
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

**THE FULL TEXT AND THE SUMMARY OF ANNUAL REPORT FOR A SHARES AND
ANNUAL REPORT FOR H SHARES FOR 2017
2017 WORK REPORT OF THE BOARD OF DIRECTORS
2017 WORK REPORT OF THE SUPERVISORY COMMITTEE
2017 AUDITED FINANCIAL REPORTS
THE INTERNAL CONTROL AUDIT REPORT IN THE FINANCIAL REPORT
FOR THE YEAR 2017
2017 WORK REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS
THE RESOLUTION OF NOT TO DISTRIBUTE ANY PROFIT FOR THE YEAR 2017
APPOINTMENT OF THE AUDITOR FOR 2018 FINANCIAL REPORTS
APPOINTMENT OF THE AUDITOR FOR 2018 INTERNAL CONTROL REPORT
TO APPROVE THE RESOLUTION IN RELATION TO THE AMENDMENT TO
THE ARTICLES OF ASSOCIATION
TO APPROVE THE RESOLUTION IN RELATION TO GRANT OF GENERAL MANDATE
TO THE BOARD OF DIRECTORS TO ISSUE H SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A letter from the Board is set out on pages 3 to 7 of this circular.

A notice convening the 2017 annual general meeting ("AGM") of Beijing Jingcheng Machinery Electric Company Limited (the "Company") to be held at the First Conference Room, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC, on 12 June 2018 (Tuesday) at 9:30 a.m. are set out on pages 36 to 39 of this circular.

Whether or not you intend to attend the AGM, you are requested to complete the form of proxy despatched on 28 April 2018 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 commencement of the AGM to the business address of the Company or the Company's H Share Registrar. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting should you so wish.

24 May 2018

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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 12 June 2018 (Tuesday) at 9:30 a.m. at the First Conference Room, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC
“Articles of Association”	the articles 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
“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
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the Directors of the Company
“general mandate”	the general mandate proposed to be granted to the Board at the AGM for the purpose of, among others, issuing and dealing with the new H Shares of which the number shall be no more than 20% of the number of H Shares in issue as at the date of the passing of the proposed special resolution at the AGM
“Group”	the Company and its subsidiaries
“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

DEFINITIONS

“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
“Jingcheng Machinery Electric”	北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 43.30% interest in the Company
“Latest Practicable Date”	24 May 2018, 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
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Supervisors”	the supervisors of the Company
“%”	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. Zhang Jiheng

Registered office:

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

Non-executive Directors:

Ms. Jin Chunyu
Mr. Du Yuexi
Mr. Xia Zhonghua
Ms. Li Chunzhi

Independent non-executive Directors:

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

24 May 2018

To the Shareholders

Dear Sir or Madam,

**THE FULL TEXT AND THE SUMMARY OF ANNUAL REPORT FOR A SHARES AND
ANNUAL REPORT FOR H SHARES FOR 2017
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AND
NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the 2017 AGM and to provide you with reasonable and necessary information.

At the AGM of 2017, the following ordinary resolutions will be proposed to consider and approve (1) the full text and the summary of Annual Report for A shares and Annual Report for H shares for 2017; (2) 2017 Work Report of the Board; (3) 2017 Work Report of the Supervisory Committee; (4) 2017 audited financial reports; (5) the internal control audit report in the financial report for the year 2017; (6) 2017 Work Report of the independent non-executive Directors; (7) the resolution of not to distribute any profit for the year 2017; (8) appointment of the auditor for 2018 financial reports; (9) appointment of the auditor for 2018 internal control report and the following special resolutions will be proposed to consider and approve; (10) the resolution in relation to the amendment to the Articles of Association; (11) the resolution in relation to grant of general mandate to the Board to issue H shares.

The full text and the summary of Annual Report for A shares and Annual Report for H shares for 2017, 2017 Work Report of the Board of Directors, 2017 audited financial reports, the internal control audit report in the financial report for the year 2017 and the resolution of not to distribute any profit for the year 2017

For details, please refer to the 2017 Annual Report for H shares 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.

2017 Work Report of the Supervisory Committee

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

Report of the Independent Non-executive Directors for the year 2017

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

Appointment of Auditor for 2018 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 2018, and to authorize the Board to enter into a service contract with it and determine its remuneration.

Appointment of Auditor for 2018 Internal Control Report

The Board proposes that the Company to re-appoint Da Hua Certified Public Accountants (Special General Partnership) as its auditor for preparing the internal control report of the Company for the year 2018, and to authorize the Board to enter into a service contract with it and determine its remuneration.

