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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **Beijing Jingcheng Machinery Electric Company Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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 limited company established in the People's Republic of China)

(Stock Code: 0187)

2016 ANNUAL REPORT

2016 WORK REPORT OF THE BOARD OF DIRECTORS

2016 WORK REPORT OF THE SUPERVISORY COMMITTEE

2016 AUDITOR'S AUDITED FINANCIAL REPORTS

2016 AUDITOR'S AUDITED INTERNAL CONTROL REPORT

REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2016

NO PROFIT DISTRIBUTION PLAN FOR THE YEAR 2016

APPOINTMENT OF THE AUDITOR FOR 2017 FINANCIAL REPORTS

APPOINTMENT OF THE AUDITOR FOR 2017 INTERNAL CONTROL REPORT

TO CONSIDER AND APPROVE THE RESOLUTION ON THE REMUNERATION OF AND WRITTEN CONTRACTS TO BE ENTERED INTO WITH THE DIRECTORS OF THE NINTH SESSION OF THE BOARD

TO CONSIDER AND APPROVE THE RESOLUTION ON THE REMUNERATION OF AND WRITTEN CONTRACTS TO BE ENTERED INTO WITH THE SUPERVISORS OF THE NINTH SESSION OF THE SUPERVISORY COMMITTEE

TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION TO THE ENTERING INTO THE GAS CYLINDER PIPE SALE AND PURCHASE FRAMEWORK AGREEMENTS AND THE CONTINUING CONNECTED TRANSACTIONS BETWEEN TIANJIN TIANHAI HIGH PRESSURE CONTAINERS CO., LTD. AND TIANJIN PIPE STEEL TRADE CO., LTD. AND BETWEEN KUANCHENG TIANHAI PRESSURE VESSEL CO., LTD. AND TIANJIN PIPE STEEL TRADE CO., LTD.

TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION TO THE AMENDMENTS TO THE RULES OF PROCEDURES FOR SHAREHOLDERS' GENERAL MEETINGS

TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION TO THE AMENDMENTS TO THE FUND RAISING MANAGEMENT MEASURES

TO CONSIDER AND APPROVE THE RESOLUTION ON THE GENERAL ELECTION OF THE BOARD

TO CONSIDER AND APPROVE THE RESOLUTION ON THE ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

TO CONSIDER AND APPROVE THE RESOLUTION ON THE GENERAL ELECTION OF THE SUPERVISORY COMMITTEE

AND

NOTICE OF ANNUAL GENERAL MEETING

A letter from the Board is set out on pages 5 to 31 of this circular and a letter from the Independent Board Committee is set out on pages 32 to 33 of this circular.

A notice and a supplemental notice convening the 2016 annual general meeting ("AGM") of Beijing Jingcheng Machinery Electric Company Limited (the "Company") to be held at the Conference Room, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC, on 26 June 2017 (Monday) at 9:30 a.m. are set out on pages 71 to 73 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the revised form of proxy attached in accordance with the instructions printed thereon and return it as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the AGM. Completion and return of the revised form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be convened on 26 June 2017 (Monday) at 9:30 a.m. at the Conference Room, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC
“Article of Association”	the article of association of the Company as amended from time to time
“A Share(s)”	domestic ordinary Share(s) with a par value of RMB1.00 each in the Share capital of the Company which are listed on the Shanghai Stock Exchange and traded in RMB
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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 PRC with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated between Tianjin Tianhai, Kuancheng Tianhai and Tianjin Pipe under the Gas Cylinder Pipe Sale and Purchase Framework Agreements
“controlling Shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the Directors of the Company
“Gas Cylinder Pipe Sale and Purchase Framework Agreements”	the Tianjin Tianhai Agreement and the Kuancheng Tianhai Agreement
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	the overseas foreign listed Shares of nominal value of RMB1.00 each in the Share capital of the Company, which are listed on the Main Board of the Stock Exchange subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jingcheng HK”	Jingcheng Holdings (Hong Kong) Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Jingcheng Holding
“Jingcheng Holding”	北京京城機電控股有限公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 100% interest in Jingcheng HK and 43.30% interest in the Company
“Independent Board Committee”	an independent committee of the Board, which is established by the Company, comprising all the independent non-executive Directors (including Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong), to give advices as regards the continuing connected transactions and other transactions
“Kuancheng Tianhai”	Kuancheng Tianhai Pressure Vessel Co., Ltd. (寬城天海壓力容器有限公司), a company incorporated in the PRC and is 61.1% and 38.9% owned by Tianhai Industrial and Kuancheng Shenghua respectively
“Kuancheng Tianhai Agreement”	the framework agreement entered into by Kuancheng Tianhai and Tianjin Pipe on 28 April 2017 in relation to the sale and purchase of gas cylinder pipes
“Kuancheng Shenghua”	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. (寬城升華壓力容器製造有限責任公司), a company incorporated in the PRC
“Latest Practicable Date”	5 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Proposed Annual Caps”	the proposed annual monetary caps for the Continuing Connected Transactions for the period from 1 January 2017 to 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of the Company, including A Shares and H Shares, unless otherwise specified
“Shareholders”	the Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SASAC”	State-owned Asset Supervision and Administration Commission
“SFC”	Securities and Futures Commission of Hong Kong
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Supervisors”	the supervisors of the Company
“Tianhai Industrial”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a limited liability company established in the PRC and is 100% owned by the Company
“Tianjin Pipe”	天津鋼管鋼鐵貿易有限公司 (Tianjin Pipe Steel Trade Co., Ltd.), a company incorporated in the PRC and is 100% wholly owned by Tianjin Pipe Group
“Tianjin Pipe Group”	天津鋼管集團股份有限公司 (Tianjin Pipe Group Co., Ltd.), a company incorporated in the PRC
“Tianjin Seamless”	天津大無縫投資有限公司 (Tianjin Seamless Investment Co. Ltd.), a company incorporated in the PRC and is 100% owned by Tianjin Pipe Group
“Tianjin Tianhai”	天津天海高壓容器有限責任公司 (Tianjin Tianhai High Pressure Containers Co., Ltd.), a company incorporated in the PRC and is 45.52%, 45% and 9.48% owned by Tianhai Industrial, Tianjin Seamless and Jingcheng HK, respectively

DEFINITIONS

“Tianjin Tianhai Agreement” the framework agreement entered into by Tianjin Tianhai and Tianjin Pipe on 28 April 2017 in relation to the sale and purchase of gas cylinder pipes

“%” percent

LETTER FROM THE BOARD



北京京城机电股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

(a joint stock limited company established in the People's Republic of China)

(Stock Code: 0187)

Executive Directors:

Mr. Wang Jun
Mr. Li Junjie
Mr. Du Yuexi

Registered office:

Room 901, No. 59 Mansion,
Dongsanhuan Road Central,
Chaoyang District,
Beijing,
PRC

Non-executive Directors:

Mr. Xia Zhonghua
Ms. Jin Chunyu
Mr. Fu Hongquan

Independent non-executive Directors:

Ms. Wu Yan
Mr. Liu Ning
Mr. Yang Xiaohui
Mr. Fan Yong

9 June 2017

To the Shareholders

Dear Sir or Madam,

2016 ANNUAL REPORT
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2016 WORK REPORT OF THE SUPERVISORY COMMITTEE
2016 AUDITOR'S AUDITED FINANCIAL REPORTS
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THE SUPERVISORY COMMITTEE
AND
NOTICE OF ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with the notice of the 2016 Annual General Meeting and to provide you with reasonable and necessary information.

At the AGM of 2016, the following ordinary resolutions will be proposed to consider and approve (1) the 2016 Annual Report; (2) the 2016 Work Report of the Board; (3) the 2016 Work Report of the Supervisory Committee; (4) the 2016 audited financial reports; (5) the 2016 audited internal control report; (6) Report of the independent non-executive Directors for the year 2016; (7) no profit distribution plan for the year 2016; (8) the appointment of the auditor for 2017 financial reports; (9) the appointment of the auditor for 2017 internal control report; (10) the resolution on the remuneration of and written contracts to be entered into with the Directors of the ninth session of the Board; (11) the resolution on the remuneration of and written contracts to be entered into with the supervisors of the ninth session of the supervisory committee; (12) the resolution in relation to the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd.; (13) the resolution in relation to the amendments to the Rules of Procedures for Shareholders' General Meetings; (14) the resolution in relation to the amendments to the Fund Raising Management Measures; (15) the resolution on the general election of the Board; (16) the resolution on the election of independent non-executive Directors; (17) the resolution on the general election of the supervisory committee.

2016 Annual Report of the Company, 2016 Work Report of the Board, the 2016 audited financial reports, the 2016 audited internal control report and no profit distribution plan for the year 2016

For details, please refer to the 2016 Annual Report of the Company which has been published on the website of the Company and the website of the Stock Exchange and the relevant sections thereof.

2016 Work Report of the Supervisory Committee

For details, please refer to Appendix II to this circular.

Report of the Independent Non-executive Directors for the year 2016

For details, please refer to Appendix III to this circular.

Appointment of Auditor for 2017 financial reports

The Board proposes that the Company to re-appoint ShineWing Certified Public Accountants LLP as its auditor for preparing the financial reports of the Company for the year 2017, and to authorize the Board to enter into a service contract with it and determine its remuneration.

LETTER FROM THE BOARD

Appointment of Auditor for 2017 Internal Control Report

The Board proposes that the Company to re-appoint BDO China Shu Lun Pan Certified Public Accounts LLP as its auditor for preparing the internal control report of the Company for the year 2017, and to authorize the Board to enter into a service contract with it and determine its remuneration.

The entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd.

Reference is made to the announcement of the Company dated 28 April 2017, whereby the Board announces that on 28 April 2017, Tianjin Tianhai and Kuancheng Tianhai, both non wholly-owned subsidiaries of the Company, entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreements with Tianjin Pipe, pursuant to which Tianjin Tianhai and Kuancheng Tianhai will procure gas cylinder pipes from Tianjin Pipe for a term of 3 years commencing from 1 January 2017 to 31 December 2019. The proposed annual caps for the Continuing Connected Transactions between Tianjin Tianhai and Tianjin Pipe, and between Kuancheng Tianhai and Tianjin Pipe are RMB300,000,000 and RMB200,000,000 respectively.

The transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advisor's advices and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

According to the listing rules of the Shanghai Stock Exchange, the Continuing Connected Transactions shall be subject to the approval of the Shareholders. Therefore, the Directors have put forward the Continuing Connected Transactions and the Proposed Annual Caps for approval by the Shareholders at the AGM.

This circular is to provide you with the recommendation from the Independent Board Committee to Independent Shareholders in relation to the transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements.

On 28 April 2017, Tianjin Tianhai and Kuancheng Tianhai, both non wholly-owned subsidiaries of the Company, entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreements with Tianjin Pipe.

LETTER FROM THE BOARD

The principal terms of the Gas Cylinder Pipe Sale and Purchase Framework Agreements are set out below:

1. Tianjin Tianhai Agreement

Date: 28 April 2017

Parties: Tianjin Tianhai as purchaser
Tianjin Pipe as vendor

Term: The Tianjin Tianhai Agreement is valid for a term of 3 years, commencing from 1 January 2017 to 31 December 2019

Subject matter: Tianjin Tianhai shall procure gas cylinder pipes from Tianjin Pipe in accordance with the provisions of the Tianjin Tianhai Agreement

Material terms: Tianjin Pipe shall supply gas cylinder pipes that meets the national standards, industry standards and the technological standards as agreed by Tianjin Tianhai and Tianjin Pipe.

Tianjin Pipe shall provide a certificate of quality guarantee of the gas cylinder pipes to Tianjin Tianhai upon each transaction.

In relation to the rolling pipe types, Tianjin Pipe undertakes to prioritize the production of Tianjin Tianhai's orders and make the necessary arrangements to ensure that they will be delivered according to the schedule.

Price and payment terms: The price and quantity of gas cylinder pipes supplied by Tianjin Pipe shall be determined by individual agreements to be entered into between Tianjin Tianhai and Tianjin Pipe every month. Such price shall be determined on an arm's length basis between Tianjin Tianhai and Tianjin Pipe.

Before the 20th day of every month, Tianjin Tianhai shall send its demand plan of gas cylinder pipes for the following month to Tianjin Pipe. Tianjin Pipe shall then provide the pricing policy of the gas cylinder pipes before the 25th day of every month. Before the 30th day of every month, a sale & purchase agreement shall be entered into between Tianjin Tianhai and Tianjin Pipe in accordance with the demand plan and pricing level.

LETTER FROM THE BOARD

Notwithstanding the fact that the actual purchase price of gas cylinder pipes payable by the Group is subject to the terms of individual agreement to be entered into monthly, such purchase price shall be determined based on the monthly pricing policy issued by Tianjin Pipe. The selling prices of the gas cylinder pipes are adjusted monthly according to iron ore prices, steel prices and other production costs of Tianjin Pipe. So far as the Board is aware, it is a market practice to adopt similar monthly pricing arrangement for gas cylinder pipes, and same pricing basis is applied to all customers of gas cylinder pipe of Tianjin Pipe, including independent third parties or connected persons. Therefore, the Board considers that the prices offered to the Group are no less favorable than those available for independent third parties. On this basis, the Board considers that the pricing terms of the transactions contemplated under the Tianjin Tianhai Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

50% of the consideration of the gas cylinder pipes purchased in the current month shall be paid after Tianjin Tianhai receives the value-added tax invoices issued by Tianjin Pipe in relation to the corresponding amount before the 20th day of every month and the balance shall be paid before the last day of every month by Tianjin Tianhai after receiving the value-added tax invoices issued by Tianjin Pipe in relation to the amount to be paid.

Payments between Tianjin Tianhai and Tianjin Pipe can be settled by cash or bank acceptance bill within 6 months.

Proposed annual
cap:

RMB300,000,000 for each of the 3 years ending 31 December 2017, 31 December 2018 and 31 December 2019

LETTER FROM THE BOARD

Basis of the proposed annual caps:	<p>The proposed annual caps are determined after taking into account the following:</p> <ol style="list-style-type: none"> the agreements which have already been entered into for the gas cylinder pipes to be purchased by Tianjin Tianhai from Tianjin Pipe; the anticipated quantity of gas cylinder pipes to be purchased by Tianjin Tianhai and the estimated market price of pipes; the historical transaction amounts of the gas cylinder piped procured by Tianjin Tianhai from Tianjin Pipe.
Historical transaction amounts for the 3 years ended 31 December 2016	<p>The fees paid by Tianjin Tianhai to Tianjin Pipe in relation to the procurement of gas cylinder pipes for the 3 years ended 31 December 2016 are as follows:</p> <p>Audited historical amount for the year ended 31 December</p>

2014	2015	2016
<i>RMB'0,000</i>	<i>RMB'0,000</i>	<i>RMB'0,000</i>
15,670.5	11,388.7	7,703.8
<u>15,670.5</u>	<u>11,388.7</u>	<u>7,703.8</u>

2. Kuancheng Tianhai Agreement

Date:	28 April 2017
Parties:	Kuancheng Tianhai as purchaser Tianjin Pipe as vendor
Term:	The Kuancheng Tianhai Agreement is valid for a term 3 years, commencing from 1 January 2017 to 31 December 2019
Subject matter:	Kuancheng Tianhai shall procure gas cylinder pipes from Tianjin Pipe in accordance with the provisions of the Tianjin Tianhai Agreement
Material terms:	Tianjin Pipe shall supply gas cylinder pipes that meets the national standards, industry standards and the technological standards as agreed by Kuancheng Tianhai and Tianjin Pipe.

