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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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)**

**2014 ANNUAL REPORT**

**2014 WORK REPORT OF THE BOARD OF DIRECTORS**

**2014 WORK REPORT OF THE SUPERVISORY COMMITTEE**

**2014 AUDITOR'S AUDITED FINANCIAL REPORTS**

**2014 AUDITOR'S AUDITED INTERNAL CONTROL REPORT**

**REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014**

**APPOINTMENT OF THE AUDITOR FOR 2015 FINANCIAL REPORTS**

**APPOINTMENT OF THE AUDITOR FOR 2015 INTERNAL CONTROL REPORT**

**NO PROFIT DISTRIBUTION PLAN FOR 2014**

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**ELECTION OF DIRECTORS AND SUPERVISORS**

**AUTHORIZATION OF THE BOARD TO DETERMINE THE REMUNERATION OF DIRECTORS AND SUPERVISORS**

**CONTINUING CONNECTED TRANSACTION IN RELATION TO FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

**AND**

**NOTICE OF ANNUAL GENERAL MEETING**

*Independent Financial Adviser*

*to the Independent Board Committee and the Independent Shareholders*



**China Everbright Capital Limited**

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A letter from the Board is set out on pages 4 to 20 of this circular and a letter from the Independent Board Committee is set out on page 21 of this circular. A letter from Everbright Capital, the independent financial adviser containing its advice to the Independent Board Committee is set out on pages 22 to 30 of this circular.

A notice convening the 2014 annual general meeting ("AGM") of Beijing Jingcheng Machinery Electric Company Limited (the "Company") to be held at the First Conference Room, 18/F, Jingcheng Machinery Electric Building, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing, PRC, on 9 June 2015 (Tuesday) at 9:00 a.m. is set out on pages 61 to 65 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the form of proxy 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 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

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

|   |  |
|---|--|
| “2014 Finance Lease Agreement”                  | the agreement dated 3 March 2014 entered into between Tianhai Industrial and Jingcheng International Financial for a term from 1 January 2014 to 31 December 2014 in relation to finance leasing, details of which are disclosed in the announcement of the Company dated 3 March 2014 |
| “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  |
| “AGM”   | the annual general meeting of the Company to be convened on 9 June 2015 (Tuesday) at 9 a.m. at the First Conference Room, 18/F, Jingcheng Machinery Electric Building, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing  |
| “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  |
| “controlling shareholder”                       | has the meaning as ascribed to it under the Listing Rules  |
| “Directors”                                     | the directors of the Company   |
| “Finance Lease Cooperation Framework Agreement” | the agreement (融資租賃雙方合作框架協議) entered into by Tianhai Industrial and Jingcheng International Financial on 15 January 2015, particulars of which are set out in the section headed “Finance Lease Cooperation Framework Agreement”   |

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## DEFINITIONS

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| “gas stations”   | all scales of LNG, L-CNG, CNG vehicle gas stations and LNG vaporizing stations, the scales of gas stations are divided into primary, secondary and tertiary gas stations, being one pump, one can and two machines; two pumps, two cans and four machines; and three pumps, three cans and six machines  |
| “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   |
| “Independent Board Committee”                              | the independent board committee comprising all the independent non-executive Directors, namely Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong which has been established by the Company to advise the Independent Shareholders on the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder  |
| “Independent Financial Adviser”<br>or “Everbright Capital” | China Everbright Capital Limited, being a corporation licensed for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder |
| “Independent Shareholder(s)”                               | Shareholders who are not required to abstain from voting at the AGM to be convened for the purposes of approving the Finance Lease Cooperation Framework Agreement under the Listing Rules   |
| “Jingcheng Holding”  | 北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 42.80% interest in the Company  |

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## DEFINITIONS

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|                                     |   |
|-------------------------------------|---|
| “Jingcheng International Financial” | 北京京城國際融資租賃有限公司 (Beijing Jingcheng International Financial Leasing Co., Ltd.), a company incorporated in the PRC and is 75% owned by Jingcheng Holding |
| “Latest Practicable Date”           | 22 May 2015, 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   |
| “Products”                          | traditional industrial gas cylinders, CNG gas cylinders, LNG gas cylinders, LNG storage tanks, gas stations and other products                        |
| “RMB”                               | Renminbi, the lawful currency of the PRC  |
| “Sales Customers”                   | customers referred to Jingcheng International Financial from Tianhai Industrial pursuant to the Finance Lease Cooperation Framework Agreement         |
| “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   |
| “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                  |
| “%”                                 | percent   |

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LETTER FROM THE BOARD

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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)**

*Executive directors:*

Mr. Hu Chuanzhong

Mr. Li Junjie

Ms. Jiang Chi

*Non-executive director:*

Mr. Xia Zhonghua

*Independent non-executive directors:*

Ms. Wu Yan

Mr. Liu Ning

Mr. Yang Xiaohui

Mr. Fan Yong

*Registered office:*

Room 901, No. 59 Mansion,

Dongsanhuan Road Central,

Chaoyang District,

Beijing,

PRC

22 May 2015

*To the Shareholders*

Dear Sir or Madam,

**2014 ANNUAL REPORT**  
**2014 WORK REPORT OF THE BOARD OF DIRECTORS**  
**2014 WORK REPORT OF THE SUPERVISORY COMMITTEE**  
**2014 AUDITOR'S AUDITED FINANCIAL REPORTS**  
**2014 AUDITOR'S AUDITED INTERNAL CONTROL REPORT**  
**REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014**  
**APPOINTMENT OF THE AUDITOR FOR 2015 FINANCIAL REPORTS**  
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**NO PROFIT DISTRIBUTION PLAN FOR 2014**  
**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**ELECTION OF DIRECTORS AND SUPERVISORS**  
**AUTHORIZATION OF THE BOARD TO DETERMINE THE REMUNERATION OF DIRECTORS**  
**AND SUPERVISORS**  
**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASE**  
**COOPERATION FRAMEWORK AGREEMENT**  
**AND**  
**NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

At the AGM, the following resolutions will be proposed to consider and approve (1) the Company's Annual Report for the year 2014; (2) the 2014 Work Report of the Board; (3) the 2014 Work Report of the Supervisory Committee of the Company; (4) the 2014 audited

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## LETTER FROM THE BOARD

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financial reports of the Company; (5) the 2014 audited internal control report of the Company; (6) Report of the independent non-executive Directors; (7) the appointment of the auditor for 2015 financial reports; (8) the appointment of the auditor for 2015 internal control report; (9) no profit distribution plan for the year 2014; (10) proposed amendments to the Articles of Association; (11) authorization of the Board to determine the remuneration of Directors and Supervisors; (12) continuing connected transaction in relation to Finance Lease Cooperation Framework Agreement; (13) election of the Directors of the eighth session of the Board; (14) election of the Supervisors of the eighth session of the Supervisory Committee, of which resolution No.(10) in relation to the proposed amendments to the Articles of Association is special resolution and other resolutions are ordinary resolutions.

### **2014 Annual Report of the Company, 2014 Work Report of the Board, the 2014 audited financial reports, the 2014 audited internal control report and no profit distribution plan for the year 2014**

For details, please refer to the 2014 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.

### **2014 Work Report of the Supervisory Committee**

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

### **Report of the Independent Non-executive Directors**

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

### **Appointment of Auditor for 2015 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 2015, and to authorize the Board to enter into a service contract with it and determine its remuneration.

### **Appointment of Auditor for 2015 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 2015, and to authorize the Board to enter into a service contract with it and determine its remuneration.

## **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, the Board intends to amend the Articles of Association of the Company after taking the actual situation of the Company in consideration in accordance

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## LETTER FROM THE BOARD

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with the requirements under the laws and regulations, including the Guidelines for the Articles of Association of Listed Companies (as amended in 2014) promulgated by China Securities Regulatory Commission. The resolution in relation to the amendment of the Articles of Association of the Company was considered and approved at the sixth extraordinary meeting of the eighth session of the Board, and the resolution shall be submitted to general meeting for approval. The Board proposes to amend the Articles of Association:

### **Original text of the Articles of Association**

**Article 9** Entry into Force of the Articles of Association.

The Articles of Association passed by a special resolution at the general meeting of the shareholders on July 14, 1993 and registered at Beijing Administration of Industry and Commerce and became effective on the same day. The Articles of Association was amended by a special resolution at the general meeting of the shareholders on May 28, 1995, and respectively amended by a special resolution at the general meeting on June 11, 2002, June 12, 2003, May 24, 2004, June 8, 2005, June 27, 2006, May 26, 2009 and then became effective and superseded the foregoing Articles of Association upon being filed with the competent authorities. The foregoing Articles of Association was respectively amended by a special resolution at the general meeting on May 18, 2011 and December 18, 2012.

### **Proposed amendments to the Articles of Association**

**Article 9** Entry into Force of the Articles of Association.

The Articles of Association passed by a special resolution at the general meeting of the shareholders on July 14, 1993 and registered at Beijing Administration of Industry and Commerce and became effective on the same day. The Articles of Association was amended by a special resolution at the general meeting of the shareholders on May 28, 1995, and respectively amended by a special resolution at the general meeting on June 11, 2002, June 12, 2003, May 24, 2004, June 8, 2005, June 27, 2006, May 26, 2009 and then became effective and superseded the foregoing Articles of Association upon being filed with the competent authorities. The foregoing Articles of Association was respectively amended by a special resolution at the general meeting on May 18, 2011, December 18, 2012, December 16, 2013 and June 26, 2014.



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## LETTER FROM THE BOARD

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### **Original text of the Articles of Association**

#### **Article 10**

The Company's Articles of Association are binding upon the Company and its shareholders, directors, supervisors, managers and other senior officers, the fore-mentioned may, according to the Company's Articles of Association, assert rights in respect of the affairs of the Company.

Other senior officers fore-mentioned shall refer to the Company's deputy managers, secretary of the board of directors, financial officers.

A shareholder may take action against the Company pursuant to the Company's Articles of Association, and vice versa. A shareholder may also take action against another shareholder or the directors, supervisors, managers and other senior officers of the Company pursuant to the Company's Articles of Association.

The prosecution referred includes court proceeding and arbitration proceedings.

### **Proposed amendments to the Articles of Association**

#### **Article 10**

The Company's Articles of Association are binding upon the Company and its shareholders, directors, supervisors, managers and other senior officers, the fore-mentioned may, according to the Company's Articles of Association, assert rights in respect of the affairs of the Company.

Other senior officers fore-mentioned shall refer to the Company's deputy managers, secretary of the board of directors, financial officers, and chief engineers.

A shareholder may take action against the Company pursuant to the Company's Articles of Association, and vice versa. A shareholder may also take action against another shareholder or the directors, supervisors, managers and other senior officers of the Company pursuant to the Company's Articles of Association.

The prosecution referred includes court proceeding and arbitration proceedings.