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to effectively protect the legal interests of small and medium investors, establish a sound corporate management system as well as regulate and optimize the corporate governance structure, after taking the actual situation of the Company in consideration and in accordance with the Letter of Proposal for Shareholders issued by China Securities Investor Services Center, the resolution in relation to the amendments to the Articles of Association was considered and approved at the fourth meeting of the ninth session of the Board, and shall be submitted to the AGM for Shareholders' approval. The proposed amendments to the Articles of Association are set out in Appendix III to this circular.

The proposed amendments to the Articles of Association are subject to approval of the Shareholders by way of a special resolution to be proposed at the AGM and approval by the relevant authority in the PRC.

3. THE RESOLUTION IN RELATION TO GRANT OF GENERAL MANDATE TO THE BOARD TO ISSUE H SHARES

To increase the flexibility and efficiency in operation, and to give discretion to the Board in the event that it becomes desirable to issue new H Shares, the Company proposes to obtain Shareholders' approval for the General Mandate to allot, issue and deal with additional H Shares not exceeding 20% of the issued H Shares as at the date of passing of the resolution at the AGM and to make or grant offers, agreements and/or options in respect thereof, subject to the following conditions:

- (a) the General Mandate shall not extend beyond the Relevant Period (as defined below) save that the Board may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the relevant period;
- (b) the aggregate number of H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, Rights Issue (as defined below) or separate approval of the Shareholders) shall not exceed 20% of the aggregate number of H Shares in issue as at the date of passing of the resolution at the AGM;
- (c) the Board will only exercise its power under the General Mandate in accordance with the Company Law of the PRC and the Listing Rules and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities and/or stock exchange (if applicable) are obtained.

LETTER FROM THE BOARD

and, for the purposes of this resolution:

- “Relevant Period” means the period from the date of passing this resolution until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or (b) the expiration of the period within which the next annual general meeting is required by the articles of association of the Company or any applicable law to be held; or (c) the revocation or variation of the authority given under this resolution by a special resolution of the Company in general meeting; and
- “Rights Issue” means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding, as the Board may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares.

4. THE AGM

A notice convening the AGM to be held on 12 June 2018 (Tuesday) at 9:30 a.m. is set out on pages 36 to 39 of this circular which has been despatched on 28 April 2018. Whether or not you are able to attend the AGM, you are requested to complete and return the form of proxy which has been despatched on 28 April 2018 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. In order to be valid, 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 or the Company’s H share registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong 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 28 April 2018. 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 or the Company’s H share registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on or before 23 May 2018 in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

5. 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.

6. ADDITIONAL INFORMATION

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

7. RECOMMENDATION

The Directors are of the view that all resolutions proposed for consideration and approval by the Shareholders at the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of AGM.

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

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

During 2017, 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 9 meetings and attended the 2016 AGM, the first extraordinary general meeting of 2017 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 2017

Supervisory Committee of the Company establishes a sound meeting and working system, which can be implemented strictly. Supervisory Committee convened 9 meetings in 2017, details of which are set out below:

- (I) The Twenty-sixth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 17 March 2017. Major details of the meeting are as follows:
1. The work report of the Supervisory Committee for 2016 was considered and approved
 2. The 2016 annual report of the Company and its summary was considered and approved
 3. The 2016 audited financial report of the Company was considered and approved
 4. The proposal of the Company not to distribute profit for 2016 was considered and approved
 5. The resolution of provision for impairment for the year 2016 of the Company was considered
 6. The 2016 self-assessment report on the Company's internal control was considered and approved
 7. The 2016 internal control audit report of the Company was considered and approved
 8. The 2016 social responsibility report of the Company was considered and approved

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

(II) The Twenty-seventh Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 6 April 2017. Major details of the meeting are as follows:

1. The resolution on the acquisition of the external shares of BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and connected transaction was considered and approved;
2. The resolution on the external investment by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, in establishing Kuancheng Tianhai Pressure Vessel Co., Ltd. was considered and approved. Details of which please refer to the announcement on the external investment by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, in establishing Kuancheng Tianhai Pressure Vessel Co., Ltd. (Lin Announcement No. 2017-012).

