets (%)	At the end of previous period	Proportion of the amount at the end of previous period over total assets (%)	Changes in amount at the end of current over the previous period (%)	Remarks
Monetary fund	163,962,823.33	6.54	337,743,216.12	11.94	-51.45	
Accounts receivable	404,135,634.03	16.11	407,991,348.42	14.42	-0.95	
Notes receivable	13,148,883.12	0.52	28,387,575.12	1.00	-53.68	
Other receivables	6,435,698.19	0.26	5,686,434.58	0.20	13.18	
Inventory	572,992,423.57	22.85	734,199,271.84	25.95	-21.96	
Investment real estate	–	–	9,519,696.39	0.34	-100	
Long-term equity investment	55,004,776.68	2.19	63,231,444.54	2.23	-13.01	
Fixed assets	1,016,720,860.27	40.54	714,960,989.70	25.27	42.21	
Construction in progress	22,888,621.63	0.91	278,770,258.89	9.85	-91.79	
Short-term borrowing	318,051,050.00	12.68	482,613,152.34	17.06	-34.10	

Description:

Monetary fund recorded a decrease of 51.45%, which was mainly due to the decrease in monetary fund resulting from repayment of bank loans and the payments for Jingcheng Holding during the year;

Accounts receivable recorded a decrease of 53.68%, which was mainly due to increases in the notes endorsed and transferred for the payment of cargos for current period and decrease in notes received;

Fixed assets recorded an increase of 42.21%, which was mainly due to the transfer of LNG industry base project of Minghui Tianhai to fixed assets upon construction;

Construction in progress recorded a decrease of 91.79%, which was mainly due to the transfer of LNG industry base project of Minghui Tianhai to fixed assets upon construction;

Short-term borrowings recorded a decrease of 34.10%, which was mainly due to the decrease of bank loans of subsidiaries.

(VI) Analysis on core competitiveness

The brand of Tianhai had a relatively high reputation in the global gas storage and transportation industry. The major economic indicators of the Company were continuously in the leading position in the industry for 19 consecutive years.

The Company obtained ISO9001:2008, ISO/TS16949:2009 international quality management system certification and ISO1400:2004 environment management system, OHSAS18001:1998 OSH management system and 41 international product certifications such as American DOT, German TUV, Canadian TC and EU EN etc. The Company is awarded as the "high-tech enterprise" on 11 November 2013.

The Company has established a complete sales network with over 30 distribution network points scattering across the country, realizing a full geographical coverage nationwide. The Company has also set up eight overseas sales network points mainly located in the United States, Singapore, Korea, India, Australia and other countries with value of direct export accounting for around 32.28% total income.

(VII) Analysis on investment

1. *General analysis on external equity investment*

(1) In order to develop the project of natural gas storage and transportation equipment, Beijing Tianhai Industrial Co., Ltd. ("Tianhai Industrial"), a subsidiary of the Company, introduced Beijing Bashi Media Co., Ltd to invest in its subsidiary, Beijing Minghui Tianhai Gas Storage and Transportation Equipment Trading Co., Ltd ("Minghui Tianhai"). Upon the completion of the capital increase, the registered capital of Minghui Tianhai was changed to RMB 545,225,228. The shareholding ratio of Tianhai Industrial in Minghui Tianhai was changed from 55.20% to 38.51%.

(2) In order to realize the strategic transfer of low-end products, Tianhai Industrial a subsidiary of the Company, decided to establish with Shandong Yongan Heli Steel Cylinder Co., Ltd ("Yongan Heli") a joint venture named Shandong Tianhai High Pressure Containers Co., Ltd. ("Shangdong Tianhai"), which was established on 12 June 2014 with a registered capital of RMB 30,000,000. Tianhai Industrial contributed RMB 15,300,000 in cash, accounting for 51% of the equity interests; while Yongan Heli contributed RMB 14,700,000 in cash accounting for 49% of the equity interest. On 23 October 2014, the registered capital of Shandong Tianhai increased from RMB 30,000,000 to RMB 114,550,000; Tianhai Industrial increased capital of RMB 58,420,500 in cash and Shandong Yongan increased capital of RMB 56,129,500 in cash. Upon the capital increase, Tianhai Industrial accounted for 51% of the equity interest and Yongan Heli accounted for 49% of the equity interest in Shandong Tianhai.