LETTER FROM THE BOARD

Tianjin Pipe shall provide a certificate of quality guarantee of the gas cylinder pipes to Kuancheng Tianhai upon each transaction.

In relation to the rolling pipe types, Tianjin Pipe undertakes to prioritize the production of Kuancheng Tianhai's orders and make the necessary arrangements to ensure that they will be delivered according to the schedule.

Price and payment
terms:

The price and quantity of gas cylinder pipes supplied by Tianjin Pipe shall be determined by individual agreements to be entered into between Kuancheng Tianhai and Tianjin Pipe every month. Such price shall be determined on an arm's length basis between Kuancheng Tianhai and Tianjin Pipe.

Before the 20th day of every month, Kuancheng Tianhai shall send its demand plan of gas cylinder pipes for the following month to Tianjin Pipe. Tianjin Pipe shall then provide the pricing policy of the gas cylinder pipes before the 25th day of every month. Before the 30th day of every month, a sale & purchase agreement shall be entered into between Kuancheng Tianhai and Tianjin Pipe in accordance with the demand plan and pricing level.

Notwithstanding the fact that the actual purchase price of gas cylinder pipes payable by the Group is subject to the terms of individual agreement to be entered into monthly, such purchase price shall be determined based on the monthly pricing policy issued by Tianjin Pipe. The selling prices of the gas cylinder pipes are adjusted monthly according to iron ore prices, steel prices and other production costs of Tianjin Pipe. So far as the Board is aware, it is a market practice to adopt similar monthly pricing arrangement for gas cylinder pipes, and same pricing basis is applied to all customers of gas cylinder pipe of Tianjin Pipe, including independent third parties or connected persons. Therefore, the Board considers that the prices offered to the Group are no less favorable than those available for independent third parties. On this basis, the Board considers that the pricing terms of the transactions contemplated under the Kuancheng Tianhai Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

LETTER FROM THE BOARD

30% of the consideration of the gas cylinder pipes purchased in the current month shall be paid on the day when Kuancheng Tianhai and Tianjin Pipe enters into their monthly sale & purchase agreement and the balance shall be paid by Kuancheng Tianhai within 3 days prior to the delivery of goods.

Payments between Kuancheng Tianhai and Tianjin Pipe can be settled by cash or bank acceptance bill within 6 months.

Proposed annual cap:	RMB200,000,000 for each of the 3 years ending 31 December 2017, 31 December 2018 and 31 December 2019
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Basis of the proposed annual cap:	Kuancheng Tianhai was incorporated in April 2017. There are no previous transactions between Kuancheng Tianhai and Tianjin Pipe. The proposed annual cap is determined with reference to the anticipated quantity of gas cylinder pipes to be purchased by Kuancheng Tianhai and the estimated market price of gas cylinder pipes. The anticipated quantity of gas cylinder pipes to be purchased by Kuancheng Tianhai mainly take into account the projected annual production capacity of gas cylinder products of Kuancheng Tianhai and the costs of raw materials. The market price of gas cylinder pipes is affected by a number of factors, including iron ore and billet prices, energy and technical costs, national macroeconomic policies and structural adjustment of the steel industry. The Company expects that the market price of gas cylinder pipes will remain at a steady level or increase for the coming three years ending 31 December 2019.
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REASONS AND BENEFITS OF ENTERING INTO THE GAS CYLINDER PIPE SALE AND PURCHASE FRAMEWORK AGREEMENTS

As a long-term cooperation partner of the Group, the Company is confident about the supply and quality of products provided by Tianjin Pipe, and the price of gas cylinder pipes supplied by Tianjin Pipe is at the lower end of the market price within the country. Also, the proximity between Tianjin Pipe and the Group saves the transportation costs, which in turn reduces the costs of the Group's products and enhances their market competitiveness. Meanwhile, Tianjin Tianhai, being Tianjin Pipe's largest direct purchaser of its gas cylinder pipes, is able to receive a more favorable pricing policy from Tianjin Pipe. Being a fellow subsidiary of Tianhai Industrial, Kuancheng Tianhai shall be able to benefit from Tianjin Pipe's favorable pricing policy as well.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements are fair and reasonable; in the ordinary and usual course of business of the Group, on normal commercial terms or better; and in the interests of the Company and its Shareholders as a whole.

None of the Directors have a material interest in the transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements.

INTERNAL CONTROL MEASURES

According to the procurement policy of the Group's procurement department, the Group has maintained a directory of qualified suppliers, comprising independent suppliers and suppliers which are connected persons to the Group. To ensure the Company is offered the most favorable pricing, the procurement department of the Company, would review two to three qualified suppliers selected for the raw materials procured by the Group every month. Although the Group has been purchasing gas cylinder pipes manufactured by Tianjin Pipe, the Company will also consider gas cylinder pipes produced by other manufacturers. The most important criteria for the Company to select the supplier would be (i) the pricing terms; (ii) transportation costs; (iii) quality; and (iv) previous business relationship. The Company usually procures gas cylinder pipes from the supplier with quotation that enables the Company to achieve highest cost-effectiveness. Tianjin Tianhai and Kuancheng Tianhai will strictly implement the Company's procurement management measures. In accordance with the demand plan of gas cylinder pipes for the following month which will be sent to Tianjin Pipe by Tianjin Tianhai and Kuancheng Tianhai respectively, the respective business personnel of Tianjin Tianhai and Kuancheng Tianhai will prepare the respective individual agreements to be entered into with Tianjin Pipe every month. The head of procurement department and head of the marketing department of Tianjin Tianhai and Kuancheng Tianhai will respectively review the quantity and pricing of gas cylinder pipes under such individual agreements based on the monthly demand plan and pricing policy. The Company's legal department will review and ensure the individual agreements and transactions contemplated thereunder comply with the relevant laws and regulations, including but not limited to, the annual caps requirement under the Listing Rules. With such internal control procedures in place, the Board considers that the pricing offered to the Company is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tianhai Seamless is a controlling shareholder of Tianjin Tianhai holding 45% interest in Tianjin Tianhai, a subsidiary of the Company. Both Tianhai Seamless and Tianjin Pipe are the wholly-owned subsidiaries of Tianjin Pipe Group. Therefore, Tianjin Pipe is an associate of Tianjin Seamless and also a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Gas Cylinder Pipe Sale and Purchase Framework Agreements; and (ii) the independent non-executive Directors have confirmed that the terms of each of the transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements are fair and reasonable, on normal commercial terms or better and

LETTER FROM THE BOARD

in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Gas Cylinder Pipe Sale and Purchase Framework Agreements are only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advisor's advices and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

SHAREHOLDERS' APPROVAL

According to the listing rules of the Shanghai Stock Exchange, the Continuing Connected Transactions shall be subject to the approval of the Shareholders. Therefore, the Directors have put forward the Continuing Connected Transactions and the Proposed Annual Caps for approval by the Shareholders at the AGM. The Company will convene the AGM on 26 June 2017.

GENERAL

The Company is principally engaged in research and development, manufacture and sale of compressed gas cylinders, gas compressors and related equipment.

Tianjin Tianhai is principally engaged in the design, production and sales of high pressure containers and after-sales services; export of self-produced products and technologies of the Company and the import of machinery and equipment, components, raw and auxiliary materials and technologies as required by the Company, except for the products and technologies restricted by the State or those forbidden for exports and imports.

Kuancheng Tianhai is principally engaged in the manufacturing of B1 seamless cylinders (only steel seamless cylinders), sales and import and export business of its self-produced products (except those commodities restricted by the state for operation of companies or prohibited for import and export).

Tianjin Pipe is principally engaged in the sales of steel pipes, metal products, metal materials, billets, steel boiler materials and minerals (except coal). For special projects of the State, operations are implemented according to the requirements, and business operations involving industry licensing are carried out according to the permits and approval documents.

Tianjin Pipe has a registered capital of RMB20 million. As at 31 December 2016, Tianjin Pipe has total assets and net assets of RMB444,773,300 and RMB43,772,000 respectively. For the year ended 31 December 2016, Tianjin Pipe's operating income from its principal business and net profit are RMB2,932,189,700 and RMB6,873,600 respectively.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO RULES OF PROCEDURAL FOR SHAREHOLDERS' GENERAL MEETINGS

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 1 Article 1

In order to regulate corporate acts, ensure that the Shareholders' general meeting legally exercises its functions and powers, these Procedural Rules are formulated in accordance with the provisions of the Company Law of the People's Republic of China (the "Company Law") and the Security Law of the People's Republic of China (the "Security Law").

Proposed to be amended as:

Chapter 1 Article 1

In order to regulate corporate acts, ensure that the Shareholders' general meeting legally exercises its functions and powers, these Procedural Rules are formulated in accordance with the provisions of the Company Law of the People's Republic of China (the "Company Law"), the Security Law of the People's Republic of China (the "Security Law"), the Rules for the General Assemblies of Shareholders of Listed Companies (the "Rules") and the Article of Association.

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 1 Article 4

Shareholders' general meetings comprise of Shareholders' annual general meetings and Shareholders' extraordinary general meetings. The Shareholders' annual general meeting shall be held once a year within 6 months from the accounting year end date of the previous year. Extraordinary general meeting shall be held from time to time and, upon the happening of an event which, according to Article 101 of the Company Law, requires the holding of an extraordinary general meeting, an extraordinary general meeting shall be held within 2 months of the happening of such event.

In the event that Shareholders' general meetings cannot be held within the time periods as stated above, the Company shall report to the representative organizations of the Chinese securities regulator in the Company's locality and the stock exchange of the place where its Shares are listed (the "Stock Exchange") and shall issue an announcement setting out the reasons.

LETTER FROM THE BOARD

Proposed to be amended as:

Chapter 1 Article 4

Shareholders' general meetings comprise of Shareholders' annual general meetings and Shareholders' extraordinary general meetings. The Shareholders' annual general meeting shall be held once a year within 6 months from the accounting year end date of the previous year. Extraordinary general meeting shall be held from time to time and, upon the happening of an event which, according to Article 101 of the Company Law, requires the holding of an extraordinary general meeting, an extraordinary general meeting shall be held within 2 months of the happening of such event.

In the event that Shareholders' general meetings cannot be held within the time periods as stated above, the Company shall report to the representative organizations of the Chinese securities regulator in the Company's locality and the Shanghai Stock Exchange and shall issue an announcement setting out the reasons.

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 2 Article 9

Shareholders shall request to convene an extraordinary general meeting or a class general meeting in accordance with the following procedures:

Two or more than two Shareholders holding over 10% (inclusive) of the voting rights of the Shares having the right to vote in such a meeting may sign one or several written requests in the same form requesting the Board of Directors to convene an extraordinary general meeting or a class general meeting, and specify matters of such meeting. Upon receiving of the aforementioned written requests, the Board of Directors shall convene such extraordinary general meeting or class general meeting as soon as possible. The aforementioned number of Shares held shall be determined as of the date of submitting of such written requests.

Shall the Board of Directors fail to issue a notice to convene such meeting, within 30 days upon receiving of the aforementioned written requests, Shareholders submitting such written requests may convene such meeting on their own within four months upon receiving of such written requests by the Board of Directors. The procedures for convening such Shareholders' general meeting shall follow those Shareholders' general meeting convened by Directors as much as possible.

All expenses necessary for convening Shareholders' general meeting by the Shareholders as a result of the Directors' failure to convene a meeting at Shareholders' request shall be borne by the Company, and the Company shall be entitled to obtain indemnification from the defaulting Directors.

LETTER FROM THE BOARD

Proposed to be amended as:

Chapter 2 Article 9

Shareholders shall request to convene an extraordinary general meeting in accordance with the following procedures:

Shareholder(s) of ordinary Shares individually or in aggregate holding more than 10% of the Shares of the Company shall have the right to propose in writing to the Board to convene an extraordinary general meeting and a written request shall be made to the Board. The Board shall give written replies as to whether it agrees or disagrees to the convening of the extraordinary general meeting within 10 days after receiving the request(s) according to the provisions of laws, administrative regulations and the Article of Association”.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice on convening the Shareholders’ general meeting within 5 days after passing the board resolution. Any changes to the original proposal as stated in the notice shall be approved by the relevant Shareholders.

If the Board does not agree to convene an extraordinary general meeting or it does not reply within 10 days after receiving the request(s), Shareholder(s) of ordinary Shares individually or in aggregate holding more than 10% of the Shares of the Company shall have the right to propose in writing to the Supervisory Committee to convene an extraordinary general meeting and a written request shall be made to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary general meeting, it shall issue a notice to convene the extraordinary general meeting within 5 days after receiving the request. Any changes to the original request as stated in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed as not convening or presiding over the meeting, in which case, the Shareholders individually or jointly holding more than 10% of the Shares of the Company for more than 90 consecutive days may convene and preside over the meeting on their own.

The Original Rules of Procedures for Shareholders’ General Meetings:

Chapter 3 Article 14

Shareholder(s) individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary motions and submit the same in writing to the convener 10 days prior to the holding of the Shareholders’ general meeting. The convener shall issue a supplementary notice of the Shareholders’ general meeting with 2 days of the receipt of the motion and announce the contents of the extraordinary motions.

LETTER FROM THE BOARD

No amendments to the remaining terms.

Proposed to be amended as:

Chapter 3 Article 14

Shareholder(s) of ordinary Shares individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary motions and submit the same in writing to the convener 10 days prior to the holding of the Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting with 2 days of the receipt of the motion and announce the contents of the extraordinary motions.

No amendments to the remaining terms.

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 4 Article 20

Shareholders' general meetings of the Company shall be held at No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing, PRC. A venue shall be set aside for the convening of physical Shareholders' general meetings. The Company may provide assistance to Shareholders in their participation of Shareholders' general meeting by the provision of safe, economic and convenient on line and other means. Attendance of Shareholders' general meeting by the aforesaid methods shall be treated as valid.

Proposed to be amended as:

Chapter 4 Article 20

Shareholders' general meetings of the Company shall be held at: address of the Company's office other places announced by the Company. A venue shall be set aside for the convening of physical Shareholders' general meetings. The Company may provide assistance to Shareholders in their participation of Shareholders' general meeting by the provision of safe, economic and convenient on line and other means. Attendance of Shareholders' general meeting by the aforesaid methods shall be treated as valid.

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 4 Article 31

In case any shareholder is involved in any matter to be reviewed at the General Meeting, he shall avoid the voting process, and the voting shares he holds shall not be included in the total number of voting shares held by shareholders present at the meeting.

The Company has no voting right for the shares it holds, and these shares shall not be included in the total number of voting shares held by shareholders present at the meeting.