(III) The Twenty-eighth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 25 April 2017. Major details of the meeting are as follows:

1. The resolution on the general election of the Supervisory Committee was considered and approved;

The term of the eighth Supervisory Committee will expire at 2016 annual general meeting. According to the recommendations made by Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder of the Company, 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, and the relevant resolutions will be proposed at 2016 annual general meeting. The proposed term of office of supervisors shall commence upon the approval at 2016 annual general meeting and until 2019 annual general meeting. 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.

2. The resolution on the remuneration of and written contracts to be entered into with the supervisors of the ninth Supervisory Committee was considered and approved;

The supervisors of the Company are not entitled to the supervisors' remuneration of the Company and the relevant resolution will be proposed at 2016 annual general meeting.

3. The Company's 2016 annual report submitted to the Stock Exchange was considered and approved.

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

(IV) The Twenty-ninth Meeting of the Eighth Supervisory Committee was held at the Conference Room of the Company on 28 April 2017. Major details of the meeting are as follows:

1. 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., were considered and approved
2. The 2017 first quarterly report of the Company was considered and approved

The Supervisory Committee of the Company had carefully reviewed the first quarterly report prepared by the Board according to the requirement of China Securities Regulatory Commission. All supervisors attended the meeting unanimously considered that:

- (1) The preparation of and the procedures for considering the first 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 first quarterly report are in compliance with the regulations of the China Securities Regulatory Commission and the stock exchange, 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 first 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 obligation in the first quarterly report is on schedule.

(V) The First Meeting of the Ninth Supervisory Committee was held at the Conference Room of the Company on 27 June 2017. Major details of the meeting are as follows:

1. The resolution in relation to the election of the chairman of the ninth session of the Supervisory Committee was considered and approved

All attending supervisors unanimously agreed to elect Mr. Li Gejun (please refer to the appendix for his biography) as the chairman of the ninth session of the Supervisory Committee of the Company for a term of three years commencing from 27 June 2017 and until the closing of the 2019 annual general meeting.

2. The resolution in relation to the appointment of the secretary of the ninth session of the Supervisory Committee was considered and approved

After the nomination of the chairman of the Supervisory Committee, all attending supervisors unanimously agreed to appoint Mr. Chen Jian as the secretary of the ninth session of the Supervisory Committee for a term of three years commencing from 27 June 2017 and until the closing of the 2019 annual general meeting.

3. The resolution in relation to the termination of the letter of intent for strategic cooperation between the Company and Yuecheng Senior Living Investment Co., Ltd. was considered and approved

On 27 June 2017, Beijing Tianhai and Yuecheng signed the termination agreement in which both parties agreed to the discharge of the above letter of intent for strategic cooperation from the signing date of the agreement and that the parties will not further negotiate on the proposed cooperation. The parties also agreed that performance will be ceased for any unperformed part of the Letter of Intent and that the parties shall have no liability to each other nor make any claims in respect of any liability of the other party.

4. The resolution in relation to the establishment of the management system in recognizing and writing off of loss of accounts receivable was considered and approved
5. The resolution in relation to the provision of bridging loan of RMB45 million to Beijing Tianhai, by Beijing Jingcheng Machinery Electric Holding Co., Ltd., the controlling shareholder 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 to Beijing Tianhai, for a term of six months. The bridging loan bears interest at the one-year benchmark interest rate of the People’s Bank of China. The Company did not provide any security or guarantee for such financial assistance;

As Jingcheng Holding is the controlling shareholder of the Company, and a 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 need to be approved by the Shanghai Stock Exchange. Since the conditions for the exemption are met, the matter can be considered and disclosed by way of exempted-connected transaction.

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

6. The resolution in relation to the adjustment of the finance budget of Beijing Jingcheng Machinery Electric Company Limited and its subsidiaries and the addition of bank financing and bank loans of RMB50 million was considered and approved.

(VI) The Second Meeting of the Ninth Supervisory Committee was held at the Conference Room of the Company on 21 July 2017. Major details of the meeting are as follows:

1. The resolution in relation to the transfer of property assets through public tender by Langfang Tianhai High Pressure Containers Co., Ltd. and to authorise the board of directors of Langfang Tianhai to determine the transfer-related matters including the tender price based on an asking price not less than the valuation price approved by the State-owned Assets Supervision and Administration Commission was considered and approved

Details are set out in the Announcement on the Transfer of Property Assets through Public Tender by Langfang Tianhai High Pressure Containers Co., Ltd., an Indirect Subsidiary of the Company (Announcement No.: Lin 2017-031) disclosed by the Company on 21 July 2017.