(3) Beijing Jingcheng Compressor Co., Ltd., a subsidiary of the Company, recorded losses in recent years. In order to improve its operating condition, the Company decided to sell 100% equity of Beijing Jingcheng Compressor Co., Ltd, through public auction in China Beijing Equity Exchange on 23 July 2014. Beijing Guotong Asset Management Co., Ltd won the bid at a transfer price of RMB 250,202,800.

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 proceeds

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

4. *Projects financed by non-raised funds*

Unit: million Currency: RMB

Name of project	Project amounts	Investment in this year	The cumulative amount of actual investment	Project progress	Project earnings
Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry)	79,379	15,289	51,968	(1) Civil engineering: fully completed. (2) Equipment: fully installed and debugged and going through acceptance. (3) The project is put into production.	The project is currently put into production.
Construction project of industrial gas cylinder production base of Shandong Tianhai High Pressure Container Co., Ltd.	12,715	11455	11455	(1) The capital of RMB114.55 million contributed by both shareholders was in place. (2) The civil engineering for the construction project was completed with equipment fully installed and debugged and going through acceptance. (3) The project is put into production.	The project is currently put into production.
Total	90,094	26,744	63,423		

Description:

(1) Base construction project for automotive liquefied gas bottle and cryogenic equipment (LNG industry) mainly produce products such as cryogenic equipment, automotive liquefied gas bottle and mini tanks. The land acquired by the project is 137,554 sq.m, the annual production capacity of the project for cryogenic equipment is 1,381, 32,000 automotive liquefied gas bottles and mini tanks. The project is currently put into production.

(2) The construction project of industrial gas cylinder production base of Shandong Tianhai High Pressure Container Co., Ltd. mainly produce 0219 seamless steel gas cylinders. The land acquired by the project is 110,370 sq.m, the annual production capacity of tube type cylinders is 1.8 million. The project is currently put into production.

5. *Analysis on principal subsidiaries and joint stock companies*

Unit: Yuan Currency: RMB

Name of company	Business nature	Principal products or service	Registered capital	Total assets	Net assets	Net profit
Beijing Tianhai Industry Co., Ltd.	Production	Production and sale of gas cylinders accumulator shells, pressure vessels and auxiliary equipment, etc.	USD 61,401,800	2,496,350,244.33	1,090,447,734.56	-79,156,978.81
Beijing Jingcheng Compressor Co., Ltd.	Production	Design, manufacture and sale of compressors	RMB 139,271,500			-9,643,479.14
Jingcheng Holdings (Hong Kong) Ltd.,	Trade and investment	Import and export trade, investment holding and consultancy services, etc.	HKD 1,000	142,508,896.27	141,298,755.96	-200,616.08

On 25 September 2014, the Company disclosed the announcement on sale of 100% equity of its subsidiary Beijing Jingcheng Compressor Co., Ltd on the websites of Shanghai Stock Exchange at www.sse.com.cn and The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for details.

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

1. *Analysis on operating results*

During the Reporting period, the total profits of the Company increased by RMB 122,670,600 as compared with last year. The operating income decreased by 36.13% as compared with last year; the operating cost decreased by 32.50% as compared with last year and the operating profits increased by RMB 43,963,500 as compared with last year.

Operation during the Reporting Period as compared with the outgoing assets last year

During the Reporting Period, the income from the principal business amounted to RMB 1,744,148,300, representing a decrease of RMB 357,489,300 as compared with last year. The cost of principal business recorded a decrease of RMB 232,106,400, which was mainly due to the decline in operation of the industry, excess production capacity in China and fall in sales number and unit price.

During the Reporting Period, the expenses recorded a decrease of RMB 8,132,900 as compared with last year, which was mainly due to the decrease in sale income, reduction of sales expenses and decreases in borrowings and interest expenses during the year.

During the Reporting Period, the assets impairment loss recorded a decrease of RMB 22,082,700 as compared with last year, which was mainly attributable to the active de-stocking of the Company and the strict control of newly increased inventories as well as reduced provision for bad debts for implementation of accounting estimates since 1 January 2014 that comply with the actual situation of the incoming assets.

During the Reporting Period, the investment income recorded an increase of RMB 94,830,100, which was the income from transfer of equity interests of Jingcheng Compressor.