LETTER FROM THE BOARD

Proposed to be amended as:

Chapter 4 Article 31

When transactions are being resolved in the Shareholders' general meeting, all Shareholders who are connected with such transactions shall abstain from voting. The voting Shares of the aforesaid Shareholders shall not be included into the total number of voting Shares held by Shareholders present at the Shareholders' general meeting.

When the Shareholders' general meeting considers matters that could materially affect the interest of medium and small investors, the votes by medium and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly.

Shares of the Company held by the Company shall carry no voting rights and such Shares shall be excluded from the total number of voting Shares represented by the Shareholders at the meeting.

The Board, independent Directors, and Shareholders who meet the relevant requirements may collect voting rights from other Shareholders. Information including the specific voting intention shall be fully disclosed to the Shareholders from whom voting rights are being collected. Consideration or de facto consideration for collecting Shareholders' voting rights is prohibited. The Company shall not impose any minimum Shareholding limitation for collecting voting rights.

The Original Rules of Procedures for Shareholders' General Meetings:

Chapter 4 Article 36

Shareholders attending the Shareholders' general meeting shall vote for, against or abstain from voting on the resolutions put forward for voting.

For voting slips that are left blank, incorrectly completed, illegible or not cast, the voter shall be deemed to have waived his voting rights, and the votes in respect of the number of Shares held by him shall be counted as "abstention".

Proposed to be amended as:

Chapter 4 Article 36

Shareholders attending the Shareholders' general meeting shall vote for, against or abstain from voting on the resolutions put forward for voting, except for the securities registration and settlement institutions which, being the nominal holders of Shares subject to the interconnection mechanism of the Mainland and Hong Kong stock market transactions, shall make declaration according to the intentions of actual holders.

LETTER FROM THE BOARD

For voting slips that are left blank, incorrectly completed, illegible or not cast, the voter shall be deemed to have waived his voting rights, and the votes in respect of the number of Shares held by him shall be counted as “abstention”.

The Original Rules of Procedures for Shareholders’ General Meetings:

Chapter 4 Article 45

Resolutions of the Company’s Shareholders’ general meeting which violate the laws and regulations shall be rendered void.

In the event that the convening procedures of the Shareholders’ general meeting, or the voting procedures thereof contravene any law or administrative regulation or the Articles of Association, or the content of any resolution adopted at the Shareholders’ general meeting contravenes the Articles of Association, the Shareholders may, within 60 days of the date of adoption of the relevant resolution, apply to the People’s Court for rescission of such resolution.

Proposed to be amended as:

Chapter 4 Article 45

Resolutions of the Company’s Shareholders’ general meeting which violate the laws and regulations shall be rendered void.

The controlling Shareholder or actual controller of the Company shall not restrict or hinder medium and small investors from exercising their right to vote, or harm the legitimate interest of the Company or the medium and small investors.

In the event that the convening procedures of the Shareholders’ general meeting, or the voting procedures thereof contravene any law or administrative regulation or the Articles of Association, or the content of any resolution adopted at the Shareholders’ general meeting contravenes the Articles of Association, the Shareholders may, within 60 days of the date of adoption of the relevant resolution, apply to the People’s Court for rescission of such resolution.

PROPOSED AMENDMENTS TO THE FUND RAISING MANAGEMENT MEASURES

The Original Fund Raising Management Measures:

Chapter 1 Article 1

In order to standardize the management and utilization of the raised fund of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) and safeguard the interest of investors, these Measures are formulated in accordance with the requirements of the Securities Law, the Companies Law”, the Code of Corporate Governance for Listed Companies and the Listing Rules, etc. and taking into account the Company’s actual conditions.

LETTER FROM THE BOARD

Proposed to be amended as:

Chapter 1 Article 1

In order to standardize the management and utilization of the raised fund of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) and safeguard the interest of investors, these Measures are formulated in accordance with the requirements of the Securities Law, the Companies Law, the Regulations for the Administration of the Issuance of Securities by Listed Companies, the listing rules of the Shanghai Stock Exchange and the Guidelines for the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds, and taking into account the Company’s actual conditions.

The Original Fund Raising Management Measures:

Chapter 1 Article 2

The raised fund referred in these Measures means funds raised from the public for specific use through the issuance of Shares (including initial public offering, Share placement and the issuance of additional Shares after listing) or by issuing convertible bonds.

Proposed to be amended as:

Chapter 1 Article 2

The raised fund referred in these Measures means funds raised from the public for specific use through the issuance of Shares (including initial public offering, Share placement, the issuance of additional Shares, issuance of convertible corporate bonds and issuance of convertible corporate bonds with warrants, corporate bonds and warrants) and by non-public offering of securities.

The Original Fund Raising Management Measures:

Chapter 1 Article 4

No one has the power to change the use of raised funds as announced in the prospectus of raised fund unless Shareholders have passed a resolution at the general meeting in accordance with the law.

Proposed to be amended as:

Chapter 1 Article 4

The raise proceeds from public issuance of Shares shall be used for the purposes as set out in the prospectus.

LETTER FROM THE BOARD

No one has the power to change the use of raised funds as announced in the prospectus of raised fund unless Shareholders have passed a resolution at the general meeting in accordance with the law.

The Original Fund Raising Management Measures:

Chapter 2 Article 6

The raised fund of the Company shall be deposited according to the principles of concentration and convenience for supervision.

Proposed to be amended as:

Chapter 2 Article 6

The raised fund of the Company shall be deposited according to the principles of concentration and convenience for supervision.

The raised fund of by the Company shall be deposited into a designated account(s) (the “Designated Account(s) for Proceeds”) approved and set up by the Board for centralized management.

The Original Fund Raising Management Measures:

Chapter 2 Article 7

The raised fund shall be deposited in a specific bank account set up by the Company. A raised fund specific account management agreement for the raised fund account shall be entered into between the bank and the Company.

Proposed to be amended as:

Chapter 2 Article 7

The raised fund shall be deposited in a specific bank account set up by the Company. A raised fund specific account management agreement for the raised fund account shall be entered into between the bank and the Company.

The Company shall enter into a Three-Party Custody Agreement relating to the Special Account for Raised Fund (hereinafter referred to as the “Agreement”) with the sponsor and the commercial bank (hereinafter referred to as the “Commercial Bank”) where such Raised Fund is deposited within one month of the deposit. As to investment projects implemented through the Company’s holding subsidiaries, the tripartite regulatory agreement shall be signed among the Company, the holding subsidiaries which will implement the investment projects financed by the proceeds, the Commercial Bank and the sponsor, and the Company and its holding subsidiaries shall be together deemed as a party.

LETTER FROM THE BOARD

The Company shall submit the above agreement to Shanghai Stock Exchange for record and make announcement within 2 trading days upon the execution of the Agreement.

Where above-mentioned Agreement is terminated earlier before the expiration of validity term due to such reasons as the change of sponsor or Commercial Bank, the Company shall enter into a new agreement with relevant parties within 2 weeks as of such termination, and shall submit the new agreement to Shanghai Stock Exchange for record and make announcement within 2 trading days upon the execution of the new agreement.

The Original Fund Raising Management Measures:

Chapter 2 Article 8

In case when the raised fund is over RMB 50 million, and it is necessary to open specific accounts in more than one bank because of loan arrangements, the principle that the raised fund for the same investment objective should be deposited in the same specific account should be followed.

Proposed to be amended as:

Chapter 2 Article 8

In case when the raised fund is over RMB 50 million, and it is necessary to open specific accounts in more than one bank because of loan arrangements, the principle that the raised fund for the same investment objective should be deposited in the same specific account should be followed.

Where the amount drawn by the Company once at a time or aggregately within 12 months exceeds RMB50 million from the Special Account for Raised Fund and accounts for 20% of the total amount in the raised fund minus the issuance cost (hereinafter referred to as “Net Raised Fund”), the Company shall timely notify the Sponsor.

The Original Fund Raising Management Measures:

Chapter 3 Article 9

The basis for the use of raised fund is the proposal for the use of raised fund.

Proposed to be amended as:

Chapter 3 Article 9

The basis for the use of raised fund is the proposal for the use of raised fund.

LETTER FROM THE BOARD

The raised fund investment project may not be holding trading financial assets and available-for-sale financial assets, loan to others, asset management or other financial investment; and may not be directly or indirectly for investments in the companies whose main business is to trade marketable securities. The Company may not make disguised change of the purpose of raised fund through pledge, entrusted loans and other manners.

The Company shall ensure truthfulness and fairness of the use of proceeds to avoid use or misappropriation of proceeds by associated party such as controlling Shareholder and beneficial controller, and shall take effective measures to avoid obtaining illegitimate interests by associated party through taking advantage of the raised fund investment project

The Original Fund Raising Management Measures:

Chapter 4 Article 14 to Article 16

Article 14 In the premise that the construction of the raised fund investment project will not be affected, the raised fund can be used to supplement the liquidity, or used in short-term investment not exceeding six months within the scope as permitted by laws, regulations and normative documents of securities regulatory authorities.

When the raised fund is used to supplement liquidity, it shall be approved by the general manager in a work meeting; when it is used for short-term investment, it shall be approved by the Board.

Article 15 The raised fund of the Company shall not be invested in stocks and futures, unless Shareholders have a passed a resolution at the general meeting in accordance with the law.

Article 16 When the raised fund investment project is in the form of establishing a joint venture company with third parties, the said joint venture company shall draw up a corresponding fund raising management measures, and submit it to the Board of the Company for consideration and approval together with the feasibility report of the fund raising investment projects.

Proposed to be amended as:

Chapter 4 Article 14 to Article 19

Article 14 The temporarily unused raised fund of the Company may be delivered to cash management, and the invested product shall meet the following conditions: high safety, principal preservation, and the product issuer can make promise of preserving principal; good liquidity and will not affect the normal operation of the raised fund investment plan.

The invested product may not be pledged, and the specific product settlement account (if applicable) may not include other fund than raised fund or be used for other purposes. Where establishing or cancelling the specific product settlement account, the Company shall report to the stock exchange for record within 2 trading days and make public announcement.

LETTER FROM THE BOARD

Where the Company invests the unused raised fund in any investment products; it shall obtain the approval from the Board of the listed company, and require the independent Directors, supervisory committee and sponsor to make express affirmative opinion and disclosure.

Where the purpose of raised fund in disguise will not be changed, the normal operation of raised fund investment plan will not be affected and the due previous raised fund temporarily supplementing working capital has been repaid (if applicable), unused raised fund may be used for temporarily supplementing the working capital. The temporarily supplementing working capital is limited to the production and operation relating to main business, and may not be used for placement of new Shares or subscription, or be used for trading of Shares and its derivatives as well as convertible corporate bonds, etc. through direct or indirect arrangement.

Where the Company uses unused fund to temporarily supplement the working capital, it shall obtain the approval from the Board and be subject to the affirmative opinion and disclosure made by independent Directors, supervisory committee and sponsors. The time for each amount supplementing working capital shall not exceed 12 months.

Article 15 When the Company previously invested with own fund in Investment Project, it may replace its own fund with the raised fund within 6 months after the raised fund is transferred to the account.

Replacement of the Company's self-raised funds pre-invested in the raised fund investment project shall be implemented only upon consideration and approval by the Board, the issue of verification report by certified accountant, the issue of explicit consent from independent Directors, supervisory committee and the sponsor(s) and the performance of information disclosure obligations.

In case the intention to replace the pre-invested self-raised fund with proceeds is disclosed in the application document for issuance and the pre-invested amount is confirmed, it shall be publicly announced before the implementation of the replacement.

Article 16 If the actual Net Raised Fund exceeds the planned raised fund, the excess portion (hereinafter referred to as "Excess Fund") may be used for permanently supplementing working capital or repaying bank loans, but the aggregated amount for each 12 months may not exceed 30% of the total raised fund. The Company shall undertake not to make high-risk investment or provide financial support for others within 12 months after supplementing working capital.

Where the Excess Fund is used for permanently supplementing working capital and repaying bank loans, it will be subject to the consideration and approval from the Board and the Shareholders' general meeting, and the issue of explicit consent and the performance of information disclosure obligations from independent Directors, supervisory committee and the sponsor(s).

LETTER FROM THE BOARD

Article 17 When the Company invested Excess Fund in projects under construction and new projects (including acquisition of assets), the investment will be limited to its main business. The sponsor(s) and independent Directors shall issue specific opinions and the Company shall conduct the feasibility analysis of the new investment project in a scientific and diligent manner and in accordance with relevant requirements related to the change of the raised fund investment project.

Article 18 When the raised fund investment project is in the form of establishing a joint venture company with third parties, the said joint venture company shall draw up a corresponding fund raising management measures, and submit it to the Board of the Company for consideration and approval together with the feasibility report of the fund raising investment projects.

Article 19 Where the Company purchases an asset from specific targets by issuing securities, it shall complete the procedures for ownership transfer of the aforesaid assets before the listing of the new Shares, and the law firm engaged by the Company shall issue a specific legal opinion letter concerning the completion of such procedures.

Where the Company purchases an asset or raises proceeds for purchase of an asset from specific targets by issuing securities, the relevant commitments concerning acquisition of assets shall be strictly complied with and performed by related parties.

The Original Fund Raising Management Measures:

Chapter 4 Reporting and of usage of raised fund

Article 17 Meetings shall be convened by the general manager or the chief accountant at least once a month to review the use of raised fund.

Article 18 The general manager or the chief accountant shall report to the Board in writing in respect of the use of the raised fund at the end of each quarter. A copy of the special report mentioned above shall also be sent to the Supervisory Committee.

Article 19 The Board shall report to the investors in the annual general meeting and regular reports, namely the annual reports, the interim reports and the quarterly reports in respect of the use of the raised fund.

Article 20 The draft of the information disclosure of the use of raised fund shall be led by the Secretary of the Board, and co-signed by the financial department and audit department.

LETTER FROM THE BOARD

Proposed to be amended as:

Chapter 4 Change of allocation of raised fund

Article 20 The Company shall use the proceeds according to the purposes specified in the prospectus or offering document. When the raised fund investment project of the Company is changed, it shall be subject to the consideration and approval by the Board and the general meeting as well as affirmative opinion of and the independent Directors, sponsor and supervisory committee.

Where the Company merely changes the implementing site of the raised fund investment project, it may be exempted from the preceding procedures, and shall be subject to the consideration and approval of the Board. The Company shall report to Shanghai Stock Exchange and announce the change reasons and the sponsor's opinion within 2 trading days.

Article 21 The changed raised fund investment project of the Company shall be limited to the main business.

Article 22 Where the Company changes the raised fund investment project, it shall report to Shanghai Stock Exchange and announce the followings within 2 trading days upon submitting to the Board for consideration and approval:

1. The basic information of the original raised fund investment project and the specific reason for the change;
2. The basic information of the new raised fund investment project, feasibility analysis and risk alert;
3. The investment plan of new raised fund investment project;
4. The explanation on the approval that has been granted or pending from the relevant departments for new raised fund investment project (if applicable);
5. Opinion of the independent Directors, supervisory committee and the sponsor on the change of the raised fund investment project;
6. Explanation on the requirement of consideration from general meeting that the changed raised fund investment project is still subject to;
7. Other requirements of the Shanghai Stock Exchange.