2. The resolution in relation to the appointment of Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Company's 2017 internal control report was considered and approved and to authorise the Board to sign a service contract with it and determine its remuneration

At the twenty-second extraordinary general meeting of the eighth session of the Board of the Company held on 6 April 2017, the re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control auditor for the Company's 2017 internal control report was considered and approved and it was proposed at the general meeting to authorize the Board to sign an appointment agreement with it and determine its remuneration. Subsequently, since BDO China Shu Lun Pan Certified Public Accountants LLP was required by the Accounting Department of Ministry of Finance and the Accounting Department of the China Securities Regulatory Commission to suspend acceptance of new securities businesses and to make rectification within the prescribed period (Cai Kuai Bian [2017] No. 24 "Notice Requiring BDO China Shu Lun Pan Certified Public Accountants LLP to Suspend Acceptance of New Security Business and to Make Rectification within Prescribed Period"), the Company has decided at the annual general meeting to withdraw the aforesaid resolution. In order to ensure the normal operation of the Company, the Company engaged Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Company's 2017 internal control report and proposal will be made at the general meeting to authorize the Board to sign a service contract with it and determine its remuneration.

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

The above resolutions No. 1 and 2 will be put forward to the general meeting of the Company for consideration.

(VII) The Third Meeting of the Ninth Supervisory Committee was held at the Conference Room of the Company on 11 August 2017. Major details of the meeting are as follows:

1. The 2017 Interim Report of the Company and its summary were considered and approved

The Supervisory Committee reviewed the 2017 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 2017 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.

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

(VIII) The Fourth Meeting of the Ninth Supervisory Committee was held at the Conference Room of the Company on 17 October 2017. Major details of the meeting are as follows:

1. The resolution in relation to the application for a loan of RMB81.40 million by Langfang Tianhai High Pressure Containers Co., Ltd., a subsidiary of the Company, to 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. (hereinafter referred to as “Jingcheng Machinery Electric”), the controlling shareholder of the Company, provided a loan of RMB81.40 million (Renminbi Eighty one million and four hundred thousand) to Langfang Tianhai High Pressure Containers Co., Ltd. (hereinafter referred to as “Langfang Tianhai”), a subsidiary of the Company, for a term of one year. The loan bears interests at the benchmark one-year lending interest rate determined by the People’s Bank of China. The listed Company does not provide corresponding security or guarantee over such financial assistance.

As Jingcheng Machinery Electric is the controlling shareholder of the Company, and it is a 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 requirements of the Guidelines on the Shanghai Stock Exchange for the Listed Companies’ Postponement of and Exemption from Information Disclosure, such financial assistance is not required 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 the application for a bridging loan of RMB30.00 million by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, to 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., the controlling shareholder of the Company, provided a bridging loan of RMB30.00 million (Renminbi Thirty million) to Beijing Tianhai Industry Co., Ltd. (hereinafter referred to as “Beijing Tianhai”), a subsidiary of the Company, for a term of six months. The loan bears interests at the benchmark one-year lending interest rate determined by the People’s Bank of China. The Company does not provide corresponding security or guarantee over such financial assistance.

As Jingcheng Machinery Electric is the controlling shareholder of the Company, and it is a 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 requirements of

the Guidelines on the Shanghai Stock Exchange for the Listed Companies' Postponement of and Exemption from Information Disclosure, such financial assistance is not required 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.

3. The resolution in relation to the provision of security guarantee by Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the Company, with its housing and land resources in favor of Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, in its application for credit line from Bank of Dalian was considered and approved

In view of the difficulty in securing bank credit due to the persistent loss-making position for recent years of Beijing Tianhai, a subsidiary of the Company, and considering the current state of operation and capital needs of Beijing Tianhai, the Company hereby applies for the provision of security guarantee by Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd., a subsidiary of the Company, with its housing and land resources in favor of Beijing Tianhai in its application for credit line from Bank of Dalian. The accounts payable factoring facilities, not exceeding RMB70.00 million in total and for a term of one year, are used for replenishment of working capital for its subsidiaries. The interest rate is subject to the approval of the bank.

- (IX) The Fifth Meeting of the Ninth Supervisory Committee was held at the Conference Room of the Company on 27 October 2017. Major details of the meeting are as follows:

The 2017 Third Quarterly Report of the Company was considered and approved

The Supervisory Committee of the Company had carefully reviewed the 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.