During the Reporting Period, the non-operating income recorded an increase of RMB 81,492,800, which was mainly income from sales of fixed assets such as the undergraduate's apartments and mechanical equipment.

2. ***Analysis of assets, liabilities and shareholders' equity interests***

The assets and liabilities as at the end of the year of the report both recorded decreases with some projects less affected by transfer of equity interests of the subsidiary Jingcheng Compressor.

During the Reporting Period, the total assets as at the end of the period amounted to RMB 2,507,883,300, representing a decrease of 11.36% as compared with the beginning of the year; among others, monetary funds decreased by 51.45%, inventories decreased by 21.96%, fixed assets increased by 42.21%, construction in progress decreased by 91.79% and long-term equity investment decreased by 13.01%.

The total liabilities amounted to RMB 1,063,124,000, representing a decrease of 37.30% as compared with the beginning of the year; among others, the short-term borrowing decreased by 34.10% while the advance accounts decreased by 77.99%.

The total shareholders' equity interests amounted to RMB 1,444,759,300, representing an increase of RMB 310,961,000 or 27.43%, which was mainly due to the difference of RMB 100,159,800 between the Company's actual operating results for 2013 and the expected operating results from incoming assets of the material asset reorganization. During the year, the Company received the compensation for the unaccomplished profit forecast from Jingcheng Holding; and the capital increase of RMB 164,812,500 for Beijing Minghui Tianhai Gas Storage and Transportation Equipment Trading Co., Ltd. during the year.

3. ***Financial position analysis***

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

Liquidity and capital structure

	2014	2013
(1) Gearing ratio	**42.39%**	59.93%
(2) Quick ratio	**71.77%**	54.47%
(3) Current ratio	**133.46%**	102.27%

4. Bank loans

The Company seriously implemented its annual capital budget plan in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company fully utilized financial tools to timely reduce financial costs and prevent against financial risks. In so doing, the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the Reporting Period, the Company had short-term loan amounting to RMB 318,805,110, representing a decrease of 34.10% as compared with the beginning of the year. Long-term loan was nil.

5. Foreign exchange risk management

The Company held a relatively small amount of deposits in foreign currencies. In addition to the payment of dividends of H shares and fees payable to the Stock Exchange and paper for information disclosure, the partial export and import business of the Company is settled in US dollars and Jingcheng Hong Kong and 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 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 RMB 1,271,047,800, while cash outflow amounted to RMB 1,378,945,200. Net cash flow during the Reporting Period from operating activities amounted to RMB-107,897,400.

2. Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period amounted to RMB 303,590,200 while cash outflows to investment activities amounted to RMB 215,936,400, which was mainly used for capital expense on the purchase of fixed assets and payment for long-term equity investment. The principal source of income was from transfer of the equity interest of Jingcheng Compressor and disposal of parts of fixed assets. Net cash flows from investment activities for the Reporting Period amounted to RMB 87,653,800.

3. Cash flows from financing activities

Cash inflow from financing activities during the Reporting Period amounted to RMB 697,842,200, which was mainly derived from bank loans, borrowings from Jingcheng Holding and compensation from Jingcheng Holding. Cash outflow to financing activities during the Reporting Period amounted to RMB 858,655,400, which was mainly due to the repayment of bank loans and borrowings from banks and Jingcheng Holding and interests. Net cash flow from financing activities for the Reporting Period amounted to RMB -160,813,100.

Net cash flow from operating activities in 2014 recorded an increase of RMB 118.705,100 as compared with last year, which was due the much less decrease of cash receipt from sales of goods and rendering of service as compared with last year than the decrease of cash paid for purchase of goods as compared with last year. Net cash flow generated from the investment recorded an increase of RMB 594,116,400 as compared with last year, which was mainly due to increase in the income from transfer of equity interests and the cash of the monetary funds of the outgoing assets last year. Net cash flow generated from financing activities recorded an decrease of RMB 712,756,500, which was mainly due to the decrease in loans borrowed as compared with last year and compensation received from the holding company.

Net cash flow generated from operating activities for the year was RMB-107,897,400. Net profit for the year was RMB 13,012,000, which was mainly attributable to investment 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 RMB 1,444,759,300, of which minority interests amounted to RMB 525,228,700, and total liabilities amounted to RMB 1,063,124,000. Total assets amounted to RMB 2,507,883,300. As at the end of the year, the Company's gearing ratio was 42.39%.

