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

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

2016 THIRD QUARTERLY REPORT

I. IMPORTANT NOTICE

1.1 The board of directors, supervisory committee and the directors, supervisors and senior management officers of the Company confirm that the information contained in this quarterly report is true, accurate, and complete without any false and misleading statements or material omissions, and individually and jointly accept legal responsibility for the contents of the report.

1.2 Information on absent directors

Name of absent director	Position of absent director	Reason for absence	Name of proxy
Fan Yong	Independent director	Office duty	Yang Xiaohui

1.3 Wang Jun, person-in-charge of the Company, Chen Change, person-in-charge of the accounting work, and Jiang Chi, person-in-charge of the accounting body (head of accounting), guaranteed the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.

1.4 The Third Quarterly Financial Report of the Company has not been audited.

II. FINANCIAL HIGHLIGHTS AND CHANGES IN SHAREHOLDERS

2.1 Financial Highlights

	<i>Unit: Yuan</i> <i>Currency: RMB</i>		
	At the end of the reporting period	At the end of last year	Increase/Decrease comparing the end of the reporting period with the end of last year (%)
Total assets	1,900,317,325.13	2,077,492,109.79	-8.53
Net assets attributable to shareholders of listed company	620,916,287.50	712,663,072.55	-12.87
	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of last year to the end of last year (January to September)	Increase/Decrease on Year-over- year basis (%)
Net cash flow from operating activities	34,063,872.50	88,319,600.89	-61.43
	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of last year to the end of last year (January to September)	Increase/Decrease on Year-over- year basis (%)
Operating income	701,373,600.31	840,204,906.09	-16.52
Net profit attributable to shareholders of listed company	-91,707,896.04	-82,464,282.27	N/A
Net profit attributable to shareholders of listed company after extraordinary items	-103,998,142.80	-100,210,784.83	N/A
Weighted average return on net assets (%)	-13.75	-9.39	N/A
Basic earnings per share (RMB/share)	-0.22	-0.20	N/A
Diluted earnings per share (RMB/share)	-0.22	-0.20	N/A

Extraordinary Items and Amount

Applicable Not Applicable

*Unit: Yuan
Currency: RMB*

Items	Amount for the current period (July – September)	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Description
Profit/loss on disposal of non-current assets	24,514.26	554,506.05	
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the normal operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	412,580.06	6,316,864.06	
Profit/loss from debt restructuring	1,728,182.80	2,909,839.01	
Other non-operating income and expenses save for the above	776,881.01	3,082,034.42	
Effect on income tax	6,387.83	6,387.83	
Effect on minority interests (after tax)	1,193,729.34	-579,384.61	
Total	<u>4,142,275.30</u>	<u>12,290,246.76</u>	

2.2 Total number of shareholders, shareholding of top ten shareholders and shareholding of top ten shareholders of shares not subject to trading moratorium at the end of the reporting period

Unit: share

Total number of shareholders		23,750 (in which: 23,685 holders of A shares, 65 holders of H shares)				
		Shareholding of Top Ten Shareholders				
		Pledged or frozen				
Name of shareholder (Full name)	Shareholding as at the end of the period	Proportion (%)	Number of shares subject to selling restrictions	Status	Number of shares	Nature of shareholder
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	182,735,052	43.30	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED	99,257,200	23.52	0	Unknown	–	Unknown
Tian Chunhuan	2,032,900	0.48	0	Unknown	–	Unknown
Bi Yimin	1,434,200	0.34	0	Unknown	–	Unknown
Zheng Youquan	1,073,200	0.25	0	Unknown	–	Unknown
Ping An Trust Co., Ltd – Ping An Wealth* Dayan Quantitative Hedging Assembled Fund Trust (平安 信託有限責任公司–平安財富* 大岩量化對沖集合資金信託)	908,836	0.22	0	Unknown	–	Unknown
Wang Xueli	900,134	0.21	0	Unknown	–	Unknown
CCB Principal Capital – Shanghai Bank – CCB Principal Capital Management Co., Ltd. (建信 基金–上海銀行–建信資本管 理有限責任公司)	825,000	0.20	0	Unknown	–	Unknown
He Yong	821,400	0.19	0	Unknown	–	Unknown
Chen Yingwei	789,700	0.19	0	Unknown	–	Unknown

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

Name of shareholder	Number of circulating shares not subject to trading moratorium	Class	Class and number of shares	Number of shares
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	182,735,052	RMB ordinary shares		182,735,052
HKSCC NOMINEES LIMITED	99,257,200	Foreign shares listed overseas		99,257,200
Tian Chunhuan	2,032,900	RMB ordinary shares		2,032,900
Bi Yimin	1,434,200	RMB ordinary shares		1,434,200
Zheng Youquan	1,073,200	RMB ordinary shares		1,073,200
Ping An Trust Co., Ltd – Ping An Wealth* Dayan Quantitative Hedging Assembled Fund Trust (平安信託有限責任公司 – 平安財富*大岩量化對沖集合資金信託)	908,836	RMB ordinary shares		908,836
Wang Xueli	900,134	RMB ordinary shares		900,134
CCB Principal Capital – Shanghai Bank – CCB Principal Capital Management Co., Ltd. (建信基金 – 上海銀行 – 建信資本管理有限責任公司)	825,000	RMB ordinary shares		825,000
He Yong	821,400	RMB ordinary shares		821,400
Chen Yingwei	789,700	RMB ordinary shares		789,700
Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders	At the end of the Reporting Period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company was not aware of any connected relationship among the aforesaid shareholders, nor was the Company aware of any parties acting in concert as defined in the Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.			
Description on preferred shareholder of which voting rights had resumed and its shareholdings	N/A			