Where the new raised fund investment project involves connected transaction, acquisition of assets and foreign investment, the Company shall disclose according to relevant provisions.

LETTER FROM THE BOARD

Article 23 Where the Company changes the raised fund investment project and uses the fund to acquire the assets from the controlling Shareholder or the actual controller (including equities), it shall ensure that the acquisition will effectively avoid horizontal competition and reduce connected transaction.

Article 24 Where the Company intends to transfer or replace the Investment Project (except that the raised fund investment project has been wholly transferred or replaced during the implementation of material assets reorganization in the Company), it shall report to Shanghai Stock Exchange and make announcement(s) within 2 trading days after submitting to the Board for consideration. The Company shall pay full attention to the collection and use of the transfer price, the change information of the ownership of replacement assets, and the continuous operation of the replacement assets, and shall perform necessary obligations relating to information disclosure.

The Original Fund Raising Management Measures:

Chapter 5 Supervision of the use of raised fund

Article 21 Daily supervision in respect of the raised fund shall be performed by the audit department of the Company. The use of raised fund shall be audited once every six months by the audit department. The audit report shall be delivered to the Board, and a copy shall also be provided to the Supervisory Committee, the chairman and the general manager.

Article 22 Independent Directors have the right to review the use of raised fund. Subject to the approval from all independent Directors, an accounting firm qualified for securities business can be appointed to perform specific audit in respect of the use of raised fund.

Article 23 Supervisory Committee has the power to supervise the use of raised fund.

Proposed to be amended as:

Chapter 5 Management and supervision on the use of raised fund

Article 25 Meetings shall be convened by the general manager or the chief accountant at least once a month to review the use of raised fund.

Article 26 The general manager or the chief accountant shall report to the Board in writing in respect of the use of the raised fund at the end of each quarter. A copy of the special report mentioned above shall also be sent to the Supervisory Committee.

Article 27 The Board of the Company shall fully examine the status of Investment Project every half a year, and issue the Special Report relating to Deposit and Actual Use of the Raised Fund of the Company (the “Special Report on the Raised Fund”) based on the conditions concerning actual deposit and use of Raised Fund.

LETTER FROM THE BOARD

The Company shall provide specific explanation in the Special Report on the Raised Fund on the difference between the actual investment status and the investment plan of the Investment Project. When investing in products by use of unused Raised Fund for the current period, the Company shall disclose information, including revenue for the reporting period, Share of investment at the end of the reporting period, signing parties, product name and maturity term, in the Special Report on the Raised Fund.

The Special Report on the Raised Fund shall be subject to consideration and approval by the Board and the supervisory committee, and shall be reported to the Shanghai Stock Exchange and announced within 2 trading days after submitting to the Board for consideration. The Company shall appoint an accounting firm for issuance of a verification report based on the conditions of deposit and use of raised fund at the time of annual audit, shall submit to the Shanghai Stock Exchange at the time of disclosure of annual report and make disclosure.

Article 28 Independent Directors, the audit committee and the supervisory committee shall continuously pay attention to the actual management and use of the proceeds. Above half of the independent Directors, the audit committee or the supervisory committee may appoint a certified public accountant to issue a verification report on the deposit and use of raised fund. The Company shall proactively facilitate the above and bear necessary costs arise.

The Board shall report to the Shanghai Stock Exchange within 2 trading days following its receipt of the verification report as stipulated in the preceding terms and publish an announcement thereof. If the verification report considers a breach of rule regarding the management and use of raised fund by the Company, the Board shall also announce the situation concerning the breach of rule by the deposit and use of Raised Fund, the consequences resulted in or possibly caused and measures adopted or intended to be adopted.

Article 29 The draft of the information disclosure of the use of raised fund shall be led by the Secretary of the Board, and co-signed by the financial department and audit department.

Article 30 Daily supervision in respect of the raised fund shall be performed by the audit department of the Company. The use of raised fund shall be audited once every six months by the audit department. The audit report shall be delivered to the Board, and a copy shall also be provided to the Supervisory Committee, the chairman and the general manager.

Article 31 Independent Directors have the right to review the use of raised fund. Subject to the approval from all independent Directors, an accounting firm qualified for securities business can be appointed to perform specific audit in respect of the use of raised fund.

Article 32 Supervisory Committee has the power to supervise the use of raised fund.

LETTER FROM THE BOARD

ELECTION OF DIRECTORS AND SUPERVISORS

The term of all existing Directors and Supervisors will expire on the date of the AGM.

As disclosed in the announcement on the resolutions passed at the twenty-third extraordinary meeting of the eighth session of the Board dated 25 April 2017, the Board considered and approved the nomination by the controlling Shareholder of Mr. Wang Jun as the executive Director candidate of the ninth session of the Board and the nomination of Mr. Du Yuexi, Mr. Xia Zhonghua, Ms. Jin Chunyu and Ms. Li Chunzhi as the non-executive Director candidates of the ninth session of the Board, and the nomination committee of the Board nominated Mr. Li Junjie and Mr. Zhang Jiheng as the executive Director candidates of the ninth session of the Board, and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as the independent non-executive Director candidates of the ninth session of the Board.

In addition, as disclosed in the announcement on the resolutions passed at the twenty-eighth meeting of the eighth Supervisory Committee dated 25 April 2017, the Supervisory Committee considered and approved the recommendations made by Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling Shareholder of the Company that Mr. Li Gejin and Mr. Li Zhe (please refer to appendix for their biographies) will be nominated as candidates for Supervisors of the ninth Supervisory Committee. There shall also be one staff supervisor, to be elected by the meeting held by the staff of the Company in accordance with statutory procedures.

The term of office of the newly elected Directors and Supervisors will be three years commencing from the approval at the AGM and until the closing of 2019 annual general meeting.

Save as the chairman, the executive Directors of the ninth session of the Board shall receive their remunerations according to the Management Measures on the Remuneration and Performance Appraisal of Senior Management of the Company.

The annual emolument of the independent non-executive Directors is RMB60,000, while the non-executive Directors do not receive any remuneration from the Company.

The Supervisors of the Company are not entitled to the Supervisors' remuneration of the Company.

The Company will enter into the service contracts with all newly elected Directors of the ninth session of the Board and newly elected Supervisors.

According to the Articles of Association, the appointment of Directors and Supervisors is subject to the approval of the Shareholders. At the AGM, ordinary resolutions will be proposed to approve the election of Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as the executive Directors; Mr. Du Yuexi, Mr. Xia Zhonghua, Ms. Jin Chunyu and Ms. Li Chunzhi as the non-executive Directors; Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as the independent non-executive Directors; and Mr. Li Gejin and Mr. Li Zhe as Supervisors, and their respective remuneration packages.

LETTER FROM THE BOARD

The biographical details of the candidates proposed to be elected as Directors and Supervisors at the AGM are set out in Appendix IV to this circular.

THE AGM

A notice convening the AGM to be held on 26 June 2017 (Monday) at 9:30 a.m. is set out on pages 71 to 73 of this circular which has been despatched on 11 May 2017. Whether or not you are able to attend the AGM, you are requested to complete and return the revised form of proxy which has been disclosed on 11 May 2017 in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof. The form of proxy should be returned to the business address of the Company at No. 2 Nam San Street, Huo County, Tongzhou District, Beijing not less than 24 hours before the time appointed for the commencement of the AGM or any adjournment thereof. Completion and return of the said form of proxy will not prevent you from attending and voting in person at the AGM or at any adjournment thereof if you so wish.

Reply slip for the AGM has also been despatched on 11 May 2017. You have been reminded to complete and sign the reply slip and return the signed slip to the Company at its business address at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing on or before 5 June 2017 in accordance with the instructions printed thereon.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the AGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under requirements of Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
**BEIJING JINGCHENG MACHINERY
ELECTRIC COMPANY LIMITED**
Wang Jun
Chairman



北 京 京 城 機 電 股 份 有 限 公 司

Beijing Jingcheng Machinery Electric Company Limited

(a joint stock limited company established in the People's Republic of China)

(Stock Code: 0187)

9 June 2017

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 6 June 2017 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter will have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been established by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 31 of the Circular.

Having considered the terms of the Gas Cylinder Pipe Sale and Purchase Framework Agreements entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and the transactions contemplated thereunder, we consider that the terms of the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. , and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour for the resolutions to be proposed at the AGM to approve the Gas Cylinder Pipe Sale and Purchase Framework Agreements entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

WU YAN

Independent non-executive Director

YANG XIAOHUI

Independent non-executive Director

LIU NING

Independent non-executive Director

FAN YONG

Independent non-executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the Directors, the Supervisors and chief executive of the Company or their respective associates had the following interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations below (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Long position in Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the Shareholding in the entire Share capital of the Company (A Shares and H Shares)
Wu Yan	Beneficial owner	43,001	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors and chief executive of the Company or their respective associates had any interest or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

The following is a list of Directors and proposed Directors who, as at the Latest Practicable Date, were also employees of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director/ proposed Director	Name of Shareholder	Capacity of Director/ proposed Director in Shareholder	Number of Shares held by Shareholder	Approximate percentage of Shareholding in the entire Share capital of the Company (A Shares and H Shares)
Wang Jun	Jingcheng Holding	Standing committee member of party committee, deputy general manager and general counsel	182,735,052 A Shares	43.30%
Xia Zhonghua	Jingcheng Holding	Head of housing, land and resources department	182,735,052 A Shares	43.30%
Jin Chunyu	Jingcheng Holding	Assistant of general manager and head of planning and finance department	182,735,052 A Shares	43.30%
Li Chunzi	Jingcheng Holding	Deputy head of investment and assets management department	182,735,052 A Shares	43.30%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors is a Director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, according to the Shareholders' register and related application documents received by the Company, so far as the Directors, and senior management of the Company are aware, each of the following persons, not being a Director, Supervisor or senior management of the Company, had an interest in the Shares which is required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in ten percent, or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances with attached rights at general meetings of the Company or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Interests in the Company

Name of Shareholder	Type of interest	Class	Number of Shares in class (Approximate percentage Shareholding in class)	Approximate percentage of Shareholding in the entire Share capital of the Company (A Shares and H Shares)
Jingcheng Holding	Beneficial owner	A Shares	182,735,052 (56.75%)	43.30%

Interests in other members of the Group

Name of the member of the Group	Name of person	Approximate percentage of interest
America Fortune Company	鄭國祥 (Zheng Guoxiang)	24.50%
	郭志紅 (Guo Zhihong)	24.50%
上海天海德坤复合氣瓶有限公司 (Shanghai Tianhai Gas Cylinder Co., Ltd.)	吳壽宗 (Wu Shouzong)	12.16%
天津天海高壓容器有限責任公司 (Tianjin Tianhai High Pressure Containers Co., Ltd.)	天津大無縫投資有限公司 (Tianjin Seamless Investment Co., Ltd.)	45.00%
北京天海低溫設備有限公司 (Beijing Tianhai Cryogenic Equipment Co., Ltd.)	北京科瑞尼克科貿有限公司 (Beijing Kerui Nike Science Trading Co., Ltd.)	25.00%

Name of the member of the Group	Name of person	Approximate percentage of interest
廊坊天海高壓容器有限公司 (Langfang Tianhai High Pressure Cylinder Co., Ltd.)	吳壽宗 (Wu Shouzong)	30.00%
北京明暉天海氣體儲備銷售有限公司 (Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.)	北京京國發股權投資基金 (有限合夥) Beijing Jingguofa Equity Investment Fund (Limited Partnership)	31.26%
北京明暉天海氣體儲備銷售有限公司 (Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.)	北京巴士傳媒股份有限公司 Beijing Bashi Media Co., Ltd.	30.23%
山東天海高壓容器有限公司 (Shandong Tianhai High Pressure Cylinder Co., Ltd)	山東永安合力鋼瓶股份有限公司 (Shandong Yongan Heli Steel Cylinder Co., Ltd)	49.00%
江蘇天海特種裝備有限公司 (Jiangsu Tianhai Special Equipment Co., Ltd)	南京華博工貿實業有限公司 (Nanjing Huabo Industry & Trading Co., Ltd)	65.00%
寬城天海高壓容器有限公司 (Kuancheng Tianhai Pressure Vessel Co., Ltd.)	寬城升華壓力容器製造有限責任公司 (Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd.)	38.90%

Save as disclosed above and so far as the Directors and senior management of the Company are aware, as at Latest Practicable Date, no substantial Shareholder of the Company or other person held any interest or short position in the Shares or underlying Shares (as the case may be) which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or who is, directly or indirectly, interested in ten percent, or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contracts with the Company which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any asset which had been, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to the Company or were proposed to be acquired or disposed of by or leased to the any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Company.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors and the proposed Directors were aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. LITIGATIONS

As at the Latest Practicable Date, to the best knowledge of the Directors, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the the Gas Cylinder Pipe Sale and Purchase Framework Agreements entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. will be available for inspection at the offices of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours within 14 days from the date of this circular.

APPENDIX II 2016 WORK REPORT OF THE SUPERVISORY COMMITTEE

During 2016, the Supervisory Committee adhered to the principle of being responsible to all Shareholders to supervise the lawful operation of the Company and performance of duty by the Company's Directors and senior management officers strictly in accordance with the Company Laws, Security Laws, Articles of Association and the Rules of Procedure for the Supervisory Committee of the Company. During the reporting period, the Supervisory Committee held 10 meetings and attended the 2015 AGM and all the Board meetings. The Supervisory Committee earnestly heard the Company's position on production and operation, investment activities and financial control, participated in the decision-making process for material events of the Company, reviewed the Company's periodic report and supervised the operation of the Company as well as the performance of duty by the Company's Directors and senior management officers, which enhanced the Company's the standard operation level and practically protected the Company's and Shareholders' legal interests. 2017 Work Report of the Supervisory Committee is set out below:

I. Work of the Supervisory Committee in 2016

Supervisory Committee of the Company establishes a sound meeting and working system, which can be implemented strictly. Supervisory Committee convened 10 meetings in 2016, details of which are set out below:

- (I) The Sixteenth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 26 January 2016. Major details of the meeting are as follows:

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.

- (II) The Seventeenth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 3 February 2016. Major details of the meeting are as follows:

1. Resolution in relation to the issue of Shares and payment of cash in consideration of asset purchase and fund raising in compliance with the requirements as stipulated in relevant laws and regulations was considered and approved;
2. Resolution in relation to the issue of Shares and payment of cash in consideration of asset purchase and fund raising to specific targets whom satisfied with conditions was considered and approved;
3. Resolution in relation to the issue of Shares and payment of cash in consideration of asset purchase and fund raising of the Company constitute connected transaction was considered and approved;

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4. Resolution on the entering into of “the Agreement of the Issuance of Shares and Purchase of Assets between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng Machinery Electric Company Limited” and “the Conditional Non-Public Offering Share Subscription Agreement between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng Machinery Electric Company Limited” was considered and approved;
5. Resolution in relation to the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction proposal was considered and approved;
6. Resolution in relation to the compliance of this asset reorganisation with the requirement of Article 4 of the Regulation in relation to Certain Issues of Material Asset Reorganization of Listed Companies was considered and approved;
7. Resolution in relation to the compliance of the Transaction with the requirement of Article 43 of the Measures on the Administration of Material Asset Restructuring of Listed Companies was considered and approved;
8. Resolution in relation to the completeness and compliance of legal procedures performed and the validity of legal documents submitted for the Transaction was considered and approved;
9. Resolution in relation to the Transaction constitute a material asset reorganization but not constitute backdoor listing was considered and approved;
10. Resolution in relation to whether the Share price fluctuation of the Company reached the relevant standard under Article 5 of “notice of standardization of information disclosure of listed companies and act of each relevant party” was considered and approved.