Capital structure by liquidity

Total current liabilities	RMB 928,854,000	Accounting for 37.04% of assets
Total equity interest attributable to shareholders	RMB 1,444,759,300	Accounting for 57.61% of assets
Of which: minority interests	RMB 525, 228, 700	Accounting for 20.94% of assets

(XI) Contingent liabilities

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

(XII) Competition within the industry and development trend

1. The economic environment will remain depressed, and special attentions should be paid to the integration of Beijing-Tianjin-Hebei regions and reform of State-owned enterprises. At present, major economies around the world are recovering in an imbalanced way. U.S. accelerated its economic recovery while the recovery of European economy was week. Abe's reform of Japan is still to be observed. Emerging countries, along with an increasing power of discourse, is also facing with the most difficult environment in the post financial crisis. Political insecurities, potential conflicts and the distorted international relation are causing more and more threats to the economic development.

   In the Opinions of Beijing on Comprehensively Deepening the Reform of Municipal State-owned Enterprises, Beijing Municipal state-owned enterprises are divided into enterprises of public service, special functions and competitive enterprises. Competitive enterprises include strategically supported and general competitive enterprises. The Company is a general competitive enterprise. According to the Opinions, more than 80% of state-owned capital will be placed on such sectors as public services. The increment of state-owned capital will quit from industries and links with no competitive advantages. The Company can only be established in Beijing by taking maximization of capital benefits as the main objective, realizing the transformation to strategically supported enterprises, centering around the strategic positioning of "four center" and the industrial development trend of high end, service, clustering, integration and low carbon, developing to the high end of the value chains and industrial chains and moving the low end of the value and industrial chains out of Beijing and cooperating and value-binding with the enterprises of urban public service and special functions. According to the Opinions, by 2020, the securitization ratio of the state-owned capital in Beijing will be strived to reach beyond 50%. It is supposed to make listed companies the major form for the state-owned enterprises to develop diversified ownership by developing diversified ownership economies, promoting the listing of municipal enterprises or overall listing. The Company, as one of a few platforms for listing companies under Beijing Municipal State-owned Assets Supervision and Administration Commission, will be fully utilized and developed well.

2. Market competition is increasingly intensive yet business opportunities are still everywhere

At present, the market demands for most of the Company's products are not strong. Insufficient tasks, decreasing salaries and relocation of the head quarter have made a record high staff turnover rate for the year. In particular, the "price reduction for 11 consecutive times" of oil products and the document jointly issued by five ministries and departments even make a pause to the market of modified vehicles. However, the issuance of industry and technical standards related to LNG powered vessel will promote the rapid development of "oil to gas" market for vessels and the auxiliary gas filling facilities. In 2014, as many as 150 units participated in the construction of LNG gas filling stations. In the depressed market environment, the low-price strategy also made most competitors cry bitterness. Our focus lies on how to correctly understand the market, i.e. the market size of all our products, the custom base, specific demands, market positions, strength and weakness of the Company. It is only by taking specific measures to expand the market share that the operating results will be improved.

3. Analysis of macroeconomic environment

(1) International macroeconomic analysis

It is pointed out in 2015 Yellow Book of World Economy published by Chinese Academy of Social Sciences that, the probability of a significant world economic recovery is small. In comparison with 2014, it is more likely that the economic growth will maintain essentially the same or turn slightly better. Emerging markets are an important pillar to the global economic activities. In 2015, the emerging Asian region is still in the spotlight. The growth of China, India and Thailand is remarkable. Another region maintaining growth is the African region to the south of Sahara. Many African countries successfully passed through the crisis and expanded at an average annual rate of 5% which is only next to Asia. There are great potentials in the region to be explored.

(2) Domestic macroeconomic analysis

It is pointed out in the Central Economic Working Conference that the keynote for the economic work in 2015 is to insist on seeking improvement in stability, insisting on the focus of improving the quality and benefits of economic development, actively adapting the new normal condition of economic development, keeping the economic operations in a reasonable range; placing the transformation of methods and adjustment of structure in a more important position, vigorously concentrating on the reform, highlighting the innovation, enhancing risk prevention and control, enhancing the guarantees for people's livelihood and promoting the stable and healthy development of the economy and the social harmony and stability.