2.3 As at the end of the reporting period, total number of shareholders of preference shares, shareholding of top ten shareholders of preference shares and shareholding of top ten shareholders not subject to trading moratorium

Applicable Not Applicable

III. IMPORTANT MATTERS

3.1 Details and reasons for material changes in major items of financial statement and financial indices of the Company

Applicable Not Applicable

Items on balance sheet	Balance at the end of the period	Balance at the beginning of the year	Change (%)	Reason
Cash at bank and on hand	126,624,320.47	182,276,574.47	-30.53	Mainly due to the decrease in cash received from sale of products
Notes receivable	13,112,793.44	3,228,891.44	306.11	Mainly due to the increase in notes received
Construction in progress	4,335,793.77	8,037,077.84	-46.05	Mainly due to the transfer of construction project to fixed assets upon completion during the period
Long-term deferred expenses	179,535.78	280,524.60	-36.00	Mainly due to the deferred expenses incurred during the period
Advances to suppliers	18,221,246.47	29,870,362.75	-39.00	Mainly due to the decrease in the advances received

Items in income statement	Amount for the current period	Amount for the corresponding period of last year	Change (%)	Reason
Business taxes and surcharges	3,710,350.09	6,784,940.60	-45.31	Mainly due to the decrease in provision for taxes and surcharges during the period
Investment income	5,135,154.11	-3,484,833.57	-	Mainly due to the increase in profits from joint ventures
Non-operating income	13,037,444.63	18,886,398.96	-30.97	Mainly due to the decrease in revenues on disposal of non-current assets during the year
Non-operating expenses	174,201.09	1,176,767.29	-85.20	Mainly due to the decrease in loss on disposal of non-current assets as compared with the corresponding period of last year

Items in cash flow statement	Amount for the current period	Amount for the corresponding period of last year	Change (%)	Reason
Receipt of tax refunds	23,470,228.20	4,948,433.06	374.30	Mainly due to the increase in export tax refunds for current period as compared with the corresponding of last year
Cash from other operating-related activities	18,222,022.33	5,485,242.45	232.20	Mainly due to the increase in cash received from other operating-related activities
Cash paid for loan repayments	176,010,020.00	514,420,501.00	-65.78	Mainly due to the decrease in borrowings
Cash paid for dividends, profits appropriation or payments	11,741,616.68	17,498,164.43	-32.90	Mainly due to the decrease in interest on borrowings
Cash paid for fundraising related activities	4,000,000.00	0	–	Mainly due to the repayment of borrowings from the controlling company by the subsidiaries in the period

3.2 Analysis and description of the progress, impact and solutions of the important matters

✓Applicable Not Applicable

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

Company published RISK ALERT ANNOUNCEMENT RELATING TO MATERIAL ASSETS REORGANISATION. On 27 June 2016, Jingcheng Machinery published the announcement of SUSPENSION OF TRADING IN A SHARES DUE TO MATERIAL EVENT. Trading in the A shares of the Company was suspended from 27 June 2016.

On 30 June 2016, the Company convened the nineteenth extraordinary meeting of the eighth session of the board of directors, at which the resolution in relation to the termination of the assets reorganisation was passed and the assets reorganisation was determined to be terminated. On the same date, the Company entered into the Termination Agreement for Assets Purchase Agreement by Share Issuance and Payment in Cash and Termination Agreement for Share Subscription Agreement with Jingcheng Holding; and Termination Agreement for Equity Transfer Framework Agreement with Jingcheng Europe. On 1 July 2016, the Company published the announcement of TERMINATION OF MATERIAL ASSETS REORGANISATION AND CONTINUOUS SUSPENSION OF TRADING IN A SHARES. On 4 July 2016, the Company held an investors briefing session and published the announcements of ANNOUNCEMENT ON INFORMATION PROVIDED AT INVESTORS BRIEFING SESSION IN RELATION TO TERMINATION OF MATERIAL ASSETS REORGANISATION and INDICATIVE ANNOUNCEMENT ON RESUMPTION OF TRADING IN A SHARES.