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 2017 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 2017 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

During the reporting period, the resolution on the transfer of property assets through public tender by Langfang Tianhai High Pressure Containers Co., Ltd. and to authorise the board of directors of Langfang Tianhai to determine the transfer-related matters including the tender price based on an asking price not less than the valuation price approved by the State-owned Assets Supervision and Administration Commission was considered and approved.

The above transaction price complied with normal commercial market pricing principle. The transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole and without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.

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 acquisition of the external shares of BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and connected transaction, was considered and approved; (2) the resolution on concerning Tianjin Tianhai High Pressure Containers Co., Ltd. and Kuancheng Tianhai Pressure Containers Co., Ltd. entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Steel Pipe and Steel Trade Co., Ltd. separately and connected transactions were considered and approved.

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 2017 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 9 Board of Directors' meetings and all Shareholders' general meeting in the year of 2017, 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

APPENDIX I 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE

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.

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 2018

In 2018, 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 2018, 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.

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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 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

Li Gejun

Chairman of the Supervisory Committee

17 March 2018

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 2017 as follows:

I. BASIC INFORMATION ABOUT INDEPENDENT DIRECTORS

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

Wu Yan, Chinese, female, aged 70, 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 served as an Independent Non-executive Director of the 8th session of the Board of the Company from June 2014 to June 2017. She served as an Independent Non-executive Director of the 9th session of the Board of the Company from June 2017.

Liu Ning, Chinese, male, aged 59, 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 served as an Independent Non-executive Director of the 8th session of the Board of the Company from June 2014 to June 2017. He served as an Independent Non-executive Director of the 9th session of the Board of the Company from June 2017.

Yang Xiaohui, Chinese, male, aged 49, 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 served as an Independent Non-executive Director of the 8th session of the Board of the Company from June 2014 to June 2017. He served as an Independent Non-executive Director of the 9th session of the Board of the Company from June 2017.

Fan Yong, Chinese, male, aged 45, 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). He served as an Independent Non-executive Director of the 8th session of the Board of the Company from June 2014 to June 2017. He served as an Independent Non-executive Director of the 9th session of the Board of the Company from June 2017.

2. Statement on whether the independence is affected

None of us holds any duties other than that of the Independent 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 2017, 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 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 2017, the Company held 2 general meeting and 9 Board meetings (all meetings were held on-site). 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	9	8	1	0	0	No	2
Liu Ning	Yes	9	8	1	0	0	No	2
Yang Xiaohui	Yes	9	8	1	0	0	No	1
Fan Yong	Yes	9	7	1	1	0	No	2

(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
DIRECTORS FOR THE YEAR****(1) Connected Transactions:**

1. On 31 March 2017, we, being the Independent Directors of the Company, have completed a prior review of the connected transaction proposed by the Company to the twenty-second extraordinary meeting of the eighth session of the Board for approval, and express our opinion for approval as follow:

The resolution on the acquisition of the external shares of BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and connected transaction

- (1) The connected transaction between the Company and the connected person 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 Articles 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 above resolution to be submitted to the twenty-second extraordinary meeting of the eighth session of the Board the Company for approval.
 - (3) With respect to the above resolution submitted for review, connected Directors shall abstain from voting on the resolution.
2. On 6 April 2017, we, being the Independent Directors of the Company, after seriously reviewing the relevant material, express our independent opinion about the connected transaction passed duly at the twenty-second extraordinary meeting of the eighth session of the Board of the Company as follow:
 - (1) At the twenty-second extraordinary meeting of the eighth session of the Board, the resolution on the acquisition of the external shares of BTIC America Corporation by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company and connected transaction was considered in compliance with the requirements for information disclosure and decision-making procedures of the Company.
 - (2) The connected transaction between the Company and the connected person 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 Articles 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, no connected Directors are required to abstain 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 25 April 2017, we, being the Independent Directors of the Company, have completed a prior review of the connected transaction proposed by the Company to the twelfth meeting of the eighth session of the Board for approval, and express our opinion for approval as follow:

The resolution concerning Tianjin Tianhai High Pressure Containers Co., Ltd. and Kuancheng Tianhai Pressure Containers Co., Ltd. entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Steel Pipe and Steel Trade Co., Ltd. separately and connected transactions

- (1) The connected transaction between the Company and the connected person is of normal business operations of the Company and is of normal business practice. 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 Articles 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 above resolution to be submitted to the twelfth meeting of the eighth session of the Board the Company for approval.
- (3) With respect to the above resolution submitted for review, connected Directors shall abstain from voting on the resolution.