2015 will be a key year for full promotion of the reform and adjustment of China, and is also the year for the new normal state of Chinese economy to experience the hard times. According to the forecasts of economic experts, the year 2015 will probably a periodical low point or bottom for the round of economic downturn of China. It is probable that the economy will present a state of "construction after destruction" or "destructing while constructing". The economic structure will constantly improve and the economy will maintain sustainable growth. It is expected that GDP will increase 7%.

4. *Analysis on upstream steel industry*

WAS (World Steel Association) pointed out that, the apparent consumption of steel in the world in 2015 will reach up to 1.594 billion tonnes, representing an increase of 2%. Although it is difficult to change the situation where there is oversupply, the overall market environment is better than 2014.

The weak demand for steel in China will remain. It is expected that the apparent consumption of steel will grow 0.8% to 754.3 million tons. However, the government may take specific stimulating measures such as the promotion of "one belt and one road", the easing policies for real estate may lead to more-than-expected growth in demands.

5. *Analysis on downstream gas industry*

(1) Industrial gas market

All major gas companies remain confident for the prospect of global industrial gas market in 2015. Emerging markets are becoming potential fields for suppliers of industrial gas while the demands of electronic industry producers for special gas are growing.

(2) Natural gas market

On 19 November, the General Office of the State Council printed and distributed the Strategic Action Plan for Energy Development (2014 to 2020), determining that the natural gas will be developed in the country as a key energy in the future, and the proportion of the natural gas in the energy structure will reach up to 10% by 2020. At present, the construction of four major channels of the natural gas has been completed. For east and south China, LNG is mainly relied on transportation by sea; for western China, there are West-East Gas Pipelines; for the southwestern China, there are China-Burma natural gas pipelines and for northeast China, there are Sino-Russian pipelines. The development trend of natural gas is self-evident.

6. Analysis on gas storage and transportation market

(1) Cylinders

Driven by the environmental protection policies and the National IV Standards for Emission, the application of domestic natural gas powered vehicles are expected to develop in a sustainable way, which, for sure, brings along the demands for gas cylinders of CNG/LNG-powered vehicles; however, the narrowing down of prices and the issuance of many policies encouraging application of public transportation may have material effects on promotion of LNG powered vehicles in certain regions.

(2) Tanks

The potential for the development of cryogenic tanks is huge in the coming years. Large cryogenic tanks are required for receiving stations, peak regulation stations, vessels, gas refueling stations and the construction of factory buildings. And meanwhile, along with the adjustment of internal mechanism of domestic major energy companies, the projects suspended are gradually initiated. Some orders and demands are gradually recovering and the future market trend will turn better.

(3) *Vehicles*

It can be analyzed from above that, the market of tank cars grow at a rate of nearly 20% every year, which is also attributable to the rapid development of LNG and gas refueling stations. At present, the market prospect is optimistic. It is expected that the market capacity will be further expanded in 2015.

(4) *Stations*

In 2014, as many as 150 units participated in LNG gas refueling stations. Besides original refueling station operators, more local gas companies, local enterprises with resource advantages, even industrial investment groups and gas companies all participated in construction of gas refueling stations. The entry of many enterprises makes the threshold lower and lower, and the competition becomes fiercer. It is expected that, 2015 will not see growth surf as 2013; however, along with the development of the whole LNG markets, the refueling station industry will remain uptrend.

(XIII) Development strategies of the Company

1. The Company will continue to consolidate its industrial cylinders business, and maintain the first place in the industrial cylinders market. The Company will focus on developing natural storage and transportation products. During the course of development of natural gas storage and transportation sector, the Company will strengthen and optimize its products of LNG vehicle cylinders, accelerate the development of industrialization of LNG cryogenic tank, specially the R&D of the LNG cryogenic tanker vehicles, forming a product portfolio containing cylinders, tankers, vehicles and stations. The Company will make innovations to 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 internationalized company at the forefront of the industry of gas storage and transportation globally.

2. The Company will take advantage of the geographic location of Hong Kong and U.S. companies to realize the financial innovative service functions.

3. The Company will utilize the capital market, develop investment and financing business and seek for new investment opportunities.