2. Jingcheng Holding, the controlling shareholder of the Company, entered into the “Equity Transfer and Exchange Agreement in relation to Beijing Jingcheng Machinery Electric Company Limited between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beijing Jinguofa Equity Investment Fund (Limited Partnership)” (“Jinguofa Equity Exchange Agreement”) with Beijing Jinguofa Equity Investment Fund (Limited Partnership) (“Jinguofa”) and entered into “Equity Transfer and Exchange Agreement in relation to Beijing Jingcheng Machinery Electric Company Limited between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beijing Bashi Media Co., Ltd.” with Beijing Bashi Media Co., Ltd. (“Beiba Media”), respectively, on 26 January 2016 (“Beiba Media Equity Interest Exchange Agreement”, together with the Jinguofa Equity Interest Exchange Agreement collectively referred to as the “Equity Transfer and Exchange Agreement”). For details, please refer to the ANNOUNCEMENT IN RELATION TO THE CONTROLLING SHAREHOLDER OF THE COMPANY ENTERING INTO THE EQUITY TRANSFER AGREEMENT WITH CONDITIONS dated 26 January 2016 (announcement no.: Lin 2016-006).

As the above-mentioned equity transfers constituted connected transactions, the Company convened the fifteenth extraordinary meetings of the Board of the eighth session on 26 January 2016. The resolution on the non-exercise of the right of first refusal and connected transaction under the capital injection agreement of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved at the 2015 Annual General Meeting of the Company held on 26 June 2016.

On 25 July 2016, the Company received a notice from the controlling shareholder: “Jingcheng Holding received a notice from State-owned Asset Supervision and Administration Commission of Beijing Municipal Government notifying that the equity interest exchange of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. was not approved and the relevant information will be withdrawn from SASAC, hence the equity interest exchange cannot proceed.” On the same date, the Company published the ANNOUNCEMENT IN RELATION TO THE TERMINATION OF THE CONTROLLING SHAREHOLDER OF THE COMPANY ENTERING INTO THE EQUITY TRANSFER AGREEMENT WITH CONDITIONS.

3.3 Status of fulfillment of commitments undertaken by the Company and the shareholders holding more than 5% of shares

Applicable Not Applicable

Background	Type of commitment	Undertaking party	Contents of the commitment	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Commitment in relation to the Material Asset Reorganisation	Settlement of connected transactions	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that: "In respect of the unavoidable connected transaction matters or those which take place with reasonable grounds in the future between the Company and the other companies under the control of the Company and the Listed Company and the companies under its control, the Company and the other companies under the control of the Company will follow the principles of openness, fairness and justice for market transactions to conduct transactions at fair and reasonable market prices, and will perform the decision process of connected transactions according to the relevant law, regulations and standardization documents, perform the duty of information disclosure. The Company warrants that the Company and the other companies under the control of the Company will not obtain any improper benefits through the connected transactions with the Listed Company and the companies under its control or cause the Listed Company and the companies under its control bear any improper duties. The Company will bear the responsibilities of compensating the Listed Company and the companies under its control for their losses if the Company is in violation of the above undertaking when carries out transactions with the Listed Company and the companies under its control."	Long term	Yes	Yes		
Commitment in relation to the Material Asset Reorganisation	Resolving intra-industry competition	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that: "In response to the businesses or business opportunities similar to those of the Listed Company including that the Company and the other companies under the control of the Company anticipate or substantively in place to conduct, and assets and businesses of such businesses or business opportunities that may constitute potential competition with its peers."	Long term	Yes	Yes		

Background	Type of commitment	Undertaking party	Contents of the commitment	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Commitment in relation to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that after completion of this Material Asset Reorganisation, it warrants the independence in respect of the personnel, asset, finance, organization, business of the Listed Company. Jingcheng Holding has made concrete commitment on the areas of personnel independence, asset independence, financial independence, organizational independence, business independence. That undertaking continues to be valid, cannot be altered and is irrevocable during the period in which Jingcheng Holding is the controlling shareholder (or beneficial controller) of the Listed Company. If Jingcheng Holding is in violation of the above undertaking and causes economic losses to the Listed Company, Jingcheng Holding will compensate the Listed Company.	Long term	Yes	Yes		
Commitment in relation to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that: "1. Within 30 days from receipt of the notice regarding this Material Asset Reorganisation from Beiren Holdings, or within 45 days from the date of the first announcement on this Material Asset Reorganisation of Beiren Holdings in case of not having received the notice, should creditors of Beiren Holdings demand Beiren Holdings to make early repayment of liabilities or provide security, and Beiren Holdings fails to repay the debts or provide any security, the Company undertakes that it will bear the responsibilities of making early repayment or providing security; 2. For those creditors whom Beiren Holdings cannot reach, and for those who have not expressed clear opinion after receipt of the notice or expiry of the notice period, should they clearly express any disagreement opinion before completion of this Material Asset Reorganisation, and Beiren Holdings is unable to repay the liabilities nor provide security upon their demand, the Company undertakes that it will bear the responsibilities of making early repayment or providing security; 3. For those creditors that Beiren Holdings really cannot reach, and those creditors who have not yet expressed clear opinion after receipt of the notice or expiry of notice period, upon completion of this Material Asset Reorganisation, should the undertaking body of the Outgoing Assets unable to repay its liabilities, the Company will be responsible to settle. After the Company has borne the guarantee responsibility or repayment responsibility, it has the right to seek repayment from the undertaking body of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and has undertaken that if Beiren Group fails to repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provision of security. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of its commitment.	