4. On 28 April 2017, we, being the Independent Directors of the Company, after seriously reviewing the relevant material, express our independent opinion about the connected transaction passed duly at the twelfth meeting of the eighth session of the Board of the Company as follow:

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.

- (1) At the twelfth meeting of the eighth session of the Board, the resolution on concerning Tianjin Tianhai High Pressure Containers Co., Ltd. and Kuancheng Tianhai Pressure Containers Co., Ltd. entered into the Gas Cylinder Pipe Sale and Purchase Framework Agreement with Tianjin Steel Pipe and Steel Trade Co., Ltd. separately and connected transactions was considered in compliance with the requirements for information disclosure and decision-making procedures of the Company.
- (2) The pricing of the above resolution is objective, fair and reasonable as well as in compliance the requirement of the relevant law and regulation and the Articles of Association of the Company.
- (3) In the course of review and consideration and voting, no connected Directors are required to abstain 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.

(2) External guarantee and misappropriation of capital

There were no external guarantee and misappropriation of capital of the Company.

(3) Mortgage loan

There was no mortgage loan of the Company.

(4) Disposal of assets

Independent opinion on the resolution in relation to the transfer of property assets through public tender by Langfang Tianhai High Pressure Containers Co., Ltd. and to authorise the board of directors of Langfang Tianhai to determine the transfer-related matters including the tender price based on an asking price not less than the valuation price approved by the State-owned Assets Supervision and Administration Commission:

The transaction price complied with normal commercial market pricing principle. The transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole and without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.

(5) Appointment of Directors

On 25 April 2017, the resolution relating to the nomination of Mr. Wang Jun, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi by the substantial shareholder and the nomination of Mr. Li Junjie, Mr. Zhang Jiheng, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong by the nomination committee of the Board as the director candidates of the ninth session of the Board was considered and approved at the twenty-third extraordinary meeting of the eighth session of the Board.

As the independent non-executive directors of the eighth session of the Board, after reviewing relevant documents concerning the declaration and biographies of the above mentioned candidates, we were of the opinion that:

- (1) The relevant procedures of the nomination of Mr. Wang Jun, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi by the substantial shareholder and the nomination of Mr. Li Junjie, Mr. Zhang Jiheng, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong by the nomination committee of the Board as the director candidates of the ninth Board are in compliance with relevant provisions of the Articles of Association.
- (2) Mr. Wang Jun, Mr. Li Junjie, Mr. Zhang Jiheng, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi are in compliance with the relevant requirements of Director's qualification of the relevant national laws and regulations and the Articles of Association.
- (3) Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong are in compliance with requirements of qualification and independence of the Guidance on the Establishment of Independent Directors System by Listed Companies of the China Securities Regulatory Commission.
- (4) Agreed to submit the resolution relating to the nomination of Mr. Wang Jun, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi by the substantial shareholder and the nomination of Mr. Li Junjie, Mr. Zhang Jiheng, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong by the nomination committee of the Board as the director candidates of the ninth session of the Board to the 2016 annual general meeting of the Company for consideration.

(6) Nomination of senior management officer:

1. On 6 April 2017, the resolution on the appointment of the general counsel of the Company was considered and approved at the twenty-second 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 Ms. Ma Tianying 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 Ms. Ma Tianying 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 Ms. Ma Tianying 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. On 25 April 2017, the resolution on the appointment of the general manager of the Company was considered and approved at the twenty-third 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 concerning the declaration and biographies of the above mentioned candidates, we are of the opinion that:

- (1) The relevant procedures of the appointment of Mr. Li Junjie as the general manager of the Company are in compliance with relevant provisions of the Articles of Association.
 - (2) After reviewing the biographies, performance records and other relevant materials of Mr. Li Junjie as provided by the Company before the meeting, we are of the view that he is legally qualified for the senior management appointment.

(7) Results forecast and preliminary results estimate

During the reporting period, the Company disclosed the annual results forecast for 2016, of which the illustration results were in timely manner, accurate and complete.

(8) Engagement or change of external auditors

1. On 31 March 2017, we, being the Independent Directors of the Company, have completed a prior review of the connected transaction proposed by the Company to the twenty-second extraordinary meeting of the eighth session of the Board for approval, and express our opinion for approval as follow:

- (1) The appointment of the audit organization for the 2017 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 2016 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 propose the reappointment of Shinewing Certified Public Accountants LLP as audit organization for the 2017 financial report of the Company to the Board for consideration and approval.