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## LETTER FROM THE BOARD

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| <b>Original text of the Articles of Association</b>  | <b>Proposed amendments to the Articles of Association</b>  |
|--|--|
| <b>Article 72</b>  | <b>Article 72</b>  |
| <p>The place for holding general meetings is: Jingcheng Holding Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC.</p> | <p>The place for holding general meetings is: the premises of the Company or other location announced by the Company.</p>  |
| <p>The general meeting shall have a meeting place for convening the onsite meetings.</p>   | <p>The general meeting shall have a meeting place for convening the onsite meetings. The Company shall maximize the percentage of presence of public shareholders at any general meeting by various means including the provision of modern communication technologies, giving priority to online voting, on condition that the general meeting shall be held legally and validly without detriment to the legal rights and interests of domestic and foreign shareholders. A shareholder who participated in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting. Identification of shareholders participating in the general shareholders' meetings by network access means shall be confirmed by brokerage firms who has obtained qualification for securities account opening agency business from China Securities Depository and Clearing Corporation Limited, or by other institutions recognized by China Securities Depository and Clearing Corporation Limited for identification confirmation.</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>  |

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## LETTER FROM THE BOARD

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| <b>Original text of the Articles of Association</b>                            | <b>Proposed amendments to the Articles of Association</b>                      |
|--|--|
| <b>Article 80</b><br><br>(10) name and telephone number of the contact person. | <b>Article 80</b><br><br>(10) name and telephone number of the contact person. |

The notice and supplementary notice of general meeting shall sufficiently and fully disclose the entire content of all proposed resolutions. Independent directors shall express opinions on the matters proposed for discussion and such opinions from independent directors shall be disclosed on the notice and supplementary notice of general meeting. The notice of general meeting shall clearly state the time and procedure of online voting or any other method of voting. Online voting or any other method of voting shall not start earlier than 3:00 p.m. one day before the date of the general meeting and later than 9:30 a.m. of the date of general meeting. Also, online voting or any other method of voting shall not end earlier than 3:00 p.m. of the date of conclusion of the general meeting. The time interval between share record date and the date of general meeting shall not exceed 7 working days and share record date and the date of general meeting shall not be changed except for the mandatory exceptions.

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## LETTER FROM THE BOARD

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### Original text of the Articles of Association

#### Article 104

Shareholders (including proxies) exercise their voting rights in proportion to their shareholdings with voting rights, and each share entitles the shareholder one voting right.

The shares held by the Company have no voting rights, and that part of shares is not counted as the total number of shares with voting rights held by shareholders attending the meeting.

The board of directors, independent non-executive directors and shareholders who meet relevant conditions may gather shareholders' voting rights. Voting rights shall be gathered without paying any compensation, and sufficient information disclosure shall be made to the shareholders from whom voting rights are gathered.

### Proposed amendments to the Articles of Association

#### Article 104

Shareholders (including proxies) exercise their voting rights in proportion to their shareholdings with voting rights, and each share entitles the shareholder one voting right.

The same voting right shall only select any one of the voting methods, namely voting on-site, online voting or other voting methods. Only the first voting result is viewed as valid for any multiple votings of the same voting right.

Voting at the general meeting shall be taken by way of registered poll.

Where material issues affecting the interests of small and medium investors are being considered in the shareholders' general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

The shares held by company have no voting rights, and that part of shares is not counted as the total number of shares with voting rights held by shareholders attending the meeting.

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## LETTER FROM THE BOARD

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**Original text of the Articles of Association**

**Proposed amendments to the Articles of Association**

The board of directors, independent directors and certain qualifying shareholders (as determined under the criteria made by relevant regulatory authorities from time to time) of the Company may publicly solicit votes of the Company's shareholders at general meetings, provided that sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom voting rights are being solicited. No consideration or other form of de facto consideration shall be involved in the solicitation of voting rights from shareholders. The Company shall not impose any limitation related to minimum shareholdings on the solicitation of voting rights. Public solicitation of votes shall be made in accordance with regulations of relevant regulatory authorities and the stock exchange on which the shares of the Company are listed.

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## LETTER FROM THE BOARD

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### Original text of the Articles of Association

#### Article 116

Before a resolution is voted on at a general meeting, two shareholders representatives shall be elected as vote counters and scrutinizers. Any shareholder who is interested in the matter under consideration and proxies of such shareholder shall not participate in vote counting or scrutinizing.

When the shareholders are voting on the motions, lawyers, shareholder representatives, auditors and/or the share registrar shall count and scrutinize the votes jointly, and the voting result will be announced forthwith. Voting on these resolutions will be recorded in the minutes of meeting.

### Proposed amendments to the Articles of Association

#### Article 116

Before a resolution is voted on at a general meeting, two shareholders representatives shall be elected as vote counters and scrutinizers. Any shareholder who is interested in the matter under consideration and proxies of such shareholder shall not participate in vote counting or scrutinizing.

When the shareholders are voting on the proposed resolutions, lawyers, shareholder representatives, auditors and/or the share registrar shall count and scrutinize the votes jointly, and the voting result will be announced forthwith. Voting on these resolutions will be recorded in the minutes of meeting.

Shareholders of the Company or their proxies who cast votes via network or other means shall be entitled to review their own voting result through the relevant voting system.

The on-site voting shall not end earlier than the network voting or any other method of voting at the shareholders' general meeting. The chairperson of the meeting shall announce details of voting in connection with each proposed resolution, the voting result and whether the proposed resolution is passed in accordance with the voting result.

Before the formal announcement of the voting result, the related parties including companies, vote counters, scrutineers, substantial shareholders and network service providers at the meeting or participating in on-site voting, network voting or other methods of voting, shall bear the duty of confidentiality of the voting.

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## LETTER FROM THE BOARD

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

The proposed amendments to the Articles of Association are subject to approval by the relevant authority.

### **3. ELECTION OF DIRECTORS AND SUPERVISORS**

As disclosed in the announcement of resolutions passed at the sixth extraordinary meeting of the eighth Board dated 22 April 2015, the Board has considered and approved the nomination of Ms. Liu Zhe as the executive Director candidate of the eighth Board by the nomination committee of the Board; Ms. Jin Chunyu and Mr. Fu Hongquan as the non-executive Directors candidates of the eighth Board by the controlling Shareholder, Jingcheng Holding.

Further, as disclosed in the announcement of resolutions passed at the eighth meeting of the eighth Supervisory Committee dated 22 April 2015, the Supervisory Committee has considered and approved the recommendations of Ms. Chang Yun and Ms. Wang Weijing as Supervisors candidates of the eighth Supervisory Committee.

The term of office of the newly elected Directors and Supervisors shall be from the approval date at the AGM and until the 2016 annual general meeting.

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 Ms. Liu Zhe as executive Director; Ms. Jin Chunyu and Mr. Fu Hongquan as non-executive Directors; Ms. Chang Yun and Ms. Wang Weijing, as the Supervisors, and their respective remuneration packages.

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.

### **4. AUTHORIZATION OF THE BOARD TO DETERMINE THE REMUNERATIONS OF DIRECTORS AND SUPERVISORS**

Due to change of some of the Directors and Supervisors of the Company, the Board proposed to authorize the Board to determine the remunerations of Directors and Supervisors after the approval from AGM.

The annual remuneration of the executive Directors who serve as senior management of the Company comprises three parts: i.e. annual basic salaries, regular annual performance salaries and special contribution income. Each of the executive Directors will be entitled to a basic salary with a range of RMB200,000 to RMB550,000. The regular annual performance remuneration ranges from RMB120,000 to RMB850,000, depending on the

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## LETTER FROM THE BOARD

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result of the performance appraisal of each executive Director. The income for special contribution may be granted to executive Directors in the event that they have made significantly outstanding contributions to the implementation of the strategies of the Company or received special recognition for significant managerial innovation and technological innovation. The income for special contribution, which shall not exceed RMB100,000, will be reviewed by the remuneration and monitoring committee of the Board and will be presented to the Board for review and approval. Each of the non-executive Directors will be entitled to an annual fee not exceeding RMB40,000. Each of the independent non-executive Directors will be entitled to an annual fee not exceeding RMB60,000. Each of the Supervisors will be entitled to an annual fee of not exceeding RMB40,000.

### **5. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 15 January 2015, the Board announced that the Finance Lease Cooperation Framework Agreement was entered into between Tianhai Industrial and Jingcheng International Financial pursuant to which Tianhai Industrial would sell and Jingcheng International Financial would purchase the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers.

Pursuant to the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder. Everbright Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder.

This circular will provide you, inter alia, (i) further information on the Finance Lease Cooperation Framework Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement; and (iii) the advice from Everbright Capital to the Independent Board Committee and the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement.

### **FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

**Date** : 15 January 2015

**Parties**

**Vendor** : Tianhai Industrial

**Purchaser** : Jingcheng International Financial



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## LETTER FROM THE BOARD

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### **Term:**

A term of one year commencing from 1 January 2015 to 31 December 2015.

### **Background**

The Group has been carrying on transactions pursuant to the 2014 Finance Lease Agreement which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions under the 2014 Finance Lease Agreement were disclosed in the announcement of the Company dated 3 March 2014. The 2014 Finance Lease Agreement has expired on 31 December 2014, and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under the 2014 Finance Lease Agreement from time to time in 2015.

### **Subject matter:**

Jingcheng International Financial will purchase and Tianhai Industrial will sell the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers. Tianhai Industrial will refer potential Sales Customers to Jingcheng International Financial.

For each individual transaction under the Finance Lease Cooperation Framework Agreement, Tianhai Industrial and Sales Customers shall enter into a written individual sale and purchase agreement (“**Individual SPA**”) and Jingcheng International Financial and Sales Customers shall enter into a finance lease agreement (“**Finance Lease**”). Upon the entering into the Individual SPA and Finance Lease, Tianhai Industrial will provide after-sales services, repair and maintenance services of the Products to the Sales Customers. The after-sales service expenses of the Products which arise from the quality problems relating to the equipment within the quality assurance period will be borne by the Group, and the after-sales service expenses after the quality assurance period will be borne by Sales Customers. All the terms and conditions (including the purchase price, purchase quantity, product specification and requirements, interest rate and commission fees) are agreed separately between the Group and Sales Customers or Jingcheng International Financial and Sales Customers, depending on the needs and requirements of the Sales Customers. Jingcheng International Financial has entrusted the Group to negotiate all the terms and conditions in respect of equipment with Sales Customers, and Jingcheng International Financial would negotiate with Sales Customers the terms and conditions in respect of the finance lease and the parties would sign a tripartite agreement.

The Directors consider that the above arrangements are on normal commercial terms which are arrived at on an arm’s length basis, and that they are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

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## LETTER FROM THE BOARD

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### **Prices, annual caps and basis of determination**

#### **Historical amounts:**

The annual cap of the transactions between Tianhai Industrial and Jingcheng International Financial which is of a nature similar to the transactions under the 2014 Finance Lease Agreement in respect of the year ended 31 December 2014 was RMB29,000,000 and the historical amount was RMB12,828,900.

#### **Proposed annual cap and basis of determination**

Prices of the Products contemplated under the Finance Lease Cooperation Framework Agreement will be within the range of RMB300,000 – RMB4.5 million, among the other Products to be sold in 2015, the Group will mainly focus on selling LNG storage tanks, the prices of LNG storage tank will be within the range of RMB3 million – RMB4.5 million with the final prices of the Products being cost of the Products plus profit margin of 7%-21% as determined by Tianhai Industrial.