(XIV) Operating plans

2015 is the last year of the "twelfth five-year plan". Minghui Tianhai, Tianhai Cryogenic and Shandong Tianhai will make contributions for the budget goals; Tianjin Tianhai and Langfang Tianhai will take advantage of the product structural adjustment to reverse the losses; and Shanghai Tianhai will strive to develop rapidly. The most critical point is Minghui Tianhai. Along with the relocation of the head quarter, how to operate Minghui Tianhai well will be the key to the successful completion of the targets next year.

Many strategic targets in the "twelfth five-year plan" are still to be realized. Except for tank products, vehicles and stations have failed to become the new growth points for the development of the Company. In recent two years, the strategic environment of the Company has changed a lot; it is especially important to make long-term plans for the next period. In 2015, the Company will make good strategic planning for the "thirteenth five-year plan", focus on profitability, and based on the corrective and proactive analysis and assessment of the environment, stakeholders, the Company's resources and abilities, plan for three sectors for the "thirteen five-year plan": the first is the principal business of manufacturing; the second is the development and utilization of the land resources; and the third is to well utilize the capital market and Hong Kong company for investment and financing. And meanwhile, sub-strategies such as corresponding human resource development strategy, marketing strategy, production strategy, financial strategy, research and development strategy and information strategy are required for supports to guarantee the implementation of the strategies.

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

The Company has no newly increased large amount investment projects under construction in 2015. The outstanding project payment (for Minghui Tianhai) can be basically solved with privately-owned funds.

(XVI) Potential material risks

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

Due to the optimism for domestic natural gas markets, large investment companies set up factories to produce the natural gas storage and transportation equipment, and existing factories continued to expand the production scale, creating serious excess production capacity and making an increasingly competitive industry. According to the statistics of the industry association, at present, there are more than 60 enterprises qualified for the production of LNG gas cylinders with annual production capacity of 400,000 sets and more than 30 enterprises qualified for production of CNG gas cylinders with an annual production capacity of 2 million. Therefore, the Company may face with great pressure in terms of operation.

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

Due to the depressed world economy, technical advancement and political factors, the international futures price of crude oil halved, leading to the reduction of the price of domestic product oil for 11 consecutive times; while the price of natural gas in China increased in September this year, narrowing down the price difference with the oil price and reducing the endogenous power for the development of natural gas; in November, five ministries and departments jointly issued the draft for comments for "oil to gas" that the vehicle modification market is basically at a standstill state. Facing with such a difficult and complicated market environment, the Company has accelerated the adjustment of the industry distribution, taken advantageous measures, guaranteed the platform of listing, actively adjusted the sales strategies, vigorously developed new products and sought for development in such difficulties. Although with certain gap to the expected targets, it is expected to walk the Company into the virtuous circle in the several coming years.

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

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

During the Reporting Period, auditors did not issue any non-standard auditors' 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***

   (1) Changes in significant accounting policies

   In 2014, the Ministry of Finance newly issued or revised a series of accounting standards such as Accounting Standards for Business Enterprises No.2-Long-term Equity Investments. The Group, when preparing the annual financial statements of 2014, adopted relevant accounting standards and handle according to relevant rules on liking.

   Notes on the names and amounts of the items of statements that were significantly affected:

   1) Before 2014, the unrealized gains or losses on internal transactions of sales of assets among subsidiaries of the Group offset in full the net profits attributable to the owners of the parent company. According to the revised Accounting Standards for Business Enterprises No.33-Consolidated Financial statements, unrealized gains or losses from internal transactions of the sales of assets between subsidiaries shall be distributed between and offset "net profit attributable to owners of the parent company" and "minority interest income" in proportion to the ratio the parent company distribute to the subsidiary selling the assets. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The adjusted decrease of the shareholders' equity in the balance sheet of 2013 was RMB 1,538,378.84 and the adjusted retained profits were RMB 1,538,378.84 and the total liabilities were not affected.

   2) Before 2014, the Group did not account relevant expenses of the defined benefit plan on incurrence. Pursuant to the revised Accounting Standards for Business Enterprises No.9 – Employee Benefits. For defined benefit plans, it is supposed to estimate relevant demographic statistical variables and financial variables by using expected accumulative benefit unit method based unbiased and mutually consistent actuarial assumption, measure obligations arising from defined benefit plans and determine the period, to which relevant obligations belong. Enterprises shall discount the obligations arising from defined benefit plans at a discount rate to determine the present value and current service cost of the obligations of defined benefit plans. The Group adopted retroactive adjustment to the change in the accounting policy. And the comparative statement of 2014 was restated. The employee compensation payable in the balance sheet of 2013 increased by RMB 29,840,000.00, and the retained profit was adjusted to decrease by RMB 32,310,000.00, and the other comprehensive revenue was adjusted to increase RMB2,470,000.00.