(III) The Eighteenth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 17 March 2016. Major details of the meeting are as follows:

1. The work report of the Supervisory Committee for 2015 was considered and approved;
2. The 2015 annual report of the Company and its summary were considered and approved;

The Supervisory Committee of the Company had reviewed the Company’s 2015 annual report and its summary prepared by the board of Directors of the Company according to Contents and Formats for Information Disclosure by Companies that Offer Securities to the Public No. 2 – Contents and

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Format of Annual Reports (revised in 2015) of China Securities Regulatory Commission and requirements of the Listing Rules of Shanghai Stock Exchange and the Listing Rules of Hong Kong Stock Exchange. At the meeting, all supervisors unanimously considered that:

- (1) The preparation of and the procedures for considering the Annual Report of the Company are in compliance with the laws, regulations, provisions of the articles of association of the Company and all stipulations of the Company's internal control system;
 - (2) The content and format of the Annual Report of the Company are in compliance with all requirements of China Securities Regulatory Commission and stock exchanges. The information contained therein can truly reflect the operation, management and financial position of the Company in the year;
 - (3) Before arriving at this opinion, persons participating in the preparation and consideration of the Annual Report were not found to have acted in breach of the rules of confidentiality.
3. The 2015 audited financial report of the Company were considered and approved;
 4. The proposal of the Company not to distribute any profit for the year 2015 was considered and approved;
 5. The resolution in respect of provision for impairment on assets of the Company for the year 2015 was considered and approved;

After review, the Supervisory Committee is not aware of the provision for impairment on assets is in breach of relevant accounting rules or requirements; nor there is any violation of the laws, regulations, the Articles of Association or internal control system of the Company during the course of reviewing such resolutions by the Board.

6. The 2015 self-assessment report on the Company's internal control was considered and approved;
 7. The 2015 audited internal control report of the Company was considered and approved;
 8. The 2015 social responsibility report of the Company was considered and approved.
- (IV) The Nineteenth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 29 March 2016. Major details of the meeting are as follows:

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The resolution of providing bridging loan of RMB50 million (Renminbi Fifty Million) to Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, by Beijing Jingcheng Machinery Electric Holding Co., Ltd, the controlling Shareholder of the Company was considered and approved.

(V) The Twentieth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 29 April 2016. Major details of the meeting are as follows:

1. The 2016 First Quarterly Report of the Company was considered and approved;
2. The resolution in relation to the amendment of the “Management Measures on the Efficiency Assessment of Senior Management” by the Company was considered and approved.

(VI) The Twenty-first Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 30 June 2016. Major details of the meeting are as follows:

1. The resolution of terminating asset reorganisation was considered and approved;

In accordance with the requirements under the laws, regulations and regulatory documents, including Administrative Measures on Significant Asset Restructuring of Listed Companies and the Guidance on Information Disclosure and Resumption of Trading for Material Asset Reorganisation by Listed Issuers, given the new interpretation for the material assets reorganisation policy published by the China Securities Regulatory Commission on 17 June 2016, Rule 44 of Administrative Measures on Significant Asset Restructuring of Listed Companies stipulates that: “listed company purchasing assets by way of issue of Shares can raise fund at the same time, and the amount of funds raised should not exceed 100% of the transaction price of the assets to be purchased and will be reviewed by the Review Committee.” Of which, the transaction price of assets to be purchased refers to the transaction price of assets purchased by way of issue of Shares in this transaction but not including the corresponding transaction price of the subject assets subscribed by the counterparty in cash in six months prior to the date of trading suspension and during the period of suspension, which results in a change in regulatory requirement in relation to the assets reorganization of the Company. According to the interpretation, the funds raised in the Proposal of the Company will significantly decrease, with the cap of the funds raised representing the transaction price for 45% equity interest in Jingcheng International. The corresponding transaction price of RMB66,666,700, which represents the capital contribution in cash to Jingcheng International by Jingcheng Holding and Jingcheng Europe, will be excluded. Therefore, it may trigger a mandatory offer by Jingcheng Holding pursuant to the relevant requirements of the Rules Governing the Listing of

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Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers. The Company has been communicating and negotiating with the parties concerned and cannot arrive a proposal complying with the new regulatory requirements. In order to protect the interests of the listed company and the public investors, the relevant parties have unanimously agreed to terminate the material assets reorganization after negotiation and prudent consideration.

2. The resolution of entering into Termination Agreement for the Purchasing Assets by Share Issuance and Payment in Cash by Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd., and Termination Agreement for the Conditional Non-public Offering Share Subscription Agreement of Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd.

In respect of the termination of the assets reorganisation, the Company entered into Termination Agreement for the Purchasing Assets by Share Issuance and Payment in Cash by Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Termination Agreement for the Conditional Non-public Offering Share Subscription Agreement of Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. with Beijing Jingcheng Machinery Electric Holding Co., Ltd.

Given that the assets reorganisation has not been approved by the general meeting, A Shareholders class meeting and H Shareholders class meeting, the relevant agreements for the assets reorganization have not yet come into effect and the parties concerned unanimously agreed to terminate the relevant matters of the assets reorganisation and to release the relevant agreements for the assets reorganisation. Upon the Termination Agreements coming into effect, the parties concerned are no longer entitled to the rights under the relevant agreements and are no longer required to perform other obligation under the relevant agreements of the assets reorganisation except confidentiality obligation. The Termination Agreements will come into effect on the date of execution and seal by the legal representatives and authorized representatives of both parties.

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(VII) The Twenty-second Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 11 August 2016. Major details of the meeting are as follows:

1. The 2016 Interim Report of the Company and its summary were considered and approved

The Supervisory Committee reviewed the 2016 Interim Report (hereinafter referred to as “Interim Report”) prepared by the Board, and issued its opinion as follows:

- (1) The preparation of the Interim Report and the procedures for considering the Interim Report are in compliance with the laws, regulations, provisions of the Articles of Association of the Company and all stipulations of the Company’s internal control system;
 - (2) The content and format of the Interim Report are in compliance with all requirements of China Securities Regulatory Commission and the stock exchange, and the information contained therein can truly reflect the operation, management and financial position of the Company during the reporting period;
 - (3) Before arriving at this opinion, no person participating in preparation and consideration of the Interim Report had been found to have acted in breach of the rules of confidentiality;
 - (4) The Supervisory Committee has agreed that the information disclosure in the Interim Report is on schedule.
2. The resolution on provision for impairment of the Company for the first half of 2016 was considered and approved

After reviewing by the Supervisory Committee, no provision for impairment on assets is in breach of relevant accounting rules or requirements; nor is there any violation of the laws, regulations, the Articles of Association of the Company or internal control system of the Company during the course of reviewing such resolutions by the Board.

3. The resolution on the 2016 finance budget of BTIC America Corporation, a subsidiary of Beijing Tianhai Industry Co., Ltd., was considered and approved

The Company agreed that BTIC America Corporation applies for the 2016 finance budget of USD6,000,000, of which, current loan facilities of USD3,000,000 are to be secured by receivables and inventories. Tianhai Industrial applies for internal guarantee and external loan financing from Chaoyang sub-branch under Beijing Branch of Shanghai Pudong Development Bank, which enables BTIC America Corporation to obtain bank

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loans of USD3,000,000 (equivalent to approximately RMB20,000,000) in oversea, and provides guarantee for it, for the purpose of replenishing its liquidity. The finance budget of BTIC America Corporation is covered by the loan facilities of Tianhai Industrial.

4. The resolution on the financial assistance provided by the Company to Beijing Tianhai Industry Co. Ltd., a subsidiary of the Company, was considered and approved.

(VIII) The Twenty-third Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 28 October 2016. Major details of the meeting are as follows:

1. The 2016 Third Quarterly Report of the Company was considered and approved;

The Supervisory Committee of the Company had carefully reviewed the Company's 2016 Third Quarterly Report prepared by the Board of the Company according to relevant requirements of China Securities Regulatory Commission. At the meeting, all supervisors unanimously considered that:

- (1) The preparation of the Third Quarterly Report and the procedures for considering the Third Quarterly Report are in compliance with the laws, regulations, provisions of the Articles of Association of the Company and all stipulations of the Company's internal control system;
 - (2) The content and format of the Third Quarterly Report are in compliance with all requirements of China Securities Regulatory Commission and the stock exchange, and the information contained therein can truly reflect the operation, management and financial position of the Company during the third quarter period;
 - (3) Before arriving at this opinion, no person participating in preparation and consideration of the Third Quarterly Report had been found to have acted in breach of the rules of confidentiality;
 - (4) The Supervisory Committee has agreed that the information disclosure of the Third Quarterly Report is on schedule.
2. The resolution on the amendment of the "Rules of Procedure of the General Meeting of Shareholders" was considered and approved;
 3. The resolution on the amendment of the "Fund Raising Management Measures" was considered and approved;
 4. Resolution on the amendment of the "Working System of Annual Report for Independent Directors" and the "Annual Report Procedures of the Audit Committee of the Board" was considered and approved;

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5. Resolution on the implementation of the “Assets Disposal Management System” was considered and approved.

(IX) The Twenty-fourth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 18 November 2016. Major details of the meeting are as follows:

1. The resolution of providing bridging loan of RMB45 million (Renminbi Forty-five Million) to Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, by Beijing Jingcheng Machinery Electric Holding Co., Ltd, the controlling Shareholder of the Company, was considered and approved

In order to support the development of the Company, Beijing Jingcheng Machinery Electric Holding Co., Ltd (“Jingcheng Holding”), the controlling Shareholder of the Company, provided a bridging loan of RMB45 million (Renminbi Forty-five Million) to Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, for a term of six months. The bridging loan bears interests at the benchmark one-year lending interest rate determined by the People’s Bank of China. The listed company does not have corresponding security or guarantee over such financial assistance.

Jingcheng Holding is the controlling Shareholder of the Company, and it is the connected party of the Company according to the “Rules Governing the Listing of Stocks on the Shanghai Stock Exchange”, such matter constitutes a connected transaction. According to the regulation of the Guidelines on the Shanghai Stock Exchange for the Listed Companies’ Postponement of and Exemption from Information Disclosure, such financial assistance does not have to apply for exemption from the Shanghai Stock Exchange. If the self-exemption conditions are met, the matter can be considered and disclosed by way of exempted-connected transaction.

2. The resolution in relation to loan secured by properties and land of Tianjin Tianhai High Pressure Co., Ltd., an indirect subsidiary of the Company was considered and approved

Tianjin Tianhai High Pressure Co., Ltd. (“Tianjin Tianhai”), an indirect subsidiary of the Company, applied to Tianjin Branch of Hua Xia Bank Co., Ltd. (華夏銀行股份有限公司天津分行) for combined credit facilities amounting to not more than RMB80 million with a net amount of the facilities of RMB72 million. The combined credit facilities consist of: working capital loans of RMB40 million which shall be paid by way of trust for a term of 1 year; banks acceptance bills of RMB40 million with a deposit ratio of not less than 30%; trade credit facilities of RMB40 million (including issue of domestic letters of credit and forward payment confirmation of domestic letters of credit) with a deposit ratio of not less than 20%. The above facilities are secured by Tianjin Tianhai’s own properties, of which the working capital loans are secured by the land and property of Tianjin Tianhai located at No. 268 Jinbin Road, Tianjin Port Free Trade Zone (Fang Di

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Zheng Jin Zi No. 115031501859) with an area having land use right of 50,378.4 square metres; the banks acceptance bills and trade credit facilities are secured by the land and property of Tianjin Tianhai located at No. 306, Xingang Road, Free Trade Zone (Fang Di Zheng Jin Zi No. 115021201217) with an area having land use right of 45,489.2 square metres. The facilities granted are for purchasing raw and ancillary materials such as steel pipes, bottle caps and necks, paints and coatings for production.

The loan secured by properties and land would reduce the financial costs of the Company and facilitate the development of the Company, but would not prejudice the interests of the Company and minority Shareholders.

- (X) The Twenty-fifth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 29 December 2016. Major details of the meeting are as follows:

The resolution of the entering of letter of content for the strategic cooperation between Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, and Yuecheng Senior Living Investment Company Limited, was considered and approved.

II. Independent Opinion of the Supervisory Committee on Operating in Compliance with Laws by the Company

The Supervisory Committee is of the view that, during the reporting period, the work of the Board strictly complied with the Company Law, Securities Law, the Listing Rules, Articles of Association of the Company and other relevant laws and regulations. The material decisions of the Company were scientific and reasonable and the procedures of decision were lawful and effective. Meanwhile, the Company has established and improved its internal management and control system. Directors and General Manager of the Company were able to carry out their duties earnestly. There had been no violation of the laws, regulations, the Articles of Association of the Company or behavior in detrimental to the interests of the Company.

III. Independent Opinion of the Supervisory Committee on Review of the Company's Financial Position

The Supervisory Committee considers that the 2016 Financial Report of the Company truly reflects the financial status and operating results of the Company. The Supervisory Committee has diligently reviewed the Financial Statements and other accounting data of the Company and is of the view that the income and expenditure were clearly stated in the accounts of the Company, and that accounting and financial management had complied with the relevant requirements, and no problem was found. ShineWing Certified Public Accountants LLP audited the 2016 Financial Report of the Company according to the PRC accounting standards and issued the auditors' report without qualification. The Supervisory Committee considers that the auditors' report truly reflects the financial status, operating results and cash flows of the Company and that the auditors' report is fair, objective, true and reliable.

IV. Independent Opinion of the Supervisory Committee on Use of the Last Raised Proceeds by the Company

The last fund raising activity of the Company was conducted at the end of 2002 and completed for the year ended 31 March 2003. The use of the proceeds raised was in line with the intended use without any changes.

V. Independent Opinion of the Supervisory Committee on Acquisition and Disposal of Assets of the Company

Nil

VI. Independent Opinion of the Supervisory Committee on Connected Transactions of the Company

During the reporting period, the Company completed the following connected transactions: (1) 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; (2) resolution in relation to the issue of Shares and payment of cash in consideration of asset purchase and fund raising of the Company constitute connected transaction was considered.

The above connected transactions during the reporting period strictly complied with the procedures of relevant requirements of the Company Law and Articles of Association of the Company and the terms of them are fair and reasonable. They were entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The transaction prices are objective and fair without harming the interests of the Company and non-connected Shareholders and minority Shareholders. The decision is in line with our development strategy and development needs in production and operation.

VII. Review of the Supervisory Committee on the Self-assessment Report on Internal Control

The Supervisory Committee has reviewed the self-assessment report on internal control of Beijing Jingcheng Machinery Electric Company and considers that the internal control system of the Company is sound with effective implementation from 1 January 2016 to the end of the reporting period. The report objectively and fairly reflects the internal control of the Company and there is no disagreement on the assessment report.