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 Shinewing Certified Public Accountants LLP was reasonable.

- (2) The appointment of the audit organization for the 2017 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 2016 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 propose the reappointment of Shu Lun Pan Certified Public Accountants LLP as audit organization for the 2017 internal control report of the Company to the Board for consideration and approval.

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.

2. On 6 April 2017, as the Independent Non-executive Directors of the Company, 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 twenty-second extraordinary meeting of the eighth session of Board, we were of the opinion that:

- (1) The reappointment of the audit organization for the 2017 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 2017 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 2017 on the use of capitals by controlling Shareholder and other connected persons.

- (2) The reappointment of the audit organization for the 2017 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 internal control 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 2016 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 2017 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.

3. On 21 July 2017, as the Independent Non-executive Directors of the Company, 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 second extraordinary meeting of the ninth session of Board, we were of the opinion that:

(1) The appointment of the audit organization approved is in compliance with relevant laws and regulations and the relevant requirements.

(2) The Board has obtained our approval prior to the submission of the resolution in relation to the appointment of Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Company's 2017 internal control report was considered and approved and to authorise the Board to sign a service contract with it and determine its remuneration. We considered that the institution is qualified and capable for the engagement of the auditing process of internal control report.

(3) The decision process of the appointment of accounting institution of the Company is legal and effective.

(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 2017, 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 Articles 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 true, legal,

complete, ensure to disclose the information in a true, 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 2017, the Company held 3 strategy committee meetings of the Board, 10 audit committee meetings of the Board, 3 nomination committee meetings of the Board and 2 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 2017, 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 2018, 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 2018

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The comparison table of amendments to the Articles of Association is as follows:

No.	Original text of the Articles of Association	Proposed amendments to the Articles of Association
1	<p>Chapter 1 Article 1</p> <p>The Company was established by the promoter on July 12, 1993 with the approval of the State Commission for Restructuring the Economic System (Ti Gai Sheng (1993) No.117), and registered in Beijing Administration of Industry and Commerce on July 13, 1993, and obtained the Business License for Legal Person, and the license number is: 110000005015956.</p>	<p>Chapter 1 Article 1</p> <p>The Company was established by the promoter on July 12, 1993 with the approval of the State Commission for Restructuring the Economic System (Ti Gai Sheng (1993) No.117), and registered in Beijing Administration of Industry and Commerce on July 13, 1993, and obtained the Business License for Legal Person, and the unified social credit code of the Company is: 91110000101717457X.</p>
2	<p>Chapter 9 Article 72</p> <p>The shareholders present at a general meeting shall express one of the following opinions on the proposed resolutions that are put to a vote: consent, opposition or abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to Shanghai-Hong Kong Stock Connect, may express opinions according to the intentions of actual holders.</p>	<p>Chapter 9 Article 72</p> <p>The shareholders present at a general meeting shall express one of the following opinions on the proposed resolutions that are put to a vote: consent, opposition or abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, may express opinions according to the intentions of actual holders.</p>

No.	Original text of the Articles of Association	Proposed amendments to the Articles of Association
3	<p>Chapter 9 Article 81</p> <p>For a matter relating to the election of directors and supervisors is proposed to be discussed at the general meeting, the notice of the meeting shall fully disclose the detailed information of the candidates for directors and supervisors, which should at least include the following: (1) personal information such as educational background, working experience, and any part-time job; (2) whether there is any connected relationship between them and the Company or its controlling shareholder(s) or beneficial owner(s); (3) disclosure the number of their shareholdings in the Company; (4) whether or not they have been subject to any punishment by China Securities Regulatory Commission or other related authorities or stock exchanges. In addition to adopting the accumulative voting system to elect directors and supervisors, each of the candidates for directors or supervisors shall be proposed in a separate motion.</p>	Deleted in its entirety
		<i>The subsequent articles will be renumbered accordingly.</i>