The annual cap of the continuing connected transactions contemplated under the Finance Lease Cooperation Framework Agreement for one year ending 31 December 2015 is estimated to be RMB360,000,000. From 1 January 2015 to the Latest Practicable Date, there was no transaction under the Finance Lease Cooperation Framework Agreement, therefore there was no continuing connected transaction of the Company under the Listing Rules.

The above prices and annual caps are determined with reference to the volume of historical transactions of finance leases, the expected demand from local ship owners for LNG tanks after a detailed market research and customer's visits and the Group's production capacity in 2015, both parties formulated the annual caps of Finance Lease Cooperation Framework Agreement according to the national laws, regulations and requirements of financial policy. Pursuant to the operating conditions, financial conditions and risk criteria of both parties, the Products sold by the Group is integrated equipment, the prices of the Products varies depending on the needs and requirements of Sales Customers. Besides, since the agreements to be signed by Sales Customers and Jingcheng International Financial have different terms, which would lead to difference in tax rates and the prices thus would be different. i.e. "bargain per order" was implemented. The Products involved in the connected transactions last year were mainly LNG gas cylinders and gas stations, the unit price of such products ranged from RMB0.3 million to RMB2 million. The amount of transactions for LNG storage tanks last year was RMB173,265,059, such transactions did not involve finance lease arrangement and were carried out independent of the 2014 Finance Lease Agreement. As the PRC government policy encouraged the use of clean energy, the Directors expect the demand for LNG storage tanks increased, and the price ranged from RMB3 million to RMB4.5 million, representing a significant increase as compared with the price in the previous year. In 2015, the Company is optimistic about the development of LNG storage tank. The Group is currently in negotiation with a number of shipyards for potential cooperation, based on an invitation sent by certain PRC energy company to the Group to discuss on the potential cooperation to help Sales Customer transform oil-powered vessels into LNG-powered vessels and the Group's existing production capacity, it is expected that more than 90 LNG storage tanks can be sold in 2015. Since Sales Customers do not have

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## LETTER FROM THE BOARD

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sufficient financial resources to purchase the Products, the Company would recommend the Sales Customers to Jingcheng International Financial to arrange finance lease under the Finance Lease Cooperation Framework Agreement, Sales Customers are then able to obtain funding under the arrangement of the Finance Lease Cooperation Framework Agreement for purchase of the Products, in order to boost sales of the products and considering that the Finance Lease Cooperation Framework Agreement can avoid the loss of customers due to funding problem, after careful judgment by the Group, it is expected that the amount for the transactions under the Finance Lease Cooperation Framework Agreement in 2015 will be RMB360,000,000.

### **Payment terms of the Products**

After the conditions are fulfilled under the Individual SPA and Finance Lease, Jingcheng International Financial shall pay 95% of purchase price as stipulated in the Individual SPA to Tianhai Industrial within 5 working days from the date of delivery of the Products by bank wire. Jingcheng International Financial shall pay the remaining 5% of such purchase price to Tianhai Industrial within 5 working days from the date of termination of the Finance Lease by bank wire. The term of Finance Lease generally will not exceed 3 years. If Sales Customers cannot fulfill the payment terms of the Finance Lease to Jingcheng International Financial, Jingcheng International Financial will bear all the losses, all the subsequent matters relating to payment will be dealt by Jingcheng International Financial in its sole discretion, and have no impact on the Group.

The Products pricing process of the Company is as follows: the sales associates will obtain the latest market information and submit an integrated price quotation application to the sales representative for review. The technical department, quality department, production department, supply department and other relevant departments will verify the pricing data for the Products. And the representative of the Finance Department will gather cost information of the Products and initially approve the prices. The marketing representative will determine the Products prices according to the market conditions and the state of affairs of competitors. Upon the approval from the marketing manager, the Products prices will then pass to the general manager for approval based on the Company's strategic development. As the Products sold by the Company is integrated equipment, the prices for the transactions of the agreements vary depending on the needs and requirements of the Sales Customers and the terms of the agreements signed by the Sales Customers and Jingcheng International Financial. Therefore, "bargain per order" will be implemented for the formulation of the agreements according to the operating conditions, financial conditions and risk criteria. And the final prices of the Products being cost of the Products plus profit margin of 7%-21% as determined by Tianhai Industrial. So far as the Board is aware, it is a market practice to adopt this pricing method, and same pricing basis is applied to all customers of the Company, including the sales customers who are independent third parties customers. Therefore, the Board considers that the pricing terms under the Finance Lease Cooperation Framework Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The product pricing process is divided into application, review, collection of pricing data, pricing data verification, pricing and approval, etc. There is staff involved in each approval process and signatures are required accordingly. The Company's legal department will review and ensure the individual

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## LETTER FROM THE BOARD

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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.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

Some of the Group's customers are unable to make full payment for the Products to the Group due to funding problems, in order to settle the Group's account receivables, Tianhai Industrial is responsible for recommending lease sales customers to Jingcheng International Financial, after Jingcheng International Financial has reviewed whether it complies with the conditions of the Finance Lease, the parties would sign a tripartite agreement, such arrangement not only expands the product sales and business development of the Group, but also enlarges the market share of the products and enhances the efficiency of working capital, thereby fosters the long-term and sustainable development of the Group.

None of the Directors had material interest in respect of the Finance Lease Cooperation Framework Agreement. However, in view of good corporate governance practices, Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua, being directors nominated by Jingcheng Holding, had both abstained from voting in the relevant Board resolutions approving the Finance Lease Cooperation Framework Agreement.

### **GENERAL**

Jingcheng International Financial is principally engaged in financial leasing, leasing, purchase of leased property from domestic and overseas sellers, treatment of residual value of leased property and maintenance of leased property; consultation and warranty on leasing transactions.

Authorised scope of operation of Tianhai Industrial: production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, add-on components, fire extinguishers, fire extinguishing system products and components, gas cylinders for medical equipment, gas cylinders for life rescues, gas cylinders and components for food machineries, gas and wrapped cylinders and components for gas vehicles, gas storage special containers, bundled devices, cryogenic gas cylinders and components, LPG cylinders and components, aluminum cores, cylinders and components, new enhanced complex materials (complex materials such as carbon fibre, organic fibre and high strength glass fibre) and products, complex gas cylinders (natural gas storage cylinders for vehicles, gas storage cylinders for respirators, containers for water treatment), testing equipment for complex gas cylinders, production of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading); general logistics (road transport licenses valid until 7 May 2016).

General scope of operation of Tianhai Industrial: providing installation, adjustment, maintenance, technical consultancy and services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage and transportation; providing after-sales service and maintenance; design and sale of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and

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## LETTER FROM THE BOARD

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accessories; sale of machinery equipment and electrical equipment; equipment maintenance; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency; professional contractor.

Jingcheng Holding is an enterprise in the equipment manufacturing industry. Its main business segments include digitally-controlled machine tool segment, gas storage and transportation segment, printing machinery segment, environmental protection business segment, engineering machinery segment, thermal power generation segment, new energy segment, switch business segment, wire and cable segment, electrical and mechanical business segment, logistics business segment and lease financing business.

### LISTING RULES IMPLICATIONS

As at the date of this circular, Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Jingcheng International Financial is 75% owned by Jingcheng Holding. Accordingly, Jingcheng International Financial is a connected person of the Company under Chapter 14A of the Listing Rules. Further, Jingcheng Holding and its associates will abstain from voting on the relevant resolution(s) at the AGM to be convened for the purpose of approving the Finance Lease Cooperation Agreement and the annual cap of the continuing connected transactions contemplated under the Finance Lease Cooperation Framework Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder and no Shareholder will be required to abstain from voting at the AGM in respect of the resolution relating to the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder and the annual cap of the continuing connected transactions contemplated under the Finance Lease Cooperation Framework Agreement.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Finance Lease Cooperation Framework Agreement, on an annual basis are more than 25% but less than 75%, the Finance Lease Cooperation Framework Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee dated 22 May 2015 set out on page 21 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Finance Lease Cooperation Framework Agreement; and (ii) the letter from Everbright Capital dated 22 May 2015 as set out on pages 22 to 30 of this circular which contains the recommendation from Everbright Capital to the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Cooperation Framework Agreement and the principal factors and reasons considered by Everbright Capital in arriving at its recommendation.

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## LETTER FROM THE BOARD

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The Directors (including members of the Independent Board Committee after taking into account the factors and reasons considered by, and the opinion of Everbright Capital as stated in its letter), consider that the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the AGM to approve the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder.

### THE AGM

A notice convening the AGM to be held on 9 June 2015 (Tuesday) at 9:00 a.m. are set out on pages 61 to 65 of this circular which has been despatched on 23 April 2015. 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 23 April 2015 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 Huo Xian Nan San Road, Huo Xian Town, 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 23 April 2015. 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 19 May 2015 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 Rule 13.39(5) of the Listing Rules.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
By order of the Board  
**BEIJING JINGCHENG MACHINERY  
ELECTRIC COMPANY LIMITED**  
**Jiang Chi**  
*Company Secretary*



**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)**

22 May 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE  
FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 22 May 2015 (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 terms of Finance Lease Cooperation Framework Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Everbright Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from Everbright Capital as set out on pages 22 to 30 of the Circular and the letter from the Board as set out on pages 4 to 20 of the Circular.

Having considered the terms of the Finance Lease Cooperation Framework Agreement and taken into account the advice of Everbright Capital as stated in its letter, we consider that the Finance Lease Cooperation Framework Agreement 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 of the resolutions to be proposed at the AGM to approve the Finance Lease Cooperation Framework Agreement 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*

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## LETTER FROM EVERBRIGHT CAPITAL

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*The following is the text of the “Letter from the Everbright Capital” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



22 May 2015

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the sale of the Group’s products (the “**Products**”) to Jingcheng International Financial (the “**Continuing Connected Transactions**”) for purpose of providing finance leases by Jingcheng International Financial to sales customers (the “**Sales Customers**”) in accordance with the terms of the Finance Lease Cooperation Framework Agreement (the “**Framework Agreement**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular to the Shareholders dated 22 May 2015 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Jingcheng International Financial is 75% owned by Jingcheng Holding. Accordingly, Jingcheng International Financial is a connected person of the Company under Chapter 14A of the Listing Rules. The arrangements between the Group and Jingcheng International Financial under the Framework Agreement, including the Annual Cap (“**Annual Cap**”), constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Framework Agreement are more than 25% but less than 75%, the Framework Agreement constitutes continuing connected transactions of the Company and is subject to reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Further, Jingcheng Holding and its associates will abstain from voting on the relevant resolution at the AGM to be convened for the purpose of approving the Framework Agreement and the Annual Cap of the continuing connected transactions contemplated under the Framework Agreement.