Background	Type of commitment	Undertaking party	Contents of the commitment	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Commitment in relation to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that: "If, in the future, the production workshop of Tianhai Industrial in Mu Lin County is needed to relocate due to the defects of the leased property, the Company will fully compensate in cash the Listed Company after completion of this transaction for all the losses suffered by Tianhai Industrial caused by the relocating process."	Long term	Yes	Yes		
Commitment in relation to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Jingcheng Holding undertakes that: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes that when this reorganisation is implemented and relevant shareholders of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept that the long term equity investment in the above Outgoing Assets converts into cash assets at equivalent value, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		
Commitment in relation to the Material Asset Reorganisation	Others	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	According to the "Supplementary Confirmation Letter of the Settlement of 17.01% equity interest of Beijing Beiyong Casting Co., Ltd." jointly signed by the Listed Company, Jingcheng Holding and Beiren Group, they jointly confirmed "Each party confirms that the equity transfer is deemed to be completed. The Listed Company would no longer record such equity interest as a long term investment which means that all shareholder's rights (including but not limited to equity return, voting right and election right), obligations, risks and liabilities of shareholders under such equity interest will be enjoyed or assumed by Beiren Group and the Listed Company has to cope with accordingly. Given that the change in shareholders does not have defensive power against a third party prior to the completion of the commerce and industry registration for changing shareholders, all parties have unanimously agreed that all liabilities or loss of the Listed Company resulted from lacking defensive power shall be actually undertaken by Jingcheng Holding."	Long term	Yes	Yes	Jingcheng Holding has completed the delivery of 17.01% equity interests in Beijing Beiyong on 18 December 2015, and it has not committed any act in violation of the undertaking.	

Background	Type of commitment	Undertaking party	Contents of the commitment	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Commitment in relation to the Material Asset Reorganisation	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes that: "The Company is fully aware of the existing defects of the Outgoing Assets, and the Company will bear any losses or legal liabilities caused by the defects of the Outgoing Assets, and will not demand Beiren Holdings to bear any losses or legal liabilities due to the defects of the Outgoing Assets."	Long term	Yes	Yes	As of the date of disclosure, Jingcheng Holding has urged Beiren Group to repay the liabilities and undertaken that if Beiren Group fails to repay liabilities in time, Jingcheng Holding will be responsible for the repayment and provision of security. The Company has not suffered from any loss arising from claims. Jingcheng Holding has not performed any act in violation of the undertaking.	
Commitment in relation to the Material Asset Reorganisation	Others	Recipient of the Outgoing Assets (Beiren Group)	Beiren Group undertakes that: "The Company is fully aware of the existence of the above problems of the Outgoing Assets, and undertakes when this reorganisation is implemented, if relevant shareholders of the above subsidiaries of Beiren Holdings exercise the pre-emptive right, then the Company will agree to accept that the long term equity investment in the above Outgoing Assets converts into cash assets at equivalent value, and will not demand to terminate or alter the Material Asset Reorganisation Agreement previously signed by all parties due to the changes in the form of the Outgoing Assets, or demand Beiren Holdings to compensate for any losses or bear any legal liabilities."	Long term	Yes	Yes		

Background	Type of commitment	Undertaking party	Contents of the commitment	Date and duration of undertaking	Whether have deadline for performance	Whether strictly perform in a timely manner	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Commitment in relation to the Material Asset Reorganisation	Other	Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder	Due to the current unusual price fluctuations in domestic securities market, the healthy development of the capital markets is closely related to the development of the state-owned enterprises and holding companies. In order to create a favorable market environment for enterprise reformation and development and protect the legitimate rights of all kinds of investors, Jingcheng Holding has undertaken not to dispose any shares of the Company via the secondary market within six months and intended to increase its shareholding in the Company within six months after the resumption of trading in its shares.	10 July 2015, within six months after the resumption of trading in the Company's shares.	Yes	Yes	Jingcheng Holding increased its shareholding in the Company by an aggregated number of 2,115,052 A shares of the Company via the trading system of the Shanghai Stock Exchange on 3 August 2016, representing approximately 0.50% of the total share capital of the Company. As at the date of this announcement, Jingcheng Holding completed the implementation of the proposal on the increase of shareholding.	