No.	Original text of the Articles of Association	Proposed amendments to the Articles of Association
4	<p>Chapter 17 Article 231</p> <p>Procedures for considering the profit distribution plan of the Company:</p> <p>The profit distribution plan of the Company shall be formulated by the board of directors. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and form a specific resolution which shall be approved and considered by the board of directors and the Supervisory Committee before submitting to the general meeting for consideration.</p> <p>Where the Company has no cash dividends in particular cases as provided for in the foregoing Article 230, the board of directors shall explain the specific reasons for not distributing cash dividends, the exact purpose for the retained profit and the estimated investment return, submit such to the general meeting with network voting method accessible to shareholders for consideration after independent directors express their opinions thereon and disclose the same in the designated media of the Company.</p>	<p>Chapter 17 Article 230</p> <p>Procedures for considering the profit distribution plan of the Company:</p> <p>The profit distribution plan of the Company shall be formulated by the board of directors. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and form a specific resolution which shall be approved and considered by the board of directors and the Supervisory Committee before submitting to the general meeting for consideration.</p> <p>Where the Company has no cash dividends in particular cases as provided for in the foregoing Article 229, the board of directors shall explain the specific reasons for not distributing cash dividends, the exact purpose for the retained profit and the estimated investment return, and submit such to the general meeting for consideration after independent directors express their opinions thereon.</p> <p>In considering the profit distribution plan at the general meeting, the Company shall communicate and exchange information with the shareholders, especially the small and medium shareholders, through hotlines and other related channels, take into full account their opinions and requests, and answer questions concerned by the small and medium shareholders in a timely manner. The Company shall make network voting method accessible to shareholders. The votes of the small and medium shareholders should be counted separately, and the poll results should be disclosed in the designated media of the Company.</p>

No.	Original text of the Articles of Association	Proposed amendments to the Articles of Association
	<p>Alteration of the Company's profit distribution policy:</p> <p>In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policy.</p> <p>The board of directors shall conduct specific discussion over adjustment to the Company's profit distribution policy, provide detailed reasons for such adjustment, provide a written report to be considered by independent directors, and then submit to the general meeting for approval by way of a special resolution. In considering alterations to the profit distribution policy, the Company shall make network voting method accessible to shareholders.</p>	<p>Alteration of the Company's profit distribution policy:</p> <p>In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policy.</p> <p>The board of directors shall conduct specific discussion over adjustment to the Company's profit distribution policy, provide detailed reasons for such adjustment, provide a written report to be considered by independent directors, and then submit to the general meeting for approval by way of a special resolution. In considering alterations to the profit distribution policy, the Company shall make network voting method accessible to shareholders to provide convenience for the small and medium shareholders for attending the shareholders' meeting and the votes of the small and medium shareholders should be counted separately.</p>

Save for the above amendments, other provisions of the Articles of Association remained unchanged.

The Articles of Association is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Articles of Association, the Chinese version shall prevail.

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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)

NOTICE OF 2017 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 2017 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 and the relevant matters of the meeting are as follows:

II. BASIC INFORMATION OF THE MEETING

1. Convener: the board of directors of the Company (the “Board”)
2. Time: 12 June 2018 (Tuesday) 9:30 a.m.
3. Venue: the first Conference Room, No. 2 Huo Xian Nan San Road,
Huo Xian Town, Tongzhou District, Beijing
4. Share Record Date: 11 May 2018 (Friday)

III. RESOLUTIONS

Ordinary resolutions

1. To consider and approve the full text and the summary of annual report for A shares and annual report for H shares of the Company for 2017;
2. To consider and approve the 2017 work report of the Board;

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3. To consider and approve the 2017 work report of the supervisory committee;
4. To consider and approve the 2017 audited financial reports;
5. To consider and approve the internal control audit report in the financial report of the Company for the year 2017;
6. To consider and approve the 2017 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 2017;
8. To consider and approve the re-appointment of SHINEWING Certified Public Accountants LLP as the auditor for the Company's 2018 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 Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Company's 2018 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;

Special resolutions

10. To consider and approve the amendment to the Articles of Association of the Company;
11. To consider and approve the resolution in relation to grant of general mandate to the Board to issue H shares.

IV. ATTENDEES OF THE MEETING AND REGISTRATION

Directors, supervisors and senior management of the Company.

The lawyers engaged by the Company.

Shareholders of the Company whose names appear on the register of members of the Company on 11 May 2018, 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 23 May 2018. The reply slip may be delivered in person, by post or facsimile.

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Holders of the Company's H shares should note that the register of members of the Company will be closed from 12 May 2018 to 12 June 2018 (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 H share registrar of the Company Hong Kong Registrars Limited, no later than 4:30 p.m. of 11 May 2018. The address at shops 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 document, 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 or the H share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, 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: 86 10-67365383

Fax: 86 10-87392058

Contact person: Board office of the Company

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.

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3. H shareholders of the Company or proxy attending the Annual General Meeting please arrive half an hour before the meeting time and bring along the identity document for verification.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
27 April 2018

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