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## LETTER FROM EVERBRIGHT CAPITAL

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The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Framework Agreement, and to advise the Independent Shareholders, so far as the Independent Shareholders are concerned, as to whether the Framework Agreement, including the Annual Cap, are fair and reasonable, and whether they are in the interests of the Company and the Independent Shareholders as a whole. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Mr. Alvin Kam, for and on behalf of China Everbright Capital Limited, signed the opinion letter from the independent financial adviser contained in the Company's circular (i) dated 21 November 2013 in respect of disposal of property; (ii) dated 23 May 2014 in relation to gas cylinder pipes sale and purchase framework agreement and supplemental agreement; and (iii) dated 11 June 2014 in respect of the disposal of Jingcheng Compressor. The past engagements were limited to providing independent advisory services to Independent Board Committee and Independent Shareholders pursuant to the Listing Rules. Apart from normal professional fees for our services to the Company in connection with the engagements described above, no arrangement exists whereby we will receive any fees and benefits from the Company and its subsidiaries, Jingcheng Holding, members of Jingcheng Holding or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between (a) Everbright Capital and (b) each of the Company and its subsidiaries, Jingcheng Holding, members of the Jingcheng Holding that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction as detailed in the Circular.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management ("**Management**") of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group or Jingcheng International Financial. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

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## LETTER FROM EVERBRIGHT CAPITAL

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### PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our recommendations, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

#### **(A) Background of and reasons for the Continuing Connected Transactions**

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

Jingcheng International Financial is principally engaged in financial leasing, leasing, purchase of leased property from domestic and overseas sellers, treatment of residual value of leased property and maintenance of leased property; consultation and warranty on leasing transactions.

As disclosed in the Group's announcement dated 3 March 2014, Tianhai Industrial, a subsidiary of the Group, entered into a finance lease cooperation framework agreement ("**Previous Framework Agreement**") with Jingcheng International Financial, pursuant to which Jingcheng International Financial would purchase and the Group would sell the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers for a term of one year commencing on 1 January 2014 and expiring on 31 December 2014. For each individual transaction under the Previous Framework Agreement, the Group and the Sales Customers entered into an individual sales and purchase agreement. Subsequently, Jingcheng International Financial and Sales Customers entered into an individual finance lease agreement. During the year ended 31 December 2014, the sales amount under the Previous Framework Agreement amounted to RMB12.8 million, representing a utilization rate of 44.1% of the previous annual cap of RMB29.0 million.

As the Previous Framework Agreement expired on 31 December 2014, the Group expects to continue to enter into similar transactions with Jingcheng International Financial from time to time in 2015. On 15 January 2015, the Group entered into the Framework Agreement to govern similar transactions for the year ending 31 December 2015. As stated in the Letter from the Board, the cooperation of the Group and Jingcheng International Financial would not only expand the product sales and business development of the Group, but also enlarge the market share of the products and enhance the efficiency of working capital, thereby fostering long-term and sustainable development of the Group.

After our discussion with the Management, the Products under the Framework Agreement cover a range of products manufactured by the Group, and it is expected that, for the year ending 31 December 2015, the Products to be supplied to Sales Customers under the Framework Agreement are expected to be mainly LNG tanks. Due to the several government policies which encourage the shift of vessel fuel from diesel to natural gas in the shipping industry, the Group will build on its existing techniques

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## LETTER FROM EVERBRIGHT CAPITAL

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of LNG cylinders for the development of LNG tank for use in vessels to meet the demand of the Group's customers as well as to expand the market share of the Group's products.

As stated in the Letter from the Board, prices of the products contemplated under the Framework Agreement will be in the range of RMB300,000 to RMB4.5 million. As advised by the Management, the expected selling prices of LNG tanks range from RMB3.0 million to RMB4.5 million. To facilitate the sales of the Products to the Sales Customers, the Group intends to cooperate with Jingcheng International Financial under the Framework Agreement, pursuant to which Jingcheng International Financial will provide finance leases to Sales Customers for the purchase of the Products from the Group.

Taking into account that:-

1. the business nature of the Group and Jingcheng International Financial;
2. similar to the purpose of the Previous Framework Agreement, the purpose of the arrangements between the Group and Jingcheng International Financial under the Framework Agreement is to facilitate the Sales Customers, who are independent third parties, to purchase the Products from the Group; and
3. the selling prices of the Products to be sold by the Group to Jingcheng International Financial under the Framework Agreement are determined by the Group and the relevant Sales Customers on an arm's length basis, and the Group is not required to pay other fee to Jingcheng International Financial under the Framework Agreement,

we consider that the Continuing Connected Transactions are in line with the existing business of the Group, and are on normal commercial terms, fair and reasonable and in the interests of the Shareholder and the Company as a whole.

### **(B) The Major Terms of the Framework Agreements**

Pursuant to the Framework Agreements, Jingcheng International Financial will purchase and the Group will sell the Products for the purpose of providing finance leases by Jingcheng International Financials to Sales Customers for a term of one year commencing on 1 January 2015 and expiring on 31 December 2015. The Group will refer potential Sales Customers to Jingcheng International Financial while all risk assessment will be conducted independently and separately by Jingcheng International Financials.

The purpose of the Framework Agreements is to provide a framework to the agreed general terms and conditions governing the purchase of the Products by Jingcheng International Financial from the Group and each of such transactions will be subject to specific terms and conditions under an individual sale and purchase agreement (the "**Individual SPA**") to be entered into between the Group and Sales Customers. Meanwhile, Jingcheng International Financial and Sales Customers shall

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## LETTER FROM EVERBRIGHT CAPITAL

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enter into the corresponding finance lease agreement (“**Finance Lease Agreement**”). Upon the entering into the Individual SPA and the Finance Lease Agreement, the Group will provide after-sales services, repair and maintenance services of the Products to the Sales Customers.

As set out above, both the Individual SPA and the Finance Lease Agreement would be entered into between the Group or Jingcheng International Financial and the Sales Customers separately. Other than the Framework Agreement, the Group would not enter into any individual agreements with Jingcheng International Financial. As advised by the Management, depending on the needs and requirements of the Sales Customers, terms and conditions in relation to the Individual SPA such as selling price, purchase quantity, product specification and requirements will be agreed between the Group and Sales Customers, while terms and conditions in relation to the Finance Lease Agreement such as interest rate and commission fees will be agreed between Jingcheng International Financial and Sales Customers. Given that the selling prices included a profit margin and that the terms and conditions are determined directly between the Group and Sales Customers, which are independent third parties, we are of the view that the terms and conditions, particularly the purchase price payable by Jingcheng International Financial to the Group in respect of each Individual SPA and Finance Lease Agreement are on normal commercial terms, which are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

After the conditions are fulfilled under the Individual SPA and Finance Lease Agreement, pursuant to the Framework Agreement, Jingcheng International Financial shall pay 95% of purchase price as stipulated in the Individual SPA to the Group within 5 working days from the date of delivery of the Products by bank wire. Jingcheng International Financial shall pay the remaining 5% of such purchase price to the Group within 5 working days from the date of termination of the finance lease by bank wire.

We have discussed with the Management and were advised that for delivery of the Group’s other products, which do not involve financial leasing arrangement, normally require a deposit of less than 90% with the remaining portion to be paid at delivery. We further obtained copies of sample contract entered into between the Group and its independent customers for the Group’s products, noting that the independent customers are required to settle less than 50% upon signing of the sale and purchase contract and the remaining at final delivery of products. Given the larger expected transaction amount for LNG tanks, the upfront payment of 95% deposit under the Framework Agreement would enhance the efficiency of working capital of the Group. The remaining 5% will be settled upon the expiry of the Finance Lease. As stated in the Letter from the Board, the term of Finance Lease generally will not exceed three years and if Sales Customers cannot fulfill the payment terms of the Finance Lease to Jingcheng International Financial, and have no impact on the Group. Having considered that (i) the Group adopt similar payment arrangement by way of a upfront deposit and a final payment to independent customers for the Group’s other products; (ii) a substantial portion 95% of the purchase price will be settled upfront; (iii) the remaining 5% represents a small portion of the total selling price of the Individual SPA; (iv) Jingcheng International Financial will bear all the losses and any default by the Sales

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## LETTER FROM EVERBRIGHT CAPITAL

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Customer would not affect the Group as the remaining 5% will be settled by Jingcheng International Financial even if the Sales Customer fails to fulfill the payment terms of the Finance Lease to Jingcheng International Financial; and (v) the separate Finance Lease Agreement entered into between the Sales Customers and Jingcheng International Financial, we are of the view that the payment terms offered to Jingcheng International Financial are no more favorable than other independent customers of the Group and are on normal commercial terms, and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and its shareholders.

### **(C) The Annual Cap**

The proposed Annual Cap in respect of the transaction contemplated under the Framework Agreement is RMB360 million for the year ending 31 December 2015.

As stated in the Letter from the Board, the Annual Cap are determined with reference to (i) the volume of historical transactions of finance leases; and (ii) the expected demand from local ship owners for LNG tanks after a detailed market research and customer's visits and the Group's production capacity in 2015, both parties formulated the annual caps of Finance Lease according to the national laws, regulations and requirements of financial policy. Further, as encouraged by the PRC government's effort in using cleaner energy, the Directors expect the demand for LNG tanks will increase significantly in the coming years. Pursuant to the operating conditions, financial conditions and risk criteria of both parties, the "bargain per order" was implemented. After careful judgment by the Group, it is expected that the amount for the transactions under the Finance Lease Cooperation Framework Agreement in 2015 will be RMB360,000,000.

Upon our discussion with the Management, we have conducted our research and noted the introduction of several supportive government policies in recent years to encourage the use and construction of LNG-powered vessels. For example, according to "Policy for Utilization of Natural Gas" introduced in 2012, "transport ships powered by natural gas, LNG in particular, navigating inland waterways, lakes and coastal area" are listed under the category of top priority by the National Development and Reform Commission. Subsequently, in March 2013, the Department of Water Transport under the Ministry of Transport also issued "Implementation Program for Promoting National Standardization of Inland Waterway Vessels of the 12th Five-year Plan" which would grant government subsidy from 1 October 2013 to 31 December 2015 to the construction of demonstration ships capable of raising the efficiency of passing the ship lock at the Three Gorges, powered by clean energy/fuel or of benefit to energy conservation and emission reduction. In April 2014, the Ministry of Finance and the Ministry of Transport further issued "Administrative Measures of Standardized Subsidy Fund on Inland Waterway Vessels" to identify the subsidy standard for new construction of LNG-powered demonstration ships. The above policies suggested that the Chinese government has paid greater attention and given greater support to the demonstration projects of testing the LNG-powered vessels and its determination to push ahead vigorously the construction of LNG powered vessels.

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## LETTER FROM EVERBRIGHT CAPITAL

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In September 2014, the National Energy Bureau held a forum to seek comments on the country's "LNG refueling station layout guidance". The guidance proposed a LNG refueling station network plan for the country which covers the Yangtze River, West River Route, the Beijing-Hangzhou Grand Canal, the Pearl River Delta, the Han River and Jiangnan Canal. The guidance is expected to be formally introduced in 2015. In the run up, various energy companies have also formulated the layout planning for LNG refueling stations. Therefore, we are of the view that the business outlook of the LNG-powered vessels industry in the PRC in the coming years is positive and the estimation of the growth in demand for LNG tanks is fair and reasonable.