3.4 Warning and explanation of reasons as to the anticipated loss in accumulated net profit from the beginning of the year to the end of the next reporting period or significant changes of profit as compared with that of the corresponding period of last year

Applicable Not Applicable

Name of the Company	Beijing Jingcheng Machinery Electric Company Limited
Legal Representative	Wang Jun
Date	28 October 2016

IV. APPENDIX

4.1 Financial Statements

Consolidated Balance Sheet

30 September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Balance at the end of the period	Balance at the beginning of the year
Current assets		
Cash and cash equivalents	126,624,320.47	182,276,574.47
Transaction settlement funds		
Loans to other banks		
Financial assets at fair value through profit and loss		
Financial assets derivatives		
Notes receivable	13,112,793.44	3,228,891.44
Accounts receivable	273,293,552.12	273,293,153.87
Advances to suppliers	23,065,337.94	19,166,811.68
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Interests receivable		
Dividends receivable		
Other receivables	1,645,910.04	1,776,665.84
Financial assets purchased with agreement to re-sale		
Inventories	323,129,394.04	390,738,839.19
Held-to-sale assets		
Non-current assets due within one year		
Other current assets	3,414,296.27	7,082,519.02
Total current assets	764,285,604.32	877,563,455.51

Item	Balance at the end of the period	Balance at the beginning of the year
Non-current assets		
Loans and advances to customers		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	73,497,257.32	68,362,103.21
Investment properties		
Fixed assets	898,938,574.56	960,308,435.85
Construction in progress	4,335,793.77	8,037,077.84
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	152,278,190.32	156,100,837.99
Research and development expenses		
Goodwill	6,562,344.06	6,562,344.06
Long-term expenses to be amortized	179,535.78	280,524.60
Deferred tax assets	240,025.00	277,330.73
Other non-current assets		
Total non-current assets	<u><u>1,136,031,720.81</u></u>	<u><u>1,199,928,654.28</u></u>
Total assets	<u><u>1,900,317,325.13</u></u>	<u><u>2,077,492,109.79</u></u>

Item	Balance at the end of the period	Balance at the beginning of the year
Current liabilities:		
Short-term loans	170,000,000.00	205,844,240.00
Borrowings from central bank		
Deposit taking and deposit in inter-bank market		
Placements from banks and other financial institutions		
Financial liabilities at fair value through profit and loss		
Financial liability derivatives		
Notes payable	32,000,000.00	
Accounts payable	338,631,958.00	398,349,980.01
Advance from customers	18,221,246.47	29,870,362.75
Funds from selling out and repurchasing financial assets		
Fees and commission payable		
Employee benefits payable	19,032,230.41	22,674,924.84
Taxes payable	-43,980,508.16	-42,085,395.89
Interests payable	74,800.00	74,800.00
Dividends payable		
Other payables	193,217,191.38	166,579,358.42
Reinsured accounts payable		
Reserves for insurance contract		
Funds from securities trading agency		
Funds from underwriting securities agency		
Held-to-sale liabilities		
Non-current liabilities due within one year	11,000,000.00	11,000,000.00
Other current liabilities		
Total current liabilities	738,196,918.10	792,308,270.13

Item	Balance at the end of the period	Balance at the beginning of the year
Non-current liabilities		
Long-term loans		
Bonds payable		
Including: preferred shares		
perpetual bonds		
Long-term payables		
Long-term employee benefits payable	31,310,282.67	31,310,282.67
Special payables	103,900,000.00	103,900,000.00
Estimated liabilities		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	<u>135,210,282.67</u>	<u>135,210,282.67</u>
 Total liabilities	 <u>873,407,200.77</u>	 <u>927,518,552.80</u>

Item	Balance at the end of the period	Balance at the beginning of the year
Owners' Equity		
Share capital	422,000,000.00	422,000,000.00
Other equity instruments		
Including: preferred shares		
perpetual bonds		
Capital reserves	683,803,181.69	683,803,181.69
Less: Treasury shares		
Other comprehensive income	1,029,658.59	1,068,547.60
Specific reserves		
Surplus reserves	45,665,647.68	45,665,647.68
General risk reserves		
Retained earnings	-531,582,200.46	-439,874,304.42
Total equity attributable to shareholders of the Company	620,916,287.50	712,663,072.55
Non-controlling interest	405,993,836.86	437,310,484.44
	<u>1,026,910,124.36</u>	<u>1,149,973,556.99</u>
Total owners' equity	<u>1,026,910,124.36</u>	<u>1,149,973,556.99</u>
	<u>1,900,317,325.13</u>	<u>2,077,492,109.79</u>
Total liabilities and owners' equity	<u>1,900,317,325.13</u>	<u>2,077,492,109.79</u>

Legal Representative:
Wang Jun

Person-in-charge of
accounting work:
Chen Changge

Person-in-charge of
accounting body:
Jiang Chi

Balance Sheet of the Parent Company

30 September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Balance at the end of the period	Balance at the beginning of the year
Current assets		
Cash and cash equivalents	3,534,484.74	4,152,554.89
Financial assets at fair value through profit and loss		
Financial assets derivatives		
Notes receivable		
Accounts receivable		
Advances to suppliers		
Interest receivables	18,438,146.15	15,034,062.82
Dividend receivables		
Other receivables	342,700,000.00	342,700,000.00
Inventories		
Held-to-sale assets		
Non-current assets due within one year		
Other current assets		
Total current assets	<u>364,672,630.89</u>	<u>361,886,617.71</u>

Item	Balance at the end of the period	Balance at the beginning of the year
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	694,842,724.41	694,842,724.41
Investment properties		
Fixed assets		
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Research and development expenses		
Goodwill		
Long-term expenses to be amortized		
Deferred tax assets		
Other non-current assets		
Total non-current assets	<u>694,842,724.41</u>	<u>694,842,724.41</u>
Total assets	<u>1,059,515,355.30</u>	<u>1,056,729,342.12</u>