All members of the Supervisory Committee attended all 12 Board of Directors' meetings and all Shareholders' general meeting in the year of 2016, and during the meetings exercised supervision over whether the resolutions of the Board complied with the laws, regulations of the PRC and the Company's Articles of Association and whether in accordance with the resolutions of the general meetings as well as in the lawful interests of Shareholders of the Company. The Supervisory Committee considers that the Board was strictly conscientious in carrying out their duties in accordance with the resolutions passed at the general meetings.

APPENDIX II 2016 WORK REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, there has been no matter needing negotiation by supervisors on behalf of the Company with the Board nor proceedings against the Directors.

VIII. Work Plan of the Supervisory Committee for the year 2017

In 2017, the Supervisory Committee will strictly comply with the requirements of the Company Law, the Articles of Association and the relevant laws, regulations and policies of the state, truthfully perform its duties, and further promote regulated operations of the Company. Major work arrangements are outlined as below:

1. Comply with the laws and regulations and discharge duties conscientiously. In 2017, the Supervisory Committee will strictly implement the relevant requirements of the Company Law and the Articles of Association and supervise the Board and the senior management according to the laws with the purpose to further regulate the decision-making and operation activities to ensure their compliance with the laws. First, it will urge the Company to further improve the corporate governance structure and enhance governance standards according to the requirements of modern corporate system. Second, in accordance with the Rules of Procedure for the Supervisory Committee of the Company, it will continue to strengthen the enforcement of its supervisory functions and attend the Board meetings according to the laws so as to timely grasp the Company's major decisions and the lawfulness of the decision-making procedures, thereby further safeguard the interests of the Shareholders. Third, it will convene working meetings of the Supervisory Committee on a regular basis to implement the Rules of Procedure for the Supervisory Committee of the Company.
2. Strengthen supervision and inspection to avoid operational risks. The Supervisory Committee will constantly strengthen the supervision of the Directors and other senior management on their performance of duties, execution of resolutions and compliance with the laws and regulations. First, the financial supervision will be maintained as a focus, and the Supervisory Committee will monitor the financial position of the Company in accordance with the laws. Second, the internal control system will be further strengthened to prevent corporate risks and the loss of the Company's assets. The Supervisory Committee will regularly keep informed of and understand the operation state of the Company from the holding companies, especially the major operation activities and investment projects, and provide prompt suggestions to stop and remedy the situation when problems are found. Third, the Supervisory Committee will maintain communications and liaison with internal audit function and external accountants (auditors) entrusted by the Company, taking full use of internal and external audit information to keep abreast of the updates. Fourth, the Supervisory Committee will focus on the high risk areas of the Company, carry out inspections on the critical matters, such as major investments, management of raised proceeds and connected transactions.
3. Uplift professional capabilities through self-improvement. To better perform the role of the Supervisory Committee, it should uplift its professional qualifications first in order to work efficiently. In this regard, members of the Supervisory Committee will receive more trainings, attend relevant programs in a planned

APPENDIX II 2016 WORK REPORT OF THE SUPERVISORY COMMITTEE

manner and persist in self-improvement this year in an attempt to broaden their professional knowledge and improve their professional capabilities so as to further safeguard the interests of the Company and the Shareholders. It will strictly comply with the laws, regulations and the Articles of Association of the Company, conscientiously discharge their duties and better perform the supervisory duties of the Supervisory Committee.

By the order of the Supervisory Committee

Chang Jun

Chairman of the Supervisory Committee

17 March 2017

During our tenure as Independent Non-executive Directors of Beijing Jingcheng Machinery Electric Company Limited (the “Company”), we strictly complied with laws and regulations such as the Securities Law, the Company Law, the Rules for Corporate Governance of Listed Companies and Guidance on the Establishment of Independent Directors System by Listed Companies, as well as the Articles of Association and the work system for Independent Directors. We sincerely performed our responsibilities and duties diligently and conscientiously adhering to the principle of independence, objectivity and fairness, grasped the production and management condition of the Company timely, paid close attention to the comprehensive development of the Company, proactively attended relevant meetings, carefully considered the Board resolutions, gave independent opinions on affairs of the Company, gave full play to the role of Independent Non-executive Directors, secured the scientific decision-making of the Board and the regulated operation of the Company, properly ensured the standardized operations of the Company and protected the legitimate interests of Shareholders, and earnestly performed our responsibilities and duties as Independent Non-executive Directors.

We report the performance of our duties as the Independent Non-executive Directors during 2016 as follows:

I. BASIC INFORMATION ABOUT INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Personal work experiences, professional background and part-time situation

Wu Yan, Chinese, female, aged 69, Independent Non-executive Director, graduated from Xi'an Jiaotong University majoring in boiler design and manufacturing. Ms. Wu was the technician of the First Research & Design Institute of Nuclear Industry (核工業第一設計研究院), technician of Tianjin Bureau of Labor, deputy Director and Director in the Boiler and Pressure Vessel Detection & Research Center under the Ministry of Labour, Director and assistant inspector of Boiler and Pressure Vessel Safety Supervision Bureau under the State Bureau of Quality Technical Supervision, assistant inspector of Special Equipment Safety Supervision Bureau under the State Administration for Quality Supervision and Inspection and Quarantine, deputy secretary general and secretary general of China Gas Cylinders Standardization Technical Committee, and currently serves as the consultant of the committee. She was appointed as an Independent Non-executive Director of the 8th session of the Board of the Company in 2014.

Liu Ning, Chinese, male, aged 58, Independent Non-executive Director. He obtained a bachelor of laws from China University of Political Science and Law. He was the postgraduate in international economic law of Institute for International Economics of Nankai University and a lawyer. Mr. Liu obtained his qualification of lawyer in 1984 and has been practicing as a lawyer for over twenty years, during which he had dealt with various representative cases and legal affairs, and participated in legislation and other work. Mr. Liu served as Director of Tianjin Dongfang Law Office and Beijing New Era Law Firm. He is currently the Director and senior partner of B.J.H & New Era Law Firm (北京市公元博景泓律師事務所), member of the

Economics Committee of All China Lawyers Association, member of the Legislative Committee of the Central Committee of China Democratic League, researcher of Food and Drug Industry Development and Regulatory Research Center of Chinese Academy of Social Sciences, legislative consultant of Beijing Municipal People's Congress, member of the Eighth Committee of Chinese People's Political Consultative Conference of Haidian District of Beijing, member of Beijing Municipal Committee of China Democratic League, deputy Director of the Social and Legal Affairs Committee of Beijing Municipal Committee of China Democratic League and executive member of Beijing Federation of Industry & Commerce. He was appointed as an Independent Non-executive Director of the 8th session of the Board of the Company in 2014.

Yang Xiaohui, Chinese, male, aged 48, Independent Non-executive Director. He has a bachelor's degree and is a certified public accountant, certified tax agent, certified public valuer (non-practicing member) and senior accountant in China. Mr. Yang was a teacher of North China University of Technology, department manager, deputy general manager and partner of Zhonghengxin, China Rightson Certified Public Accountants and RSM China Certified Public Accountants, and also served as the member of the technical committee of Beijing Institute of Certified Public Accountants. He is currently the senior partner of Ruihua Certified Public Accountants. He was appointed as an Independent Non-executive Director of the 8th session of the Board of the Company in 2014.

Fan Yong, Chinese, male, aged 44, Independent Non-executive Director. He obtained a master degree from Tsinghua University. Mr. Fan worked as the head of Investment Banking Division in Qinghai Securities, deputy Director of general office of Shengli Oil Field Dynamic Group Co., Ltd. (Dynamic), deputy general manager of Felsted (Beijing) Investment Co., Ltd. (佛爾斯特(北京)投資有限責任公司), general manager of Capital Investment Department of Rising Securities Co., Ltd., business Director of Investment Bank Headquarters of Qilu Securities Co., Ltd., Director of Investment Banking of Zhong De Securities Co., Ltd. He is currently a founding partner of Beijing Yi Hui Jin Tong Asset Management Co., Ltd. (北京易匯金通資產管理有限責任公司). Mr. Fan was appointed as an Independent Non-executive Director of the 8th session of the Board of the Company in 2014.

2. Statement on whether the independence is affected

None of us holds any duties other than that of the Independent Non-executive Directors, or holds any duties in major Shareholders' units of the Company. There is no relationship between us and the Company and its major Shareholders or interested institutions and persons that may have impact on our independent and objective judgments. None of us gains additional interests which are not disclosed from the Company and its major Shareholders or interested institutions and persons. As such, the independence is not affected.

During 2016, as the Independent Non-executive Directors of the Company, we earnestly executed our powers, performed our duties according to laws and regulations, put our role as Independent Non-executive Directors into full play, and properly ensured the standardized operations of the Company and protected the interests of Shareholders as a whole, without allowing any issue to affect our independence.

II. ATTENDANCE OF MEETINGS

As independent Non-executive Directors, we proactively understood and obtained conditions and materials required for making decisions before the Board meetings, understood the operation of the Company in detail and made full preparation for making important decisions of the Board meetings. At the meetings, we carefully considered the resolutions, actively participated in discussions and proposed rational proposals, thereby playing a positive role in the scientific decision-making of the Board.

In 2016, the Company held 1 general meeting and 12 Board meetings (of which 8 meetings were held on-site and 4 meetings were held through communication equipment). Our attendance and votes are as follows:

(1) Attendance of the Board meetings

Name of Director	Independent Director or not	Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence	Absence from two consecutive meetings or not	Number of general meetings attended
Wu Yan	Yes	12	7	4	1	0	No	1
Liu Ning	Yes	12	7	4	1	0	No	1
Yang Xiaohui	Yes	12	7	4	1	0	No	1
Fan Yong	Yes	12	5	4	3	0	Yes	0

(2) Objection to the Relevant Matters of the Company

Name of Director	Independent Director or not	Objections raised	Details of objection	Remark
Wu Yan	Yes	No	No	—
Liu Ning	Yes	No	No	—
Yang Xiaohui	Yes	No	No	—
Fan Yong	Yes	No	No	—

**III. HIGHLIGHTS OF THE PERFORMANCE OF DUTIES BY THE INDEPENDENT
NON-EXECUTIVE DIRECTORS FOR THE YEAR****(1) Connected Transactions**

1. On 19 January 2016, we, being the Independent Non-executive Directors of the Company, have completed a prior review of the connected transaction proposed by the Company to the fifteenth extraordinary meeting of the eighth session of the Board for approval, and express our opinion for approval as follow:
 - (1) The subscription of the equity interest in Minghui Tianhai held by Beijing Jingguofa Equity Investment Fund (limited partnership) and Beijing Bashi Media Co., Ltd., by Beijing Jingcheng Machinery Electric Holding Co., Ltd. is conformed to the need of corporate operation business and long-term strategic development. It is in the best interest of the Company and its Shareholder as a whole. In line with the principle of fair transaction and marketization, the pricing is objective, fair and reasonable as well as in compliance the requirement of the relevant law and regulation and the Article of Association of the Company. Such transaction does not cause the case of damaging the Company and its Shareholders, especially the interest of minority Shareholders.
 - (2) We agree to the connected transaction to be submitted to the fifteenth extraordinary meeting of the eighth session of the Board the Company for approval.
 - (3) With respect to the resolution in relation to the connected transaction submitted for review, connected Directors shall abstain from voting on the resolution.
2. On 26 January 2016, we, being the Independent Non-executive Directors of the Company, after seriously reviewing the relevant material, express our independent opinion about the connected transaction passed duly at the fifteenth extraordinary meeting of the eighth session of the Board of the Company as follow:
 - (1) At the fifteenth extraordinary meeting of the eighth session of the Board, the resolution relating to the connected transactions of the Company was considered in compliance with the requirements for information disclosure and decision-making procedures of the Company.
 - (2) The subscription of the equity interest in Minghui Tianhai held by Beijing Jingguofa Equity Investment Fund (limited partnership) and Beijing Bashi Media Co., Ltd., by Beijing Jingcheng Machinery Electric Holding Co., Ltd. is conformed to the need of corporate

operation business and long-term strategic development. It is in the best interest of the Company and its Shareholder as a whole. In line with the principle of fair transaction and marketization, the pricing is objective, fair and reasonable as well as in compliance the requirement of the relevant law and regulation and the Article of Association of the Company. Such transaction does not cause the case of damaging the Company and its Shareholders, especially the interest of minority Shareholders.

- (3) In the course of review and consideration and voting, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan, being connected Directors, abstained from voting for this resolution. Such connected transaction does not cause the case of damaging the Company and its Shareholders, especially the interest of minority Shareholders.
3. On 29 January 2016, according to laws and regulations such as the Guidance on the Establishment of Independent Directors System by Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and the Articles of Association, we, being the Independent Directors of the Company, made a prior review to the resolution in relation to the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction proposal, the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction proposal of Beijing Jingcheng Machinery Electric Company Limited that are relevant to the transaction submitted by the Company.

The Company has had prior communication with us in respect of such connected transaction and we have debriefed the report from relevant staff and also reviewed the relevant material. We consider that the transaction is favourable to the expansion of business scope, the reduction of operational risk arising from the relative concentration of business, the enhancement of asset quality and profitability improvement of the Company. The transaction is in line with the requirement of operation and development of the Company, without any prejudice to the interests of minority Shareholders and is in compliance with the requirements of relevant laws, regulations and the Articles of Association.

We, being the Independent Non-executive Directors of the Company, have reviewed the relevant resolutions and document of the transaction. According to relevant laws and regulations including the Guidance on Establishment of Independent Directors System by Listed Companies and Standards for the Governance of Listed Companies and relevant requirements of the Articles of Association, we agreed to submit the aforesaid resolution to the Board of the Company for approval.

4. On 3 February 2016, Beijing Jingcheng Machinery Electric Company Limited (the “Company”) intends to acquire 100% equity interests in the Beijing Jingcheng International Financial Leasing Co., Ltd. (“Financial Lease Company”) (“Subject Assets”), by way of a combination of Share issuance and payment of cash. Given that Beijing Jingcheng Machinery Electric Holding Co., Ltd., being one of parties to the transaction, is the de facto controller of the Company, the transaction constitutes connected transaction. According to the requirements under the Administrative Measures on Material Asset Reorganization of Listing Companies, the transaction constitutes material asset reorganization.

Pursuant to the provisions of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures on Material Asset Reorganization of Listing Companies, the Administrative Measures for the Issuance of Securities by Listed Companies, the Guidance on Establishment of Independent Directors System by Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and the Articles of Association, we, being the Independent Directors of the Company, have reviewed the document related to the transaction and express our independent opinion on the connected transaction considered and reviewed at the sixteenth extraordinary meeting of the eighth session of the Board of the Company as follow:

- (1) The revised proposal of the transaction was considered at the sixteenth extraordinary meeting of the eighth session of the Board of the Company, which approved by us before submitted to the Board for consideration. The Company reapplied decision-making procedures to the transaction and adjusted the price reference date of the transaction accordingly. The procedure for convening and holding of and the voting procedures adopted at the Board meeting were in compliance with the relevant PRC laws and regulations and requirements of the Articles of Association.
- (2) The Company has engaged the asset valuer which has the qualification for securities business for preliminarily estimating the assets, which the Company intends to acquire. The valuation institution selection complied with requirements. The valuation institution is independent. The transaction prices of the target asset transaction are determined by reference to the asset valuation result in the asset valuation report prepared by the asset valuer with qualification for securities business, and agreed by each of the parties. We believe that the pricing principle and method of the transaction of the Company are in compliance with requirements of relevant regulations and laws and regulatory document of the PRC and do not cause the case of damaging the interest of the Company and its Shareholders.