As advised by the Management, the Group is currently under negotiation with several energy companies and ship owners for potential cooperation. The Management expects to help these potential Sales Customers to transform their fleet into LNG-powered vessels, and the Group would be responsible for the manufacturing of LNG tanks for storage of natural gas in vessels and the installation of LNG tanks onto vessels of these potential customers.

We have reviewed market research information provided by the Management and an invitation sent by certain PRC energy company to the Group to discuss on the potential cooperation to help Sales Customer transform oil-powered vessels into LNG-powered vessels. It was stated in the invitation that the potential cooperation targets to transform 240 vessels into LNG-powered vessels in 2015 and 2016. We have also reviewed the strategic cooperation proposal subsequently submitted by the Company, noting (i) the proposed finance lease arrangement to assist Sales Customers to transform their vessels into LNG-powered vessels; and (ii) proposed cooperation with energy companies to first transform vessels in areas with LNG refueling stations.

As advised by the Management, the Group's existing production capacity is to manufacture LNG tanks for approximately 90 vessels during the year ending 31 December 2015. Depending on the requirements of the sales customers, the LNG-powered vessel will be priced in the range of RMB3.0 million to RMB4.5 million each. Therefore, the total sales amount of LNG tanks to be sold by the Group may reach to RMB 270 million – RMB405 million in 2015.

To facilitate the sales of the Products to these Sales Customers, the Group intends to cooperate with Jingcheng International Financial, which may provide financing leasing to these Sales Customers for the purchase of Products from the Group.

In spite of the low historical transactions amount of RMB12.8 million and the low utilization rate of only 44.1% of the previous annual cap, we have considered (i) the significant demand for LNG tanks from local ship owners in response to the standardized subsidy fund measures issued in April 2014 and the guidance expected to be formally introduced by the National Energy Bureau in 2015; (ii) the Group's experience and techniques in the LNG-related products; and (iii) the Group's existing capacity to produce LNG tanks for approximately 90 vessels, we are of the view that the significant increment on the Annual Cap and the setting of the Annual Cap are fair and reasonable and are in the interest of the Company and the shareholders as a whole.

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## LETTER FROM EVERBRIGHT CAPITAL

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However, the Independent Shareholders should note that as the Annual Cap are determined based on various factors relating to future events and assumptions which may or may not remain valid for the year ending 31 December 2015, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be received by the Group will correspond with the Annual Cap.

### **(D) Reporting requirements and conditions of the Continuing Connected Transactions**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - in the ordinary and usual course of business of the group;
  - either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favourable to the group than terms available to or from (as appropriate) independent third parties; and
  - in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (b) each year the auditors of the company must provide a letter to the board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the company's annual report) confirming that the continuing connected transactions:
  - have received the approval of the board;
  - are in accordance with the pricing policies of the group;
  - have been entered into in accordance with the terms of the relevant agreements governing the continuing connected transactions; and
  - have not exceeded the Annual Cap;
- (c) the company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (b); and

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## LETTER FROM EVERBRIGHT CAPITAL

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- (d) the company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive directors and/or auditors of the company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Connected Transactions, in particular, (i) the restriction of the maximum value of the Connected Transactions by way of the Annual Cap; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Connected Transactions and the Annual Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Framework Agreement, including the Annual Cap, are on normal commercial terms, are in the ordinary and usual course of business of the Company, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to the Framework Agreement, including the Annual Cap, as detailed in the notice of AGM as set out at the end of the Circular.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Alvin Kam**  
*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 (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**

| <b>Name of director</b> | <b>Capacity</b>  | <b>Number of shares held</b> | <b>Approximate percentage of the shareholding in the entire share capital of the Company (A Shares and H Shares)</b> |
|-------------------------|------------------|------------------------------|--|
| Wu Yan                  | Beneficial owner | 43,001<br>A Shares           | 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:

| <b>Name of Director/<br/>proposed Director</b> | <b>Name of Shareholder</b> | <b>Capacity of Director/<br/>proposed Director in Shareholder</b> | <b>Number of Shares held by Shareholder</b> | <b>Approximate percentage of shareholding in the entire share capital of the Company (A Shares and H Shares)</b> |
|--|----------------------------|---|---|--|
| Xia Zhonghua                                   | Jingcheng Holding          | Head of housing, land and resources department                    | 180,620,000<br>A Shares                     | 42.80%   |
| Jin Chunyu                                     | Jingcheng Holding          | Head of planning and finance department                           | 180,620,000<br>A Shares                     | 42.80%   |
| Fu Hongquan                                    | Jingcheng Holding          | Minister of the Ministry of the Securities and Reform             | 180,620,000<br>A Shares                     | 42.80%   |

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 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 | 180,620,000 (56.09%)   | 42.80%  |

  

| Name of the member of the Group  | Name of person   | Approximate percentage of interest |
|--|--|------------------------------------|
| Amercia Fortune Company  | 鄭國祥 (ZhengGuoxiang)<br>郭志紅 (Guo Zhihong)                       | 24.50%<br>24.50%                   |
| 上海天海德坤復合氣瓶有限公司<br>(Shanghai Tianhai Gas Cylinder Co., Ltd.)            | 吳壽宗 (Wu Shouzong)  | 10.68%                             |
| 天津天海高壓容器有限責任公司<br>(Tianjin Tianhai High Pressure Containers Co., Ltd.) | 天津大無縫投資有限公司<br>(Tianjin Dawufeng Investment Co., Ltd.)         | 45.00%                             |
| 北京天海低溫設備有限公司<br>(Beijing Tianhai Cryogenic Equipment Co., Ltd.)        | 北京科瑞尼克科貿有限公司<br>(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)   | 17.92%                             |
| 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 (有限合伙) 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%                             |

Save as disclosed above and so far as the Directors, Supervisors 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 or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

#### 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 2014, 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. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given their opinion or advice which is contained in this circular:

| <b>Name</b>                      | <b>Qualification</b>  |
|----------------------------------|---|
| China Everbright Capital Limited | a corporation licensed to Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder |

The letter and recommendation given by Everbright Capital are given as at the date of this circular for incorporation herein. Everbright Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/statements and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Everbright Capital was not interested in any Shares or shares in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

As at the Latest Practicable Date, Everbright Capital did not have any direct or indirect interest in any asset which had been or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

## 8. 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 2014, the date to which the latest published audited consolidated financial statements of the Company were made up.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Finance Lease Cooperation Framework Agreement 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.

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## **APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE**

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During 2014, 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 7 meetings and attended the 2013 AGM and all 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. 2014 Work Report of the Supervisory Committee is set out below:

### **I. Work of the Supervisory Committee in 2014**

Supervisory Committee of the Company establishes a sound meeting and working system, which can be implemented strictly. Supervisory Committee convened seven meetings in 2014, details of which are set out below:

(I) The sixteenth Meeting of the Seventh Supervisory Committee was held at the Conference Room of the Company on 28 February 2014. Major details of the meeting are as follows:

1. The resolution in relation to the amendment of relevant systems of the Company was considered and approved.
2. The resolution in relation to the daily connected transactions of the Company was considered and approved.

At the meeting, all supervisors unanimously considered that: The pricing of daily connected transactions of the Company is fair pursuant to the fair, reasonable and impartial principles and under the guidance of market price, which had no adverse impact on the profitability of the listed company and did not harm the interests of the Company and its shareholders, especially minority shareholders.

3. The resolution on the application for banking facility and loan by the Company in 2014 was considered and approved.

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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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(II) The seventeenth Meeting of the Seventh Supervisory Committee was held at the Conference Room of the Company on 27 March 2014. Major details of the meeting are as follows:

1. The work report of the Supervisory Committee for 2013 was considered and approved, and to be submitted to the 2013 annual general meeting of the Company for consideration.
2. The 2013 annual report of the Company and its summary were considered and approved.

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 the Stock Exchange of Hong Kong Limited. 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 2013 audited financial statements of the Company were considered and approved.
  4. The proposal of the Company not to distribute any profit for the year 2013 was considered and approved.
  5. The resolution in respect of provision for impairment on assets of the Company for the year 2013 was considered and approved.

As the Supervisory Committee is aware of after review, 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 or internal control system of the Company during the course of reviewing such resolutions by the Board.

6. The resolution regarding the write-off of bad debts of the Company was considered and approved.
7. The 2013 self assessment report on the Company's internal control was considered and approved.



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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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8. The 2013 audited internal control report of the Company was considered and approved.
  9. The 2013 social responsibility report of the Company was considered and approved.
  10. The resolution on explanations of the differences between the promised results in material asset reorganization and the actual results recorded by the Company was considered and approved.
  11. The resolution on filing an application to the Shanghai Stock Exchange for delisting risk warning to be imposed on the A shares of the Company was considered and approved.
  12. Management Measures on the Efficiency Assessment of Senior Management (《高級管理人員績效考核管理辦法》) of the Company were considered and approved.
  13. The resolution on passing the Supplemental Agreement of routine related transactions entered by Tianjin Tianhai High Pressure Containers Co., Ltd., a subsidiary of the Company, and Tianjin Pipe Steel Trade Co., Ltd. was considered and approved.
- (III) The eighteenth Meeting of the Seventh Supervisory Committee was held at the Conference Room of the Company on 28 April 2014. Major details of the meeting are as follows:

The 2014 First Quarterly Report of the Company was considered and passed.

The Supervisory Committee of the Company had reviewed the Company's 2014 First Quarterly Report prepared by the Board of Directors of the Company in accordance with the relevant requirements of "Contents and Formats for Information Disclosure by Companies Offering Securities to the Public (No. 13): Specification on Contents and Format of Quarterly Reports" of the China Securities Regulatory Commission and "Rules Governing the Listing of Stocks on Shanghai Stock Exchange". At the meeting, all supervisors 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 all requirements of China Securities Regulatory Commission and the Shanghai Stock Exchange. The information contained therein can truly reflect the operation, management and financial position of the Company for the first quarter in all aspects;

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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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- (3) before arriving at this opinion, persons participating in the preparation and review of the First Quarterly Report were not found to have acted in breach of the requirement of confidentiality;
  - (4) the Supervisory Committee agreed that the First Quarterly Report has made due disclosure of information.
- (IV) The nineteenth Meeting of the Seventh Supervisory Committee was held at the Conference Room of the Company on 16 May 2014. Major details of the meeting are as follows:
1. The resolution on the proposed disposal of the 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of public tender was considered and approved.
  2. The resolution on the proposed Asset Transaction Agreement to be entered into between the Company and Beijing Jingcheng Machinery Electric Holding Co., Ltd., subject to terms and conditions, and the connected transaction contemplated thereunder was considered and approved.
  3. The resolution on capital injection by Beijing Bashi Media Co., Ltd. into Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. (北京明暉天海氣體儲運裝備銷售有限公司) was considered and approved.
  4. The resolution on the establishment of Shandong Tianhai High Pressure Containers Co., Ltd. (山東天海高壓容器有限公司), jointly invested by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, and 山東永安合力鋼瓶股份有限公司 was considered and approved.
  5. 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.
  6. The resolution on the general election of the Supervisory Committee was considered and approved.