Item	Balance at the end of the period	Balance at the beginning of the year
Current liabilities:		
Short-term loans		
Financial liabilities at fair value through profit and loss		
Financial liability derivatives		
Notes payable		
Accounts payable		
Advance from customers		
Employee benefits payable	310,409.00	1,750,000.00
Taxes payable	699,184.43	254,990.45
Interests payable		
Dividends payables		
Other payables	3,505,457.83	4,312,825.50
Held-to-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
	_____	_____
Total current liabilities	<u>4,515,051.26</u>	<u>6,317,815.95</u>
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred shares		
perpetual bonds		
Long-term payables		
Long-term employee benefits payable		
Special Payables		
Estimated liabilities		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
	_____	_____
Total non-current liabilities	<u>_____</u>	<u>_____</u>
Total liabilities	<u>4,515,051.26</u>	<u>6,317,815.95</u>

Item	Balance at the end of the period	Balance at the beginning of the year
Owners' equity		
Share capital	422,000,000.00	422,000,000.00
Other equity instruments		
Including: preferred shares		
perpetual bonds		
Capital reserves	666,639,987.85	666,639,987.85
Less: Treasury shares		
Other comprehensive income		
Specific reserves		
Surplus reserves	38,071,282.24	38,071,282.24
Retained earnings	-71,710,966.05	-76,299,743.92
	<hr/>	<hr/>
Total owners' equity	<u>1,055,000,304.04</u>	<u>1,050,411,526.17</u>
Total liabilities and owners' equity	<u>1,059,515,355.30</u>	<u>1,056,729,342.12</u>

Legal Representative:
Wang Jun

Person-in-charge of
accounting work:
Chen Changge

Person-in-charge of
accounting body:
Jiang Chi

Consolidated Income Statement

January – September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Amount for the current period (July – September)	Amount for the last period (July – September)	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
1. Total operating income	216,298,821.39	242,020,805.11	701,373,600.31	840,204,906.09
Including: Operating income	216,298,821.39	242,020,805.11	701,373,600.31	840,204,906.09
Interest income				
Earned insurance premiums				
Fees and commission income				
2. Total operating cost	263,152,843.37	295,485,750.78	840,498,336.32	971,333,490.26
Including: Cost of operation	216,407,898.49	227,448,430.99	675,370,521.64	790,670,842.05
Interest expenses				
Fees and commission expenses				
Refunded premiums				
Net amount of compensation payout				
Net withdrawal from reserves for reinsurance contract				
Policy dividend payment				
Reinsured expenses				
Business taxes and surcharges	1,357,929.89	2,296,578.36	3,710,350.09	6,784,940.60
Selling and distribution expenses	17,018,393.13	20,076,238.95	47,353,189.22	48,498,287.32
Administrative expenses	26,800,712.27	34,353,184.15	91,177,758.35	96,754,888.66
Financial expenses	1,567,909.59	521,457.04	10,244,502.84	10,417,209.87
Loss on impairment of assets		10,789,861.29	12,642,014.18	18,207,321.76
Add: Gain arising from the changes in fair value (loss listed with “-”)				
Investment income (Loss listed with “-”)	2,720,708.94	1,144,677.20	5,135,154.11	-3,484,833.57
Including: Income from investments				
in associates and joint ventures (Loss listed with “-”)	2,720,708.94	1,144,677.20	5,135,154.11	-3,484,833.57
Exchange gain (Loss listed with “-”)				

Item	Amount for the current period (July – September)	Amount for the last period (July – September)	Amount for	Amount for
			the period from the beginning of the year to the end of the reporting period (January – September)	the period from the beginning of last year to the end of the reporting period (January – September)
3. Operating profit (Loss listed with “-”)	-44,133,313.04	-52,320,268.47	-133,989,581.90	-134,613,417.74
Add: Non-operating income	3,030,222.43	299,072.72	13,037,444.63	18,886,398.96
Including: Gain from disposal of non-current assets	24,514.26		623,031.48	18,474,414.24
Less: Non-operating expenses	88,064.30	19,606.64	174,201.09	1,176,767.29
Including: Loss on disposal of non-current assets		18,827.36	68,525.43	153,692.32
4. Total profit (Loss listed with “-”)	-41,191,154.91	-52,040,802.39	-121,126,338.36	-116,903,786.07
Less: Income tax expenses	555,971.00	739,929.16	1,898,205.26	2,651,807.52
5. Net profit (Net loss listed with “-”)	-41,747,125.91	-52,780,731.55	-123,024,543.62	-119,555,593.59
Net profit attributable to the owners of the parent company	-29,543,668.44	-34,639,537.34	-91,707,896.04	-82,464,282.27
Minority shareholder’s profit and loss	-12,203,457.47	-18,141,194.21	-31,316,647.58	-37,091,311.32
6. Net other comprehensive income after tax	-2,812,671.51	1,948,075.66	-38,889.01	1,920,331.12
Net comprehensive income after-tax attributable to owners of the parent company	-1,439,245.54	970,777.24	-38,889.01	957,123.29
(1) Other comprehensive income not reclassified to profit and loss in the future				
1. Net liability or net asset movement due to recalculation on defined benefit plan				
2. Other comprehensive income not classified to profit and loss in the future shared by investee accounted under equity method				
(2) Other comprehensive income reclassified to profit and loss in the future	-1,439,245.54	970,777.24	-38,889.01	957,123.29
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method				
2. Gain/loss on fair value movement for available-for-sale financial assets				
3. Gain/loss on held-till-maturity investment reclassified to financial assets available-for-sale				
4. Effective Gain/loss on cash flow hedge				
5. Difference in translation of foreign currencies	-1,439,245.54	970,777.24	-38,889.01	957,123.29
6. Others				
After-tax net comprehensive income attributable to minority shareholders	-1,373,425.97	977,298.42		963,207.83