- (3) The transaction complies with relevant laws and regulations and regulatory document such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Measures on the Administration of Material Asset Restructuring of Listed Companies, the Administration Measures on Securities Issuance of Listed Companies, which is feasible and practicable. The conduction of the transaction will be beneficial to the Company for competitiveness improvement and long-term development, which is in interest of the Company and its Shareholders as a whole and does not cause damage to the interest of minority Shareholders.
- (4) Relevant matters of the transaction which involve the approval of the Shareholder's meeting, Beijing SASAC, the China Securities Regulatory Commission and Beijing Municipal Commission of Commerce have been disclosed in the Resolution in relation to the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction proposal of Beijing Jingcheng Machinery Electric Company Limited, and warning on risks of not being approved has also been disclosed.
- (5) The manner of transaction complied with requirements of relevant regulations and laws and regulatory documents of the nation and followed the principles of open, fairness and justice, which was in the interests of the listed company and its Shareholders as a whole, being fair and reasonable to all Shareholders.
- (6) Relevant resolution of the transaction was considered and approved at the sixteenth meeting of the eighth session of the Board of the Company, and connected Directors have abstained from voting on the relevant resolution. The procedure for convening and holding of and the voting procedures and method adopted at the meeting were in compliance with laws and regulations including the Company Law of the PRC and requirements of the Articles of Association.
- (7) According to the current operation of the Company and the target asset, the transaction constitutes a material asset reorganisation of listed company and hence a connected transaction. The approval and disclosure of the transaction by the Board of the Company complied with relevant laws and regulations including the Company Law of the People's Republic of China and the Listing Rules of Shanghai Stock Exchange and the Articles of Association.
- (8) "The Agreement of the Issuance of Shares and Purchase of Assets between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng Machinery Electric Company Limited" and "the Conditional Non-Public Offering Share Subscription Agreement between Beijing Jingcheng Machinery Electric Holding Co. and Beijing Jingcheng

Machinery Electric Company Limited” entered into between the Company and Jingcheng Holding complied with requirements of laws and regulations and the real situation of the transaction, causing no damage to the Company and its Shareholders, and we agreed to the overall arrangement of the transaction by the Board of the Company.

From the above, all Independent Directors unanimously consented the resolution on the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction and agreed to the connected transaction reviewed at the sixteenth extraordinary meeting of the eighth session of the Board of the Company.

(2) External guarantee and use of capitals

There were no external guarantee and use of capitals of the Company.

(3) Mortgage loans

On 18 November 2016, the resolution in relation to loan secured by properties and land of Tianjin Tianhai High Pressure Co., Ltd., an indirect subsidiary of the Company, was considered and approved at the twentieth extraordinary meeting of the eighth session of the Board of the Company.

As the Independent Non-executive Directors of the eighth session of the Board, after reviewing relevant documents, we are of the opinion that:

Application by the indirect subsidiary of the Company for bank loans by the pledge of its own land use rights is in line with the needs of the business and operation development of the Company and beneficial to reducing the financial costs of the Company without any prejudice to the interests of the listed company and its Shareholders as a whole. Hence, we agree the Board to review and consider the resolution. The loan secured by land use rights was considered and approved at the twentieth extraordinary meeting of the eighth session of the Board. The decision-making procedures are in compliance with laws, regulations and requirements of the Articles of Association and the resolution passed at the meeting is legal and effective.

(4) Appointment of Directors

During the reporting period, there was no matter with regard to the appointment of Directors of the Company.

(5) Nomination and remuneration of senior management officer:

1. On 18 November 2016, the resolution on the appointment of Mr. Luan Jie as the secretary of the Board of the Company was considered and approved at the twentieth extraordinary meeting of the eighth session of the Board of the Company.

As the Independent Non-executive Directors of the eighth session of the Board, after reviewing relevant document, we are of the opinion that:

- (1) After reviewing the biographies, performance records and other relevant materials of Mr. Luan Jie as provided by the Company before the meeting, we are of the view that he is legally qualified for the senior management appointment.
 - (2) The nomination process and the appointment approval process of Mr. Luan Jie are in compliance with relevant provisions of the Company Law and the Articles of Association of the Company. The senior management is engaged under legal nomination manner and appointment process.
 - (3) Based on our knowledge, we are of the view that Mr. Luan Jie has adequate academic background, professional experience and physical condition, will be able to meet the requirements of their respective duties in the Company, and will benefit the normal operation of the Company.
2. The remuneration of senior management disclosed by the Company is consistent with the remuneration the Company obtains; the release of remuneration complies with the remuneration system of the Company. There is no violation to the remuneration system of the Company or inconsistency of management system.

(6) Results forecast and preliminary results estimate

During the reporting period, the Company disclosed the annual results forecast for 2015, of which the illustration results were in timely manner, accurate and complete.

(7) Engagement or change of external auditors

The seventh meeting of the eighth session of the Board was held on 17 March 2016, at which, as the Independent Non-executive Directors of the eighth Board, according to relevant laws and regulations including Standards for the Governance of Listed Companies and the Guidance on Establishment of Independent Directors System by Listed Companies and relevant requirements of the Articles of Association and Independent Director System of the Company, after reviewing relevant resolutions at the seventh meeting of the eighth session of Board, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong were of the opinion that:

1. The reappointment of the audit organization for the 2016 financial report of the Company

Shinewing Certified Public Accountants LLP is qualified to participate in securities related matters. During the auditing process of financial report over the past years, Shinewing Certified Public Accountants LLP can conduct the audit in accordance with the Independent Auditing Standards and strictly followed the professional conduct standards of independence, fairness and justice in the audit. It has smoothly completed the audit of the 2015 financial report of the Company and no violation of professional ethics among it and its staff or intention to affect the independent audit among it and its staff has been discovered. We agreed to re-appoint Shinewing Certified Public Accountants LLP as audit organization for the 2016 financial report of the Company, which includes financial statement of the Company and its subsidiaries within the scope of the consolidated statements and specific audit report for the year 2016 on the use of capitals by controlling Shareholder and other connected persons.

Having considered the scale of the Company and the workload of auditing, we were of the view that payment for the audit fee for 2015 to Shinewing Certified Public Accountants LLP was reasonable.

2. The reappointment of the audit organization for the 2016 internal control report of the Company

Shu Lun Pan Certified Public Accountants LLP is qualified to participate in securities related matters. During the auditing process of financial report over the past years, Shu Lun Pan Certified Public Accountants LLP can conduct the audit in accordance with the Independent Auditing Standards and strictly followed the professional conduct standards of independence, fairness and justice in the audit. It has smoothly completed the audit of the 2015 internal control report of the Company and no violation of professional ethics among it and its staff or intention to affect the independent audit among it and its staff has been discovered. We agreed to re-appoint Shu Lun Pan Certified Public Accountants LLP as audit organization for the 2016 internal control report of the Company, which includes giving effective audit opinion in respect of internal control of financial statement and disclosing major disadvantages of internal control of non-financial report.

Having considered the scale of the Company and the workload of auditing, we were of the view that payment for the audit fee for 2016 to Shu Lun Pan Certified Public Accountants LLP was reasonable.

(8) Material assets reorganisation of the Company

Due to the significant matter of the issue of Shares in consideration of asset purchase, trading of the Shares of the Company has been suspended since 29 June 2015 upon application by the Company. After discussion and negotiation among the parties

concerned, the abovementioned matter might constitute a material assets organisation. According to the relevant regulations, the Company has entered into the material assets reorganization procedures on 13 July 2015 upon application by the Company. During the period of suspension of trading, the Company has been actively carried out the relevant work such as due diligence, audit and valuation, communicated with Jingcheng Holding and the regulatory authorities, such as Beijing State-owned Assets Commission and released announcements in relation to the progress of material assets reorganisation at the interval of every five trading days.

The sixth meeting of the eighth session of the Board of the Company was held on 26 November 2015. Resolution in relation to the issue of Shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were considered and approved, and were announced. Shares of the Company have resumed trading on 14 December 2015.

In accordance with the laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers, in order to prevent the triggering of any mandatory offer by Jingcheng Holding and further strengthening the Company's capital strength, the Company made modification to the reorganisation proposal. At the sixteenth extraordinary meeting of the eighth session of the Board which was held on 3 February 2016, the revised proposal and relevant resolutions were reviewed and approved. Trading in the Shares of the Company resumed on 4 February 2016.

On 21 June 2016, the Company published an announcement titled "RISK ALERT ANNOUNCEMENT RELATING TO MATERIAL ASSETS REORGANISATION".

On 27 June 2016, the Company published an announcement titled "SUSPENSION OF TRADING IN A SHARES DUE TO MATERIAL EVENT", in which the trading in A Shares of the Company has been suspended from 27 June 2016.

On 30 June 2016, the Company convened the nineteenth extraordinary meeting of the eighth session of the Board, at which the resolution in relation to the termination of the assets reorganisation was reviewed and 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 Jingcheng HK entered into the Termination Agreement for Equity Transfer Framework Agreement with Jingcheng Europe.

(9) Commitments fulfilled by the Company and Shareholders

The Company and its Shareholders have strictly fulfilled the commitments. No violation to the commitments among the Company, controlling Shareholders and de facto controller has been discovered.

(10) Implementation of information disclosure

During 2016, the Company disclosed information on a truthful, accurate, timely and complete basis, in strict compliance with the requirements under relevant laws and regulations, including Security Laws, Rules Governing the Listing of Stocks in Hong Kong and the PRC and the Administrative Measures for Disclosure of Information of Listed Companies and the Article of Association.

(11) Implementation of internal control

The Company has established a relatively comprehensive internal control system which is in compliance with the requirements of the relevant laws of the State, administrative rules and regulations and departmental measures. The internal control system is legal, reasonable and effective. It can ensure the operation of the Company to develop in order, ensure the financial information of the Company to be real, legal, complete, ensure to disclose the information in a real, accurate, complete and timely manner, ensure to be fair, open, justiciable to all investors and ensure the protect the interests of the Company and the investors.

(12) Operations of the Board and its special committees

The Board has set up four special committees, namely the strategy committee, audit committee, nomination committee and remuneration and appraisal committee. Each of the committees actively works and performs the duties, which procure the conduction of all operating activities of the Company. In 2016, the Company held 1 strategy committee meetings of the Board, 8 audit committee meetings of the Board, 2 nomination committee meetings of the Board and 3 remuneration and appraisal committee meetings of the Board. As the special committees of the Board of the Company, we attend all the meetings to perform our duties, respectively, so that the operation of the committees was normalized.

III. OTHER MATTERS

1. We had not proposed to convene Board meetings;
2. We had not proposed to appoint or remove the accountant firms;
3. We had not independently engaged any external auditors and advisers.

IV. OVERALL COMMENT AND ADVICE

During 2016, we diligently and faithfully performed our duties as Independent Non-executive Directors and leveraged on our respective professional expertise to give advice to the Company. In 2017, we will continue to perform our duties earnestly and follow the principle of prudence, diligence and honesty; constantly enhance our learning and professional standards, strengthen communication and decision-making ability of the Board; proactively perform our duties as Independent Non-executive Directors and effectively play

our role in decision-making and supervision, so as to safeguard the Company and all Shareholders, especially the legitimate interest of minority Shareholders and enhance the robust development of the Company and help the Company to establish a good image of being honest and trustworthy.

Independent non-executive Directors:

Wu Yan, Liu Ning, Yang Xiaohui and Fan Yong

17 March 2017

Executive Directors

- (1) **Wang Jun**, Chinese, male, aged 45. He is an economist with a bachelor's degree and MBA. Mr. Wang was a sales clerk, Director of export department, Director of international business department and deputy general manager of Beijing Tianhai Industry Co., Ltd., party secretary, chairman of the Board of Beijing Beikai Electric Co., Ltd., head of the office, head of the office of the Board of Directors, Director of the legal affairs department, secretary to the Board of Directors, member of the party of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. Currently, he is a standing committee member of party committee, deputy general manager and general counsel of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. He has served as the executive Director of the eighth session of the Board of the Company since 10 December 2015 and the chairman of the Eighth Board of the Company since 11 December 2015.
- (2) **Li Junjie**, Chinese, male, aged 39. He obtained a bachelor degree in economics from Taiyuan Heavy Machinery Institute and an EMBA degree from Guanghua School of Management of Peking University. He was an accountant of finance department, salesman of marketing department, deputy manager of human resources department, deputy general manager, deputy party secretary and general manager in Beijing Tianhai Industry Co., Ltd.. He is currently the party secretary of Beijing Tianhai Industry Co., Ltd.. He has been an executive Director of the eighth session of the Board of the Company since 16 December 2013. He served as the general manager of the Company from 26 June 2014 to 10 December 2015 and from 25 April 2017.
- (3) **Zhang Jiheng**, Chinese, male, aged 42. He is the holder of a bachelor's degree and a senior engineer. Mr. Zhang served as a the head of the first production division, deputy minister of the production department, assistant of general manager and deputy manager of Beijing Tianhai Industry Co., Ltd., the general manager of Langfang Tianhai High Pressure Container Co., Ltd. and the general manager of Beijing MinghuiTianhai Gas Storage Equipment Sales Co., Ltd.. He is currently the general manager of Beijing Tianhai Industry Co., Ltd..

Non-executive Directors

- (4) **Du Yuexi**, Chinese, male, aged 57. He is a senior policy advisor with a MBA. Mr. Du was a cadre of Beijing Tong County Maizhuang Community, vice factory Director of Beijing Construction Machinery Factory, general manager of Huaxin Metal Structure Company, a Sino-Japanese joint venture, deputy general manager of Beijing Xihai Company, general manager of Chinese Party and secretary of Beijing Modern Jingcheng Construction Machinery Co., Ltd., deputy general manager and secretary of Beijing Jingcheng Heavy Industry Co., Ltd.. Currently, he is the secretary of the branch of party and general manager of Beijing Jingcheng International Financing Lease Co., Ltd.. He has been an executive Director of the eighth session of the Board of the Company since 10 December 2015.