The term of the seventh Supervisory Committee will expire at the 2013 annual general meeting. According to the recommendations made by the controlling shareholder of the Company, Ms. Liu Zhe and Mr. Han Bingkui (please refer to appendix for their biographical details) will be nominated as candidates for supervisors of the eighth Supervisory Committee, and the relevant resolutions will be proposed at the 2013 annual general meeting. The proposed term of office of supervisors shall commence upon the approval at the 2013 annual general meeting and until the conclusion of the 2016 annual general meeting.

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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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There shall be one staff supervisor, elected by the meeting held by the staff of the Company in accordance with statutory procedures.

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

The annual fee of supervisors of the Company shall not exceed RMB 40,000, and the relevant resolution will be proposed at the 2013 annual general meeting.

- (V) The first meeting of the eighth session of the supervisory committee was held at the first conference room, 18/F, Jingcheng Machinery Electric Building, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing on 26 June 2014. Major details of the meeting are as follows:

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

All attending supervisors unanimously consented Ms. Liu Zhe to be elected the Chairman of the eighth supervisory committee of the Company for a term of three years starting from 26 June 2014 and ending at the conclusion of 2016 annual general meeting.

2. The resolution in relation to the lease of the houses of Beijing Jingcheng Electric Management Co., Ltd. by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved.

- (VI) The second meeting of the eighth session of the Supervisory Committee of the Company was held at the Company's Conference Room on 14 August 2014. Major details of the meeting are as follows:

1. The 2014 Interim Report of the Company and its summary were considered and approved.

The Supervisory Committee reviewed the 2014 Interim Report (hereinafter referred to as "Interim Report") prepared by the Board of Directors, and issued its opinion as follows:

- (1) The preparation of the Interim Report and the procedures for considering the Interim Report is 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;

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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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- (2) The content and format of the Interim Report are in compliance with all requirements of 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 position, 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 in relation to the impact of changes in accounting estimation on the Interim Report of the Company was considered and approved.

Given the material asset reorganization of the Company, the relevant business was changed from manufacturing and distributing printing machinery to gas storage and transportation equipment business, which was a relatively material change in business nature, resulting in the changes in estimated useful lives of fixed assets and the percentage of bad debt provision to account receivables. Hence, it is proposed to make changes to certain accounting estimation.

The estimated useful lives of fixed assets are revalued based on the types of assets, production characteristics and operation model of gas storage and transportation business, resulting in the changes in depreciation rate and the rate of salvage value of certain fixed assets as well as the bad debt provision percentages. Such changes in accounting estimation came into effect from 1 January 2014, and the Company adopted prospective application for accounting treatment. The net profit increased on the combined financial statements for the period amounted to RMB19,132,509.45.

3. The resolution in relation to the provision for impairment of the Company for the half year of 2014 was considered and approved.
4. The resolution on the project of capital injection into Shandong Tianhai High Pressure Containers Co., Ltd. was considered and approved.
5. The resolution on transfer of equipment to Shandong Tianhai High Pressure Container Co., Ltd. through Tianjin Tianhai High Pressure Container Co., Ltd., a subsidiary of the Company, was considered and approved.
6. The resolution on acquisition of equipment from Linxi Hedong Yong'an Metal Welding and Cutting Factory through Shandong Tianhai High Pressure Container Co., Ltd. was considered and approved.

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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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7. The resolution on transfer of two steel cylinder production lines to Tianjin Tianhai High Pressure Co., Ltd through Beijing Tianhai Industry Co., Ltd., the subsidiary of the Company, was considered and approved.

(VII) The third meeting of the eighth session of the Supervisory Committee of the Company was held at the Company's Conference Room on 30 October 2014. Major details of the meeting are as follows:

1. Full text of the 2014 Third Quarterly Report of the Company and its summary were considered and approved.

The Supervisory Committee reviewed the 2014 Third Quarterly Report prepared by the Board of Directors, and issued its opinion as follows:

- (1) The preparation of 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, 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 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 obligation in the Third Quarterly Report is on schedule.
2. The resolution on the application of the newly formulated or amended Accounting Standards for Business Enterprises of the Ministry of Finance was considered and approved.

The Company has begun to apply the newly formulated or amended Accounting Standards for Business Enterprises since 1 July 2014. Except for Accounting Standards for Business Enterprises No.9 – Employee Remunerations, other new accounting standards had no impact on the consolidated financial statements of the Company and did not involve any adjustment to the amounts at the beginning of the period.

As post-employment benefits provided to employees are in the scope of defined benefit plan of Accounting Standards for Business Enterprises No.9 – Employee Remunerations. Therefore, the Supervisory Committee agreed to the supplemental disclosure of the specific effects of such standard on the

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## **APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE**

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Company will be made in the “Annual Report of the Company for the year 2014” after the Company appoints professional institutions to perform measurement on defined benefit plan.

3. The resolution on provision for impairment of the Company from July to September 2014 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 2014 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 2014 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**

The resolution on the proposed disposal of the 100% equity interest in Beijing Jingcheng Compressor Co., Ltd. by the Company by way of public tender was considered and approved at the nineteenth Meeting of the Seventh Supervisory Committee of the Company.

Transfer of the 100% equity interest in Beijing Jingcheng Compressor was beneficial to reduce operating costs and cut its loss-making unit, relevant decision-making procedures of which were in compliance with requirements of laws and regulations as well as the Articles of Association, and did not harm the interests of the Company and its 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 contract on procurement of materials from Tianjin Steel Pipe and Steel Trading Co., Ltd by Tianjin Tianhai High Pressure Co., Ltd., a subsidiary of the subsidiary of the Company, was considered and approved; (2) the resolution on procurement of raw materials from first branch of Beijing Jingcheng Industry Logistics Co., Ltd. by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved; (3) the resolution on conducting of financial leasing business between Beijing Jingcheng International Financial Leasing Co., Ltd and Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved; (4) the resolution on lease of part of plants of Beijing Jingcheng Electric Asset Management Co., Ltd by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved; (5) the resolution on lease of plants of Beijing Jingcheng Compressor Co., Ltd, a subsidiary of the Company, to Beijing Jingcheng Tianyi Environmental Technology Co., Ltd was considered and approved; (6) the resolution on lease of office buildings of Beijing Xihai Trade Co., Ltd to Beijing Jingcheng Compressor Co., Ltd, a subsidiary of the Company, was considered and approved; (7) the resolution on lease of the houses of Beijing Jingcheng Electric Management Co., Ltd. by the Company was 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 2014 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 2014, 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.

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 2015**

In 2015, 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 2015, 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



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## APPENDIX II 2014 WORK REPORT OF THE SUPERVISORY COMMITTEE

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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 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  
**Liu Zhe**  
*Chairman of the Supervisory Committee*

17 March 2015

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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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 Guiding Opinions on the Establishment of Systems of Independent Directors of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), 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 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 2014 as follows:

### I. Basic information about independent directors

**Wu Yan**, Chinese, female, aged 67, 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 board of directors of the Company in 2014.

**Liu Ning**, Chinese, male, aged 56, 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 have been practicing as a lawyer for over thirty 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 AllChina 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

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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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 board of directors of the Company in 2014.

**Yang Xiaohui**, Chinese, male, aged 46, 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 board of directors of the Company in 2014.

**Fan Yong**, Chinese, male, aged 42, 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 board of directors of the Company in 2014.

**Zhang Shuangru**, Chinese, male, aged 71, Independent Non-executive Director, is a senior economist graduated from Archaeology, Department of History, Peking University. Mr. Zhang has served as Deputy Director of the personnel department and Deputy Manager in China Printing Corporation (中國印刷公司). He was appointed as the chairman of China Printing Corporation, the deputy general manager of China Printing Group Corporation (中國印刷集團) and the chairman of C&C Joint Printing Co., (Beijing) Ltd. (北京華聯印刷有限公司), and presently the vice-officer of the National Technical Committee on Printing of Standardization of Administration of China (全國印刷標準化技術委員會) and managing vice-chairman of Printing Technology Association of China (中國印刷技術協會). Mr. Zhang received special subsidy from the State Council in 1994 and The Bisheng Printing Outstanding Achievement Award in 2009. Mr. Zhang was appointed as an Independent Non-executive Director of the seventh Board of Directors of the Company in 2012.

**Wang Hui**, Chinese, female, aged 53, Independent Non-executive Director, a postdoctor, a deputy researcher. Ms. Wang was a technician and engineer of Tianjin Engineering Mechanics Institute of Department of Mechanics; Chief of Quality Control Section, Chief of Technology Department of Guangdong Shunde Zhenhua Automotive Rearview Mirror Limited of China Auto Corporation; Chief of Technology Innovation and Development and Research Center of Economic and Management College of Tsinghua

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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University; Senior Manager of China Huarong Asset Management Corporation; Senior Business Director of Debenture Business Department, General Manager of M&A Business and Management Department, Senior Manager of Institutional Enterprise M&A and Development Strategy Department of China Securities Co., Ltd. She is now Chairman of the board and General Manager of Zhonghai Kaitian (Beijing) Asset Management Co., Ltd. (中海凱天(北京)資產管理有限責任公司). Ms. Wang was appointed as an Independent Non-executive Director of the seventh Board of Directors of the Company in 2011.

**Xie Bingguang**, Chinese, male, aged 59, Independent Non-executive Director, LL.M., a solicitor. Mr. Xie is now Head and a senior solicitor of Beijing Hualian Law Firm, and an interceder of China International Trade Arbitration Commission and International Chamber of Commerce of China; an arbitrator of Beijing Arbitration Commission; Member of Criminal Committee of All China Lawyers Association; Member of Civil Law Affairs Committee of Beijing Municipal Lawyers Association; Member of Real Estate Affairs Committee of Beijing Municipal Lawyers Association; and Director of Beijing Law Society and Economic Society. Mr. Xie was appointed as an Independent Non-executive Director of the seventh Board of Directors of the Company in 2011.

**Wang Deyu**, Chinese, male, aged 40, Independent Non-executive Director, MBA, a qualified Chinese Certified Public Accountant. Mr. Wang was a loan officer of Yantai branch of Bank of China; an auditor of Zeng Fu Cheng Accounting Firm in Zheng Fu Cheng Accounting Firm (曾福成會計公司) in Singapore; Special Assistant to General Manager of Yantai Wanhua Polyurethanes Co., Ltd.; Senior Consultant of BearingPoint (Shanghai) Limited; and Manager of PricewaterhouseCoopers (Beijing) Company. He is currently Financial Director of Sichuan Lessin Department Store Ltd. Mr. Wang was appointed as an Independent Non-executive Director of the seventh Board of Directors of the Company in 2011.

During 2014, 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.