Item	Amount for the current period (July – September)	Amount for the last period (July – September)	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
7. Total comprehensive income	-44,559,797.42	-50,832,655.89	-123,063,432.63	-117,635,262.47
Total comprehensive income attributable to owners of the parent company	-30,982,913.98	-33,668,760.10	-91,746,785.05	-81,507,158.98
Total comprehensive income attributable to minority shareholders	-13,576,883.44	-17,163,895.79	-31,316,647.58	-36,128,103.49
8. Earnings per share:				
(1) Basic earnings per share (RMB/share)	-0.07	-0.09	-0.22	-0.20
(2) Diluted earnings per share (RMB/share)	-0.07	-0.09	-0.22	-0.20

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB–, and the net profit recognized by the merged party in the previous period was RMB–.

Legal Representative: Wang Jun	Person-in-charge of accounting work: Chen Changge	Person-in-charge of accounting body: Jiang Chi
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Income Statement of the Parent Company

January – September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Amount for the current period (July – September)	Amount for the last period (July – September)	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
1. Operating income	8,536,599.09	10,951,402.55	9,245,388.41	12,030,404.86
Less: Operating cost				
Business taxes and surcharges	67,038.29	613,278.55	68,946.49	673,074.10
Selling expenses				
Administrative expenses	1,093,349.99	3,866,326.28	4,599,701.80	11,480,733.26
Financial expenses	-5,318.80	-25,892.50	-12,037.75	-45,680.60
Loss on impairment of assets				
Add: Gain arising from the changes in fair value (Loss listed with “-”)				
Investment income (Loss listed with “-”)				
Including: Income from investments in associates and joint ventures				
2. Operating profit (Loss listed with “-”)	7,381,529.61	6,497,690.22	4,588,777.87	-77,721.90
Add: Non-operating income				
Including: Gain from disposal of non-current assets				
Less: Non-operating expenses				
Including: Loss on disposal of non-current assets				
3. Total profit (Total loss listed with “-”)	7,381,529.61	6,497,690.22	4,588,777.87	-77,721.90
Less: Income tax expenses				
4. Net profit (Net loss listed with “-”)	7,381,529.61	6,497,690.22	4,588,777.87	-77,721.90

Item	Amount for the current period (July – September)	Amount for the last period (July – September)	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
5. After-tax net other comprehensive income				
(1) Other comprehensive income not reclassified to profit and loss in the future				
1. Net liability or net asset movement due to recalculation on defined benefit plan				
2. Other comprehensive income not classified to profit and loss in the future shared by investee accounted under equity method				
(2) Other comprehensive income reclassified to profit and loss in the future				
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method				
2. Gain/loss on fair value movement for available-for-sale financial assets				
3. Gain/loss on held-till-maturity investment reclassified to financial assets available-for-sale				
4. Effective Gain/loss on cash flow hedge				
5. Difference in translation of foreign currencies				
6. Others				
6. Total comprehensive income	7,381,529.61	6,497,690.22	4,588,777.87	-77,721.90

7. Earnings per share:

- (1) Basic earnings per share (RMB/share)
- (2) Diluted earnings per share (RMB/share)

Legal Representative:
Wang Jun

Person-in-charge of
accounting work:
Chen Changge

Person-in-charge of
accounting body:
Jiang Chi

Consolidated Cash Flow Statement

January – September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	517,127,496.72	657,864,877.85
Net increase in deposits from customers and deposits from other banks		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash receipts of premium of direct insurance contracts		
Net cash received from reinsurance contracts		
Net increase in deposits from insurance policy holders and investment		
Net increase in disposal of financial assets at fair value through profit and loss		
Cash receipts of interest, fees and commission		
Net increase in placement from banks and other financial institution		
Net increase in sale and repurchase operations		
Cash received from taxes refund	23,470,228.20	4,948,433.06
Cash received from other operating activities	18,222,022.33	5,485,242.45
Sub-total of cash inflows from operating activities	<u>558,819,747.25</u>	<u>668,298,553.36</u>
Cash paid for goods and services	256,554,188.20	280,505,261.07