(2) Changes in significant accounting estimates

The Company implemented material asset reorganization in 2013. The business operated by the Company changed significantly and the type of fixed assets and the business modes also changed, leading to different estimated service life of fixed assets and proportion of provision for the bad debts reserve of accounts receivable from the original company. Therefore, the accounting estimates were made during the year with details as follows:

Changes in Accounting Estimates	Procedure of Approval	Time of Adoption
Proportion of provision for bad debt reserve of receivables	The Seventh Term of Board	1 January 2014
Depreciation life of fixed assets and residential rates	approval as the thirteenth meeting	

1) Changes in the proportion of the provision for the bad debt reserve of accounts receivable

Ageing	Proportion before Change (%)	Proportion after Change (%)
Within 1 year	0	1
1 to 2 years	30	10
2 to 3 years	60	20
3 to 4 years	100	50
4 to 5 years	100	80
Over 5 years	100	100

2) Changes in depreciation life and residual rates of fixed assets

	Depreciation life before change	Depreciation life after change	Estimated residual rate before change (%)	Change in estimated residual rate (%)
Building	40	40	3	5
Machinery	8-14	5-10	3	5-10
Transportation	8	5	3	5-10
Administrative office	8	5	3	5-10

The prospective method is adopted for the changes in the accounting estimate, the profits for current financial statements increased by RMB 25,933,868.

3. Analysis 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 cash dividend policy

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

2. During the Reporting Period, the parent company has a good economic structure. The parent company had positive retained earnings but did not propose; the Company shall disclose the reasons in details, and the use of proceeds and the plans for use of the undistributed profits. During the Reporting Period, as the parent company was negative, they all did not propose negative loan interests.

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: people

Year of distribution	**Number of bonus shares per 10 shares (share)**	**Amount of dividend per 10 shares (Yuan)(tax induced)**	**Number of shares to be converted per 10 shares**	**Amount of cash dividend (tax included)**	**Net profit attributable to the shareholders of the profit attributable listed companies in the consolidated financial statements during the year of distribution**	**Percentage of the net profit attributable to the shareholders of the listed companies in the consolidated financial statements (%)**
2014	0	0	0	0	21,416,206.70	0
2013	0	0	0	0	-107,597,719.91	0
2012	0	0	0	0	-124,456,883.57	0

III. EXPLANATION ON OTHER IMPORTANT MATTERS

1. Government subsidies

During the Reporting Period, the Company received RMB 1,548,600 from the grant of Government Office.

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

During the Reporting Period, the Company sold 100% equity interest in Beijing Jingcheng Compressor Co., Ltd,; therefore, the income statement and the statement of cash flows only contained the information of Jingcheng Compressor from January to September. The balance sheet as at the end of the balance sheet did not contain the information of Jingcheng Compressor.

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

4. Review of financial statements for the Reporting Period by the Audit Committee

The Audit Committee of the Board of the Company has reviewed and confirmed the annual financial report for 2014.

5. **Corporate Governance Code**

The Company has been in compliance with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange 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 exacting than the required standards set in the Model Code in Appendix 10 of the Listing Rules. After making specific enquiries to all directors and supervisors, the Company confirmed that, each of directors and supervisors has complied with the required standards on securities transactions by directors and supervisors as set in the Model Code for the 12 months ended 31 December 2014.

7. **Share capital**

(1) During the Reporting Period, there was no change in the total number of shares and 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 shares.

IV. ANNUAL REPORT AND OTHER INFORMATION

The announcement will be published on the websites of the Company (www.btic.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report in entirety will be published on the websites of the Company and the Hong Kong Stock Exchange on 23 April 2015.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Hu Chuanzhong
Chairman

Beijing, China
17 March 2015

As at the date of this announcement, the board of directors of the Company comprises Mr. Hu Chuanzhong, Mr. Li Junjie, and Ms. Jiang Chi as executive directors, Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.