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**APPENDIX III    REPORT OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTORS FOR THE YEAR 2014**

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In 2014, the Company held 1 general meeting and 9 Board meetings (of which 5 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                         | 4                                   | 4                    | 2                                     | 0                   | 0       | No   | 1                                   |
| Liu Ning         | Yes                         | 4                                   | 4                    | 2                                     | 0                   | 0       | No   | 1                                   |
| Yang Xiaohui     | Yes                         | 4                                   | 4                    | 2                                     | 0                   | 0       | No   | 1                                   |
| Fan Yong         | Yes                         | 4                                   | 4                    | 2                                     | 0                   | 0       | No   | 1                                   |
| Zhang Shuangru   | Yes                         | 5                                   | 5                    | 2                                     | 0                   | 0       | No   | 0                                   |
| Wang Hui         | Yes                         | 5                                   | 5                    | 2                                     | 0                   | 0       | No   | 0                                   |
| Xie Bingguang    | Yes                         | 5                                   | 5                    | 2                                     | 0                   | 0       | No   | 0                                   |
| Wang Deyu        | Yes                         | 5                                   | 5                    | 2                                     | 0                   | 0       | No   | 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                   | —      |
| Zhang Shuangru   | Yes                         | No                | No                   | —      |
| Wang Hui         | Yes                         | No                | No                   | —      |
| Xie Bingguang    | Yes                         | No                | No                   | —      |
| Wang Deyu        | Yes                         | No                | No                   | —      |

During 2014, the Company's committees of the Board convened 3 Strategic Committee meetings, 7 Audit Committee meetings, 1 Nomination Committee meeting and 1 Remuneration and Monitoring Committee meeting. As committee members of the Board, we attended all meetings that we should attend respectively.

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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### III. Expressing independent opinions

#### (1) Connected Transactions

##### 1. Ordinary connected transactions

On 28 February and 27 March 2014, we expressed independent opinions for ordinary connected transactions as follows:

- (1) At the sixteenth interim meeting of the seventh Board, the resolution relating to the ordinary connected transactions of the Company was considered in compliance with the requirements for information disclosure and decision-making procedures of the Company.
- (2) The prices of the above connected transactions are objective, fair and reasonable and complied with relevant laws, regulations and Articles of Association.
- (3) During the course of consideration and voting, no connected directors abstained from voting in respect of the agreement on purchase of gas cylinders from Tianjin Steel Pipe by Tianjin Tianhai; connected directors namely Mr. Jiang Zili, Ms. Wu Dongbo abstained from voting in respect of purchase of steel billets for gas cylinders from Jingcheng Logistics by Tianhai Industry, conducting of financial leasing business between Tianhai Industry and a financial leasing company; lease of plant located in Mulin Town Shunyi District from a asset management company by Tianhai Industry, lease of office buildings of Beijing Xihai Trade by Jingcheng Compressor and lease of office and plants of Jingcheng Compressor to Jingcheng Tianyi. The above connected transactions will not harm the interests of the Company and its shareholders, especially minority shareholders.

##### 2. Connected transaction

On 16 May 2014, after carefully reviewing the relevant materials, we expressed the following opinion in relation to the resolution on the preliminary asset transaction agreement entered into between the Company and Jingcheng Holding, subject to the effective conditions, and the connected transaction contemplated thereunder, which was considered and passed at the eighteenth interim meeting of the seventh session of the Board:

- (1) at the eighteenth interim meeting of the seventh 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.

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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- (2) The Company proposed to dispose its 100% interests in Jingcheng Compressor by public tender, while the final transaction object can not be determined yet. Jingcheng Holding, a controlling shareholder of the Company, intended to participate in the public tender. During the implementation of the public tender, should Jingcheng Holding successfully be qualified as the transferee, the selling price will be fixed according to the result of public tender(or open bidding), but shall not be less than valuation value. The price of the above connected transaction is objective, fair and reasonable and complied with relevant laws, regulations and Articles of Association.
- (3) During the consideration and voting of the resolution, connected directors namely Mr. Jiang Zili, Ms. Wu Dongbo abstained from voting. The above connected transaction will not harm the interests of the Company and its shareholders, especially minority shareholders.

### (2) External guarantee

We, as the independent non-executive directors of the Company, in a pragmatic and prudent manner, seriously reviewed the external guarantee provided by the Company in accordance with the relevant requirements under the Notice of Certain Issues in relation to Capital Transactions between Listed Companies and the Connected Parties and External Guarantees Granted by Listed Companies (《關於上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) (Zheng Jian Fa (2003) No. 56) and Notice regarding the Regulation of Third-party Guarantees made by Listed Companies (Zheng Jian Fa (2005) No. 120) issued by China Securities Regulatory Commission as well as the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange. The specified details are set out below:

After a careful review, as at the end of the reporting period, the Company had not provided guarantee for neither its shareholders, beneficial controllers or their connected parties, nor any guaranteed party whose gear ratio is larger than 70%, or any other connected party, non-legal person institutions or individual in which less than 50% of its equity is held by the Company.

Based on the independent opinion, we are of the view that, during the reporting period, the decision-making procedures of the external guarantees by the Company were in compliance with the Company Law, the Listing Rules and the Articles of Association of the Company and had no detriment to the interests of shareholders.

### (3) Appointment of Directors

On 16 May 2014, the Company held the eighteenth meeting of the seventh session of the Board. After a thorough review by the nomination committee of the seventh session of the Board, it was considered and passed to nominate Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua, who was nominated by the substantial shareholder, as candidates for the election as non-executive Director of the eighth session of the Board of the Company, Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang and Ms. Jiang Chi, who were nominated

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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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by the nomination committee, as candidates for the election as executive Directors of the eighth session of the Board of the Company, and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong, who were nominated by the nomination committee, as candidates for the election as independent non-executive Directors of the eighth session of the Board of the Company.

Having reviewed relevant documents on the above candidates' statements of declaration and biographies, Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu, as independent non-executive Directors of the seventh session of the Board of the Company, are of the opinion that:

1. Procedures of nominating Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi, Mr. Zhou Yongjun, Ms. Chang Yun, Mr. Xia Zhonghua, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as candidates for the directors of the eighth session of the Board of the Company are in compliance with the requirements of the Articles of Associations of the Company.
2. Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi, Mr. Zhou Yongjun, Ms. Chang Yun, Mr. Xia Zhonghua, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong are in compliance with the qualification for appointment as directors required by relevant laws and regulations of the State and the Articles of Associations of the Company.
3. Consent to propose the nomination of Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi, Mr. Zhou Yongjun, Ms. Chang Yun, Mr. Xia Zhonghua, Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as candidates for the directors of the eighth session of the Board of the Company to the general meeting of the Company for consideration.

#### **(4) Appointment of senior management officer**

On 26 June 2014, pursuant to the Guiding Opinions Regarding the Establishment of Systems of Independent Directors by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong, as independent non-executive directors of the eighth session of the Board of the Company, based on independent judgment, hereby issue our independent opinion on matters including the appointment of the deputy general manager, chief accountant and chief engineer of the Company at the first meeting of the eighth session of the Board as follow:

1. After reviewing the biographies, performance records and other relevant materials of Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi and Ms. Xie Yuemei as provided by the Company before the meeting, we have not discovered any one of them who has the situations specified in Section 147 of the Company Law, nor are they prohibited from entry into the market by China Securities Regulatory Commission, or experiencing a prohibition not yet expired. They are legally qualified for the senior management appointment.



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## APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014

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2. The nomination process and the appointment approval process of the above mentioned personnel 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 my knowledge, I am of the view that each of Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, Ms. Jiang Chi and Ms. Xie Yuemei 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.

### **(5) Changes in accounting estimation and implementation of new Accounting Standards for Business Enterprises**

On 14 August 2014, the Company held the second meeting of the eighth session of the Board, at which the resolution on the impact on the Interim Report of the Company resulting from the changes in accounting estimation was considered and approved. Given the material asset reorganization of the Company, the relevant business was changed from manufacturing and distributing printing machinery to gas storage and transportation equipment business, which was a relatively material change in business nature, resulting in the changes in estimated useful lives of fixed assets and the percentage of bad debt provision to account receivables. Hence, it is proposed to make changes to certain accounting estimation. The estimated useful lives of fixed assets are revalued based on the types of assets, production characteristics and operation model of gas storage and transportation business, resulting in the changes in depreciation rate and the rate of salvage value of certain fixed assets as well as the bad debt provision percentages. Such changes in accounting estimation came into effect from 1 January 2014, and the Company adopted prospective application for accounting treatment. The net profits increased on the combined financial statements for the period amounted to RMB19,132,509.45.

The Ministry of Finance promulgated a series of newly formulated or amended Accounting Standards for Business Enterprises during the year 2014. The Company has begun to apply such new accounting standards since 1 July 2014. For the reporting period, the application of Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments, Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements, Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements, Accounting Standards for Business Enterprises No.39 – the Measurement of Fair Value, Accounting Standards for Business Enterprises No.40 – Joint Venture Arrangement and Accounting Standards for Business Enterprises No.41 – Disclosure of Interests in Other Entities had no impact on the consolidated financial statements and did not involve any adjustment to the amounts at the beginning of the period. However, applying Accounting Standards for Business Enterprises No.9 – Employee Remunerations, post-employment benefits provided to employees by the Company are in the scope of defined benefit plan of Accounting Standards for Business Enterprises No.9 – Employee Remunerations. Therefore, the Company has to appoint professional institutions to perform measurement on defined benefit plan. No quantitative adjustment data could be provided for

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## **APPENDIX III REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR 2014**

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the time being. After preliminary estimation, it was expected that such data adjustment has no material effects on the financial conditions and operating results of the Company for the current period.

### **IV. Works on Protection of legal interests of Public Shareholders**

#### **1. Reviewing the connected transactions of the Company**

The Company considered 2 connected transactions on 28 February and 26 June 2014 respectively. Based on our independent judgment and professional expertise, we carefully reviewed every key point and each key issue of the reorganisation, and proactively communicate with the major shareholder and ensured that there is no act undermining interests of the Company or its shareholders, especially minority shareholders.

#### **2. Reviewing information disclosure of the Company**

During 2014, the Company disclosed information on a truthful, accurate, timely and complete basis, in strict compliance with the requirements under relevant laws and regulations, including Company Laws, Rules Governing the Listing of Stocks in Hong Kong and PRC and the Administrative Measures for Disclosure of Information of Listed Companies.

#### **3. Investigation on corporate governance and management**

In 2014, we diligently and faithfully performed our duties as Independent Non-executive Directors of the Company, and listened to the reports of relevant personnel relating to production, operation, financial management, internal control system establishment, use of funds raised, connected transactions, etc. and investigated and obtained necessary circumstances and materials necessary for making decisions.

### **V. 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.

### **VI. Overall comment and advice**

During 2014, 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 2015, 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

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**APPENDIX III    REPORT OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTORS FOR THE YEAR 2014**

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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 2015

**Candidates for executive directors:**

**Liu Zhe**, Chinese, female, aged 37, is a senior policy advisor with a bachelor's degree in engineering. Ms. Liu was a teacher, group leader in teaching and research, branch secretary of student party of Light Industry Branch of Beijing Industry and Trade Technicians College, Youth League secretary and director of publicity department of the party/company of Beijing Jingcheng Machinery Electric Holding Co., Ltd., Party secretary of Beijing Jingcheng Compressor Co., Ltd. and Chairman of Supervisory Committee and supervisor of Beijing Jingcheng Machinery Electric Company Limited. Currently, she is deputy party secretary, secretary of discipline inspection commission and chairman of labour union of Beijing Tianhai Industry Co., Ltd. since 10 December 2012.