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
Net increase in loans and advances to customers		
Net increase in deposit with central bank and inter-banks		
Cash paid for claims of direct insurance contracts		
Cash paid for interest, fees and commission		
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	149,793,456.10	172,673,756.99
Payments of taxes and surcharges	51,201,622.44	49,178,844.36
Cash paid to other operating activities	67,206,608.01	77,621,090.05
Sub-total of cash outflows from operating activities	<u>524,755,874.75</u>	<u>579,978,952.47</u>
Net cash flows from operating activities	<u><u>34,063,872.50</u></u>	<u><u>88,319,600.89</u></u>
2. Cash flows from investing activities:		
Cash received from investment		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,408,693.13	1,950,000.00
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	<u>1,408,693.13</u>	<u>1,950,000.00</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	33,938,070.99	33,519,652.26
Cash paid for investments		
Net increase in pledged deposits		
Net cash paid to acquire subsidiaries and other business units		
Cash paid to other investing activities		1,109,482.78
Sub-total of cash outflow from investing activities	<u>33,938,070.99</u>	<u>34,629,135.04</u>
Net cash flows from investing activities	<u><u>-32,529,377.86</u></u>	<u><u>-32,679,135.04</u></u>

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
3. Cash flows from financing activities:		
Cash received from investment		
Including: Cash received by subsidiaries from investment absorption of non-controlling interest		
Cash received from borrowings	140,000,000.00	408,234,672.65
Cash received from issuance of bonds		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	140,000,000.00	408,234,672.65
Cash paid for loan repayments	176,010,020.00	514,420,501.00
Cash paid for dividends, profits appropriation or payments of interest	11,741,616.68	17,498,164.43
Including: Dividends and profits paid to non-controlling interest		
Cash paid to other financing activities	4,000,000.00	
Sub-total of cash outflows from financing activities	191,751,636.68	531,918,665.43
Net cash flows from financing activities	-51,751,636.68	-123,683,992.78
4. Effect of changes in foreign exchange rate on cash and cash equivalents		
	1,064,888.04	5,988,691.76
5. Net increase in cash and cash equivalents		
Add: Cash and cash equivalents at the beginning of the period	-49,152,254.00	-62,054,835.17
	175,776,574.47	125,462,823.33
6. Cash and cash equivalents at the end of the period		
	126,624,320.47	63,407,988.16

Legal Representative:
Wang Jun

Person-in-charge of
accounting work:
Chen Changge

Person-in-charge of
accounting body:
Jiang Chi

Cash Flow Statement of the Parent Company

January – September 2016

Prepared by: Beijing Jingcheng Machinery Electric Company Limited

Unit: Yuan

Currency: RMB

Audit type: Unaudited

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
1. Cash flows from operating activities:		
Cash received from sale of good and rendering of services		
Cash received from taxes refund		
Cash received from other operating activities	761,145.15	1,211,725.67
Sub-total of cash inflows from operating activities	<u>761,145.15</u>	<u>1,211,725.67</u>
Cash paid for goods and services		
Cash paid to and on behalf of employees	4,184,485.95	881,585.97
Payments of taxes and surcharges	742,284.84	1,390,460.44
Cash paid to other operating activities	3,152,444.51	3,057,792.28
Sub-total of cash outflows from operating activities	<u>8,079,215.30</u>	<u>5,329,838.69</u>
Net cash flows from operating activities	<u><u>-7,318,070.15</u></u>	<u><u>-4,118,113.02</u></u>

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
2. Cash flows from investing activities:		
Cash received from investment		
Cash received from investment income		
Cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	6,700,000.00	
Sub-total of cash inflows from investing activities	6,700,000.00	
Cash paid to acquire fixed assets, intangible assets and other long-term assets		
Cash paid for investments		
Net cash paid to acquire subsidiaries or other business units		
Cash paid to other investing activities		1,141,747.91
Sub-total of cash outflows from investing activities		1,141,747.91
Net cash flows from investing activities	6,700,000.00	-1,141,747.91
3. Cash flows from financing activities:		
Cash received from investment		
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for loan repayments		
Cash paid for dividends, profits appropriation or payments of interests		

Item	Amount for the period from the beginning of the year to the end of the reporting period (January – September)	Amount for the period from the beginning of last year to the end of the reporting period (January – September)
Cash paid to other financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
4. Effect of changes in foreign exchange rate on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-618,070.15	-5,259,860.93
Add: Cash and cash equivalents at the beginning of the period	4,152,554.89	11,915,900.48
6. Cash and cash equivalents at the end of the period	3,534,484.74	6,656,039.55
Legal Representative: Wang Jun	Person-in-charge of accounting work: Chen Changge	Person-in-charge of accounting body: Jiang Chi

4.2 Audit reports

Applicable Not Applicable

By Order of the Board

Beijing Jingcheng Machinery Electric Company Limited

Jiang Chi

Company Secretary

Beijing, the PRC

28 October 2016

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr Chen Changge, Mr. Li Junjie and Mr. Du Yuexi as executive directors, Mr Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.