- (5) **Xia Zhonghua**, Chinese, male, aged 52. He obtained a bachelor's degree in Engineering from Hefei University of Technology. He is a senior engineer. Mr. Xia was designer of construction of Beijing Metal Structure Factory (new factory) of Beijing Machinery Industrial Engineering Contract Corporation (北京機械工業建設工程承發包公司) and its technical Director, project assistant manager and project manager, Director in basic construction of Beijing Jingcheng Machinery Electric Holding Co. Ltd. ("Jingcheng Holding"), Director of the construction project planning department of Beijing Jianji Real Estate Co., Ltd. (北京建機房地產公司) (Part-time), head of Resource Allocation and Restructuring and head of project investment of Jingcheng Holding, vice-president of Party School of Beijing Machinery Industry Administrative Bureau (北京機械工業管理局黨校), deputy minister of the asset management department and the head of the securities and reform department of Jingcheng Holding, Director of Beijing Xihai Industrial and Trading Company and Beijing Jingcheng Mechanical & Electrical Asset Management Co., Ltd.. He is currently the head of the property resource department of Jingcheng Holding. He has been a non-executive Director of the eighth session of the Board of the Company since 26 June 2014.
- (6) **Jin Chunyu**, Chinese, female, aged 45. She obtained a bachelor's degree in engineering and a master's degree in business administration, and is a senior accountant. Ms. Jin previously served as clerical officer in the Finance Department and vice Director of Beijing Electric Motor General Corporation, deputy Director of assets, finance and audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., Director and chief accountant (of the Chinese partner) of Babcock & Wilcox Beijing Company Ltd., and convener of Supervisory Committee of Beijing B.J. Electric Motor Co., Ltd.. Currently, she is the department head of planning and finance department of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. She has been a non-executive Director of the eighth session of the Board of the Company since 9 June 2015.
- (7) **Li Chunzhi**, Chinese, female, aged 40. She is the holder of a MBA degree and a middle-grade economist. Ms. Li served as the manager of translation and project of Beijing Mechanical Industry Automation Research Institute, product manager of product service department of Beijing Century Yinghua Information Technology Co., Ltd. (北京世紀盈華資訊技術有限公司) and investment management manager of the strategic and investment department of Beijing Jingcheng Machinery Electric Holding Co., Ltd.. She is currently the deputy head of the investment and asset management department of Beijing Jingcheng Machinery Electric Holding Co., Ltd..

Independent non-executive Directors

- (8) **Wu Yan**, Chinese, female, aged 69. She graduated from Xi'an Jiaotong University majoring in boiler design and manufacturing. Ms. Wu was the technician of the First Research & Design Institute of Nuclear Industry (核工業第一設計研究院), technician of Tianjin Bureau of Labor, deputy Director and Director in the Boiler and Pressure Vessel Detection & Research Center under the Ministry of Labour, Director and assistant inspector of Boiler and Pressure Vessel Safety Supervision Bureau under the State Bureau of Quality Technical Supervision, assistant inspector of Special Equipment

Safety Supervision Bureau under the State Administration for Quality Supervision and Inspection and Quarantine, deputy secretary general and secretary general of China Gas Cylinders Standardization Technical Committee, and currently serves as the consultant of the committee. She has been an independent non-executive Director of the eighth session of the Board of the Company since 26 June 2014.

- (9) **Liu Ning**, Chinese, male, aged 58. He obtained a bachelor of laws from China University of Political Science and Law. He was the postgraduate in international economic law of Institute for International Economics of Nankai University and a lawyer. Mr. Liu obtained his qualification of lawyer in 1984 and have been practicing as a lawyer for over twenty years, during which he had dealt with various representative cases and legal affairs, and participated in legislation and other work. Mr. Liu served as Director of Tianjin Dongfang Law Office and Beijing New Era Law Firm. He is currently the Director and senior partner of B.J.H & New Era Law Firm (北京市公元博景泓律師事務所), member of the Economics Committee of All-China Lawyers Association, member of the Legislative Committee of the Central Committee of China Democratic League, researcher of Food and Drug Industry Development and Regulatory Research Center of Chinese Academy of Social Sciences, legislative consultant of Beijing Municipal People's Congress, member of the Eighth Committee of Chinese People's Political Consultative Conference of Haidian District of Beijing, member of Beijing Municipal Committee of China Democratic League, deputy Director of the Social and Legal Affairs Committee of Beijing Municipal Committee of China Democratic League and executive member of Beijing Federation of Industry & Commerce. He has been an independent non-executive Director of the eighth session of the Board of the Company since 26 June 2014.
- (10) **Yang Xiaohui**, Chinese, male, aged 48. He has a bachelor's degree and is a certified public accountant, certified tax agent, certified public valuer (non-practicing member) and senior accountant in China. Mr. Yang was a teacher of North China University of Technology, department manager, deputy general manager and partner of Zhonghengxin, China Rightson Certified Public Accountants and RSM China Certified Public Accountants, and also served as the member of the technical committee of Beijing Institute of Certified Public Accountants. He is currently the senior partner of Ruihua Certified Public Accountants. He has been an independent non-executive Director of the eighth session of the Board of the Company since 26 June 2014.
- (11) **Fan Yong**, Chinese, male, aged 44. He obtained a master degree from Tsinghua University. Mr. Fan worked as the head of Investment Banking Division in Qinghai Securities, deputy Director of general office of Shengli Oil Field Dynamic Group Co., Ltd. (Dynamic), deputy general manager of Felsted (Beijing) Investment Co., Ltd. (佛爾斯特 (北京) 投資有限責任公司), general manager of Capital Investment Department of Rising Securities Co., Ltd., business Director of Investment Bank Headquarters of Qilu Securities Co., Ltd., Director of Investment Banking of Zhong De Securities Co., Ltd.. He is currently a founding partner of Beijing Yi Hui Jin Tong Asset Management Co., Ltd. (北京易匯金通資產管理有限責任公司), chairman of Shenzhen Houshi Network

Technology Company Limited and an independent Director of Shenzhen Fountain Corp., a listed company. He has been an independent non-executive Director of the eighth session of the Board of the Company since 26 June 2014.

Save as disclosed above, the Director candidates are not connected with other Directors, supervisors and senior management of the Company. Mr. Wang Jun, Mr. Xia Zhonghua, Ms. Jin Chunyu and Ms. Li Chunzhi serves as a standing committee member of party committee, deputy general manager and general counsel, head of the property resource department, head of planning and finance department and the deputy head of investment and assets management department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial Shareholder of the Company respectively. Mr. Li Junjie, Mr. Zhang Jiheng, Mr. Du Yuexi, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong are not connected with the substantial Shareholders or controlling Shareholders of the Company. Except for Ms. Wu Yan, the other 10 Director candidates do not hold any Share interest of the Company as defined in Part XV of the Securities and Futures Ordinance. Director candidates did not hold any directorships in any other public companies listed in Hong Kong or overseas in last three years. In respect of the 11 Director candidates, save as disclosed above, there is no other information which is required to be disclosed pursuant to any provisions under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and there is no other matter which needs to be brought to the attention of the Shareholders of the Company.

As at the Latest Practicable Date, according to the register kept under section 352 of the Securities and Futures Ordinance, except for Ms. Wu Yan, the above Director candidates of the Company do not hold any interests or short positions in the Shares, underlying Shares and debentures of the Company.

As at the Latest Practicable Date, Ms. Wu Yan is the holder of 43,001 A Shares of the Company. Save as disclosed above, Ms. Wu does not hold any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations.

Supervisors

Li Gejun, Chinese, male, aged 54. He is a senior engineer. He had served as a technician, deputy Director, deputy plant manager and plant manager in Beijing Hydraulic Parts Factory (北京液壓件廠). He was also the assistant of the general manager, deputy general manager, secretary of discipline inspection commission and chairman of labour union of Beijing Huade Hydraulics Industrial Group Co., Ltd. and the general manager and chairman of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sale Co., Ltd.. He is currently a supervisor at Beijing Jingcheng Machinery Electric Holding Co., Ltd's despatched supervisory office.

Li Zhe, Chinese, male, aged 51, university graduate with a bachelor's degree, an engineer. He had served as the head of the first production division, deputy Director and Director of production division, assistant of general manager and deputy general manager of

Beijing Tianhai Industry Co., Ltd.. He is currently the deputy party secretary, secretary of discipline inspection commission and chairman of labour union of Beijing Tianhai Industry Co., Ltd..

Save as disclosed above, Mr. Li Gejun, a supervisor candidate, does not have any relationship with any other Directors, supervisors or senior management of the Company. Mr. Li Gejun is a supervisor at the despatched supervisory office of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling Shareholder of the Company. Mr. Li Zhe, a supervisor candidate, does not have any relationship with any other Directors, supervisors, senior management, substantial or controlling Shareholder of the Company. They do not have any interest in Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and did not hold directorship or supervisorship in any other public companies listed in Hong Kong or overseas for the last three years. Save as disclosed above, in respect of all supervisor candidates, there is no other information which is required to be disclosed pursuant to any provisions under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or other matters that need to be brought to the attention of the Shareholders of the Company.

As at the Latest Practicable Date, according to the register maintained pursuant to section 352 of the Securities and Futures Ordinance, all of the supervisor candidates do not have any interest or short positions in the Shares, underlying Shares and debentures of the Company.

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北京京城机电股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

(a joint stock limited company established in the People's Republic of China)

(Stock Code: 0187)

NOTICE OF 2016 ANNUAL GENERAL MEETING

The board of Directors and all Directors of the Company warrant that there are no false representations, misleading statement contained in, or material omissions from, this announcement, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents in this announcement.

I. NOTICE IS HEREBY GIVEN that the 2016 annual general meeting (the “Annual General Meeting”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) will be convened by the board of Directors of the Company (the “Board”) and the relevant matters of the meeting are as follows:

II. BASIC INFORMATION OF THE MEETING

1. Convener: the Board
2. Time: 26 June 2017 (Monday) 9:30 a.m.
3. Venue: the Conference Room of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
4. Share Record Date: 26 May 2016 (Friday)

III. RESOLUTIONS

Ordinary resolutions

1. To consider and approve the full text and the summary of the 2016 annual report of the Company;
2. To consider and approve the 2016 work report of the Board;
3. To consider and approve the 2016 work report of the supervisory committee of the Company;

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4. To consider and approve the 2016 financial reports of the Company audited by the auditor;
5. To consider and approve the 2016 internal control report of the Company audited by the auditor;
6. To consider and approve the 2016 work report of the independent non-executive Directors of the Company;
7. To consider and approve the resolution of the Company not to distribute any profit for the year 2016;
8. To consider and approve the re-appointment of SHINEWING Certified Public Accountants LLP as the auditor for the Company's 2017 financial reports and to propose at the Annual General Meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration;
9. To consider and approve the re-appointment of BDO China Shu Lun Pan Certified Public Accountants as the internal control auditor for the Company's 2017 internal control report and to propose at the Annual General Meeting to authorise the Board to sign an appointment agreement with it and determine its remuneration;
10. To consider and approve the resolution on the remuneration of and written contracts to be entered into with the Directors of the ninth session of the Board;
11. To consider and approve the resolution on the remuneration of and written contracts to be entered into with the supervisors of the ninth session of the supervisory committee;
12. To consider and approve the resolution in relation to the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai Pressure Vessel Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd.;
13. To consider and approve the resolution in relation to the amendments to the Rules of Procedures for Shareholders' General Meetings;
14. To consider and approve the resolution in relation to the amendments to the Fund Raising Management Measures;
- 15.00. To consider and approve the resolution on the general election of the Board;
- 15.01. To consider and approve the election of Mr. Wang Jun as an executive Director ("Director") of the ninth session of the Board of the Company;

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- 15.02. To consider and approve the election of Mr. Li Junjie as an executive Director of the ninth session of the Board;
- 15.03. To consider and approve the election of Mr. Zhang Jiheng as an executive Director of the ninth session of the Board;
- 15.04. To consider and approve the election of Mr. Du Yuexi as a non-executive Director of the ninth session of the Board;
- 15.05. To consider and approve the election of Mr. Xia Zhonghua as a non-executive Director of the ninth session of the Board;
- 15.06. To consider and approve the election of Ms. Jin Chunyu as a non-executive Director of the ninth session of the Board;
- 15.07. To consider and approve the election of Ms. Li Chunzhi as a non-executive Director of the ninth session of the Board;
- 16.00. To consider and approve the resolution on the election of independent non-executive Directors;
- 16.01. To consider and approve the election of Ms. Wu Yan as an independent non-executive Director of the ninth session of the Board;
- 16.02. To consider and approve the election of Mr. Liu Ning as an independent non-executive Director of the ninth session of the Board;
- 16.03. To consider and approve the election of Mr. Yang Xiaohui as an independent non-executive Director of the ninth session of the Board;
- 16.04. To consider and approve the election of Mr. Fan Yong as an independent non-executive Director of the ninth session of the Board;
- 17.00. To consider and approve the resolution on the general election of the supervisory committee;
- 17.01. To consider and approve the election of Mr. Li Gejun as a supervisor of the ninth session of the supervisory committee of the Company;
- 17.02. To consider and approve the election of Mr. Li Zhe as a supervisor of the ninth session of the supervisory committee of the Company.

IV. ATTENDEES OF THE MEETING AND REGISTRATION

Directors, supervisors and senior management of the Company.

The lawyers engaged by the Company.

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Shareholders of the Company whose names appear on the registers of Shareholders of the Company at the close of business on 26 May 2017, shall have the right to attend the Annual General Meeting after complying the necessary registration procedures.

Shareholders or proxies who intend to attend the Annual General Meeting are requested to deliver the reply slip of their attendance to the Company before 5 June 2017. The reply slip may be delivered in person, by post or facsimile.

Holders of the Company's H Shares should note that the register of members of the Company will be closed from 26 May 2017 to 26 June 2017 (both days inclusive), during which time no H Shares transfer will be registered. For holders of H Shares of the Company who intend to attend the Annual General Meeting, transfer documents together with the related Share certificates must be lodged with the Share registrar of the Company no later than 4:30 p.m. of 25 May 2017. The address is Hong Kong Registrars Limited, Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Corporate Shareholders should attend the meeting by its legal representatives or the proxy appointed by the legal representative. Legal representative who attends the meeting should present his own identity card, evidence of Shareholding and valid documents evidencing his capacity as a legal representative. While appointing proxy to attend the meeting, the proxy should present his identity card, an authorisation instrument affixed with the seal of the corporate Shareholder and duly signed by its legal representative and evidence of Shareholding.

1. Each Shareholder who is entitled to attend and vote at the Annual General Meeting may appoint one or more proxy(ies) who need not be a Shareholder of the Company, to attend and vote on his or her behalf at the Annual General Meeting.
2. For Shareholder who appoint(s) more than one proxy, his proxies can only exercise his voting right by way of poll.
3. The instrument appointing a proxy must be in writing, signed by the appointer or the proxy, while he or she must be authorised by the appointer to sign in writing. If that instrument is signed by the proxy on behalf of the appointer, the power of attorney authorising the proxy to sign, or other authority must be notarially certified. To be valid, the notarially certified copy of the power of attorney, or other authority together with the form of proxy must be delivered to the registered address of the Company not less than 24 hours before the time appointed for the holding of the Annual General Meeting.

V. OTHER MATTERS

1. Contact details for the meeting

Contact telephone: 010-67365383

Fax: 010-87392058

Contact person: Board office of the Company

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Address: No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District,
Beijing, the PRC

Posta Code: 101109

2. The Annual General Meeting is expected to last for half a day. Attendees should bear their own accommodation and travel expenses.
3. Attendees of the Annual General Meeting please arrive half an hour before the meeting time and bring along the original identity cards, stock account cards as well as forms of proxy for verification.

The Board of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC
11 May 2017