**Jin Chunyu**, Chinese, female, aged 43. She obtained a bachelor's degree in engineering, master degree in management, master's degree in applied accounting and finance 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, a director of Beijing Jingcheng Zhidi Co., Ltd. and convener of Supervisory Committee of Beijing Wankai Electric Co., Ltd..

**Fu Hongquan**, Chinese, male, aged 51, a graduate and is a senior engineer. Mr. Fu previously served as construction technician, smithing engineer, construction service technician of cast steel factory, deputy general engineer and deputy plant manager of Beijing Heavy Electrical and Mechanical Plant (cast steel factory), deputy general manager of general affairs of Beijing Turbine Motor Co., Ltd., deputy director of human resource department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the deputy party secretary, chairman of labour union and secretary of discipline inspection commission, deputy plant manager of Beijing No.1 Machine Tool Plant, deputy general manager of Beijing Beiyi Digital Control Machine Tool Co., Ltd. and deputy general manager of Beijing Beiyi Machine Tool Co., Ltd. Currently, he is the chairman of Beiyi Heavy Machinery Casting Co., Ltd., and chairman of Beijing No. 1 Machine Tool (Gaobei Branch) Casting Co., Ltd. and Head of the Ministry of the Securities and Reform of Beijing Jingcheng Machinery Electric Holding Co., Ltd..

Save as disclosed in this circular, the directors candidates are not connected with other directors, supervisors, senior management or substantial or controlling shareholder of the Company. Ms. Jin Chunyu serves as the department head of planning and finance department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., a controlling shareholder of the Company. Mr. Fu Hongquan serves as the Head of the Ministry of the Securities and Reform of Beijing Jingcheng Machinery Electric Holding Co., Ltd. and the deputy party secretary, secretary of discipline inspection commission and chairman of labour union of Beijing Beiyi Machine Tool Co., Ltd., a subsidiary of the controlling shareholder of Beijing Jingcheng Machinery Electric Holding Co., Ltd., Ms. Liu Zhe is not connected with any substantial

shareholder or controlling shareholder of the Company. The directors candidates do not hold any interests in shares of the Company as defined in Part XV of the SFO, nor do they hold directorship or supervisorship in any other listed public companies in the last three years. Save as disclosed above, in respect of all directors candidates, there is no other information which is required to be disclosed pursuant to any provisions under Rule 13.51(2) of the Listing Rules nor 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 SFO, all of the directors candidates do not have any interest or short positions in the shares, underlying shares and debentures of the Company.

**Candidates for supervisors:**

**Chang Yun**, Chinese, female, aged 40. She obtained a Bachelor's Degree in economics from China Coal Economic College (中國煤炭經濟學院), and MBA of China Europe International Business School. She is a senior accountant, certified public accountant and certified tax agent. Ms. Chang was the cost accounting supervisor, deputy director of the finance department of Beijing Research Institute of Mechanical & Electrical Technology, finance manager of BMEI Co., Ltd. and chief financial officer of Beijing Jingcheng Heavy Industry Co., Ltd. She is currently the minister of the audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. (the headquarter).

**Wang Weijing**, Chinese, female, aged 43. She obtained a bachelor's degree, and is a registered risk analyst. Ms. Wang was accountant of finance, principal officer, deputy department head of audit department, department head of audit department, department head of supervisory department, secretary of discipline inspection commission, and department head of audit and supervisory department of Beijing Tianhai Industry Co., Ltd. She is the department head of audit and legal department of Beijing Tianhai Industry Co., Ltd. since 2 December 2013, a supervisor of Beijing Panni Gaokong Equipment Co., Ltd. since July 2012 and the head of Secretariat of the Audit Committee of Beijing Jingcheng Machinery Electric Company Limited since June 2014.

Save as disclosed in this circular, the supervisor candidates are not connected with other directors, supervisors, senior management or substantial or controlling shareholder of the Company. Ms. Chang Yun serves as the minister of the audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., a substantial shareholder of the Company. Ms. Wang Weijing is not connected to any substantial shareholder or controlling shareholder of the Company. The supervisor candidates do not hold any interests in shares of the Company as defined in Part XV of the SFO, nor did they hold directorship or supervisorship in any other listed public companies in 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 Listing Rules nor 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 SFO, all of the supervisors candidates do not have any interest or short positions in the shares, underlying shares and debentures of the Company.

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## NOTICE OF AGM

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*The following corresponds to the notice of AGM which was published and despatched to the Shareholders on 23 April 2015.*



# 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 2014 AGM

NOTICE IS HEREBY GIVEN that the 2014 annual general meeting (“AGM”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) will be convened as follows:

#### **IMPORTANT NOTICE:**

- Date of convening the AGM: 9 June 2015

#### **I. BASIC INFORMATION OF THE MEETING**

(I) Type and session of general meeting

2014 Annual General Meeting

(II) Convener: the board of directors of the Company

(III) Date, time and venue of the on-site meeting

The commencement time of the on-site meeting: 9:00 a.m. on 9 June 2015

Venue: the First Conference Room, 18/F, Jingcheng Machinery Electric Building,  
No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing

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## NOTICE OF AGM

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### II. MATTERS TO BE CONSIDERED AT THE MEETING

Resolutions for consideration at the meeting

| No.  | Names of resolutions   |
|--|--|
| <b>Resolutions for non-cumulative voting</b> |  |
| 1  | To consider and approve the 2014 annual report of the Company  |
| 2  | To consider and approve the 2014 work report of the board of directors of the Company  |
| 3  | To consider and approve the 2014 work report of the supervisory committee of the Company   |
| 4  | To consider and approve the 2014 Financial Reports of the Company audited by the auditor   |
| 5  | To consider and approve the 2014 internal control report of the Company audited by the auditor   |
| 6  | To consider and approve the report of the independent non-executive directors of the Company for 2014  |
| 7  | To consider and approve re-appointment of SHINEWING Certified Public Accountants LLP for the Company's 2015 Financial Reports, and to authorise the board of directors to enter into a service contract with it and determine its remuneration   |
| 8  | To consider and approve re-appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2015 internal control auditor, and to authorise the board of directors to enter into a service contract with it and determine its remuneration   |
| 9  | To consider and approve the resolution of the Company not to distribute any profit for the year 2014   |
| 10   | To consider and approve the resolution of the amendments to the Articles of Association  |
| 11   | To authorise the board of directors to determine the remuneration of the directors and supervisors   |
| 12   | To consider and approve the continuing connected transactions in relation to finance lease cooperation framework agreement entered into between the subsidiary of the Company, namely 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.) and 北京京城國際融資租賃有限公司 (Beijing Jingcheng International Financial Leasing Co., Ltd.) |
| <b>Resolutions for cumulative voting</b>     |  |
| 13   | To consider and approve the resolutions of electing the eighth session of the board of directors of the Company  |
| 13.1   | To elect Liu Zhe as the executive director of the eighth session of the board of directors of the Company  |



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## NOTICE OF AGM

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| No.  | Names of resolutions   |
|------|--|
| 13.2 | To elect Jin Chunyu as the non-executive director of the eighth session of the board of directors of the Company   |
| 13.3 | To elect Fu Hongquan as the non-executive director of the eighth session of the board of directors of the Company  |
| 14   | To consider and approve the resolutions of electing the eighth session of the supervisory committee of the Company |
| 14.1 | To elect Chang Yun as the supervisor of the eighth session of the supervisory committee of the Company             |
| 14.2 | To elect Wang Weijing as the supervisor of the eighth session of the supervisory committee of the Company          |

1. Disclosure time and media of resolutions

At the third extraordinary meeting of the eighth session of the board of directors of the Company, the resolution No. 12 was considered and approved; at the third meeting of the eighth session of the board of directors of the Company, the resolutions No. 1, No. 2 and No. 4 to No. 9 were considered and approved; at the sixth extraordinary meeting of the eighth session of the board of directors of the Company, the resolutions No. 10, No. 11 and No. 13 was considered and approved; at the sixth meeting of the eighth session of the supervisory committee of the Company, the resolution No. 3 was considered and approved; and at the seventh meeting of the eighth session of the supervisory committee of the Company, the resolution No. 14 was considered and approved. The related announcements of the resolutions of the board of directors and supervisory committee were published on Shanghai Securities News, Securities Daily and the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and HKExnews of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

2. Special resolution: No. 10. Other resolutions are ordinary resolutions.
3. Resolution to small and medium investors for separate counting: Nos. 7, 8, 9, 10, 11, 12, 13 and 14
4. Resolution involved connected shareholders avoiding voting: No. 12

Name of connected shareholders who should avoid voting: Beijing Jingcheng Machinery Electric Holding Co., Ltd.

5. Resolution involved holders of preferred shares voting: No

### III. MATTERS TO NOTE AT THE AGM

The first votes casted shall prevail in respect of votes casted repeatedly through on-site voting, online voting or otherwise.

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## NOTICE OF AGM

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### IV. ATTENDEES OF THE MEETING

- (I) Shareholders of the Company who are registered with the Shanghai Branch of China Securities Depository & Clearing Corporation Limited upon the close of business of share record date and holders of H Shares whose names appear on the register of members held by Hong Kong Registrars Limited are entitled to attend the AGM and to appoint a proxy in writing to attend the meeting and vote on their behalf. Such proxy need not be a shareholder of the Company.

| <b>Class of Share</b> | <b>Stock Code</b> | <b>Stock Short Name</b> | <b>Share Record Date</b> |
|-----------------------|-------------------|-------------------------|--------------------------|
| A Share               | 600860            | 京城股份                    | 2015/5/8                 |
| H Share               | 00187             | JINGCHENG MAC           | 2015/5/8                 |

- (II) Directors, supervisors and senior management of the Company.
- (III) The auditors of the Company.
- (IV) Other personnel.

### V. REGISTRATION FOR ATTENDANCE OF MEETING

Shareholders or proxies who intend to attend the AGM are requested to deliver the reply slip of attending to the Company before 19 May 2015. 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 8 May 2015 to 9 June 2015 (both days inclusive), during which time no H Shares transfer will be registered. For holders of H Shares who intend to attend the AGM, 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 7 May 2015. The address is Hong Kong Registrars Limited, Room 1712-1716, 17F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Corporate Shareholder 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 and 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 AGM 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 AGM.
2. For shareholder who appoint(s) more than one proxy, his proxies can only exercise his voting right by way of poll.

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## NOTICE OF AGM

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3. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney authorised in writing. If that instrument is signed by an attorney on behalf of the appointer, the power of attorney authorising that attorney 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 AGM.

### VI. OTHER MATTERS

1. Contact for the meeting

Contact telephone: 010-67365383

Fax: 010-87392058

Contact person: Board office of the Company

Address: No. 2, Nam San Street, Huo County, Tongzhou District, Beijing, the PRC

Posta Code: 101109

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

The board of directors of  
**Beijing Jingcheng Machinery Electric Company Limited**

Beijing, the PRC, 23 April 2015