
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

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

(Stock Code: 0187)

**(1) POSSIBLE MAJOR TRANSACTION
POTENTIAL DISPOSAL OF PROPERTY ASSETS OF
LANGFANG TIANHAI THROUGH PUBLIC TENDER
(2) ENGAGEMENT OF AUDIT FIRM FOR
2017 INTERNAL CONTROL REPORT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

The EGM will be held at the Conference Room of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing on Monday, 4 September 2017 at 10:00 a.m. Further details of the EGM are set out in the notice issued by the Company dated 21 July 2017.

A form of proxy in respect of the EGM was despatched by the Company on 21 July 2017. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the registered address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC.

The completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

21 August 2017

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DEFINITIONS

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

“Asset Transaction Agreement”	an asset transaction agreement (產權交易合同) to be entered into between the Company and the successful bidder of the Public Tender pursuant to the Tender Notice and the rules and regulations of CBEX
“Beijing SASAC”	the State-owned Assets Supervision and Administration Commission of the Beijing Municipality
“Board”	the board of Directors
“CBEX”	北京產權交易所有限公司 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of PRC
“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
“Consideration”	the purchase price of Property Assets of Langfang Tianhai
“Directors”	the directors of the Company
“EGM”	the first extraordinary general meeting of the Company to be convened on 4 September 2017 (Monday) at 10:00 a.m. at the Conference Room of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jingcheng HK”	Jingcheng Holdings (Hong Kong) Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Jingcheng Holding
“Jingcheng Holding”	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 43.30% interest in the Company

DEFINITIONS

“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
“Kuancheng Tianhai”	Kuancheng Tianhai Pressure Vessel Co., Ltd. (寬城天海壓力容器有限公司), a company incorporated in the PRC and is 61.1% and 38.9% owned by Tianhai Industrial and Kuancheng Shenghua respectively
“Kuancheng Shenghua”	Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. (寬城升華壓力容器製造有限責任公司), a company incorporated in the PRC
“Langfang Tianhai”	廊坊天海高壓容器有限公司 (Langfang Tianhai High Pressure Containers Co., Ltd.), a company incorporated in the PRC with limited liability and is 86.954% owned by Tianhai Industrial
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	the initial bidding price of approximately RMB175,123,000, which is the appraised value of Property Assets of Langfang Tianhai based on the Valuation Report for SASAC
“Potential Disposal”	the potential disposal of Property Assets of Langfang Tianhai
“PRC” or “State”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property Assets of Langfang Tianhai”	the buildings with gross floor area of 45,045.80 sq.m. and a land use right area of 62,946.02 sq.m., located in the factory zone at No. 18, Yaohua Road, Economic and Technological Development Zone, Langfang City, the PRC held by Langfang Tianhai
“Public Tender”	the public tender for the Potential Disposal through CBEX
“Publication Period”	the publication period for the Public Tender during which qualified bidders may indicate their intention to purchasing the Property Assets of Langfang Tianhai and register as interested bidders

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“sq.m.”	square meters
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“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% indirectly owned by the Company
“Tianjin Pipe”	天津鋼管鋼鐵貿易有限公司 (Tianjin Pipe Steel Trade Co., Ltd.), a company incorporated in the PRC and is 100% wholly owned by Tianjin Pipe Group
“Tianjin Pipe Group”	天津鋼管集團股份有限公司 (Tianjin Pipe Group Co., Ltd.), a company incorporated in the PRC
“Tianjin Seamless”	天津大無縫投資有限公司 (Tianjin Seamless Investment Co. Ltd.), a company incorporated in the PRC and is 100% owned by Tianjin Pipe Group
“Tianjin Tianhai”	天津天海高壓容器有限責任公司 (Tianjin Tianhai High Pressure Containers Co., Ltd.), a company incorporated in the PRC and is 45.52%, 45% and 9.48% owned by Tianhai Industrial, Tianjin Seamless and Jingcheng HK, respectively
“Valuation Report for SASAC”	the asset valuation report of the proposed transfer of self-owned buildings and land use rights by Langfang Tianhai High Pressure Containers Co., Ltd. prepared by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) (Zhong Tong Hua Ping Bao Zi (2017) No. 345) in respect of the Property Assets of Langfang Tianhai on 31 March 2017, being the base date for valuation
“Working Day(s)”	a day other than Saturday, Sunday and statutory holiday in the PRC, on which commercial banks in the PRC are open for normal business
“%”	percent



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. Wang Jun
Mr. Li Junjie
Mr. Zhang Jiheng

Non-executive directors:

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

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

21 August 2017

To the Shareholders

Dear Sir or Madam,

**(1) POSSIBLE MAJOR TRANSACTION
POTENTIAL DISPOSAL OF PROPERTY ASSETS OF
LANGFANG TIANHAI THROUGH PUBLIC TENDER
(2) ENGAGEMENT OF AUDIT FIRM FOR
2017 INTERNAL CONTROL REPORT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 21 July 2017 in relation to the Potential Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding, among others, (i) further details of the Potential Disposal, (ii) the financial information of the Group, (iii) valuation report of Property Assets of Langfang Tianhai issued by Asia-Pacific consulting and Appraisal Limited, and (iv) other information as required by the Listing Rules.

The Company will propose ordinary resolutions at the EGM for the consideration and approval of (1) the possible major transaction, Potential Disposal of Property Assets of Langfang Tianhai through Public Tender; and (2) engagement of audit firm for 2017 internal control report.

POTENTIAL DISPOSAL OF PROPERTY ASSETS OF LANGFANG TIANHAI

Reference is made to the announcement of the Company dated 21 July 2017, the Board announced that Langfang Tianhai, a subsidiary of the Company proposed to dispose of the Property Assets of Langfang Tianhai by means of transfer through the Public Tender. The Company is a State-controlled listed Company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-controlled assets. The Potential Disposal will be carried through the CBEX, an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of PRC. According to the rules and regulations of CBEX, the successful bidder of the Public Tender is required to enter into an Asset Transaction Agreement with the Company.

THE PUBLIC TENDER

Description and qualifications of the potential bidders

The potential bidders shall satisfy, including but not limited to, the following descriptions and qualifications:

1. a potential bidder must be a validly existing enterprise or a natural person; and
2. the potential bidder must have sound financial capability for payment.

Date and Procedures of the Public Tender

The Company intends to submit the Tender Notice to the CBEX before the end of September 2017 after the Shareholders have passed the relevant resolutions at the EGM.

The Publication Period will be within 20 working days from the date of the Tender Notice. During the Publication Period, qualified bidders may indicate their intention to purchase the Property Assets of Langfang Tianhai and register themselves as interested bidders. Upon the expiry of the Publication Period, the CBEX will notify the Company of the identity of the successful bidder.

LETTER FROM THE BOARD

Within 3 Working Days upon the notification of the successful bidder by the CBEX, the Company is required to enter into the Asset Transaction Agreement with such successful bidder.

As at the Latest Practicable Date, material information of the Asset Transaction Agreement including the bidder, final Consideration, payment, delivery and transfer time have not been determined. The Company will enter into the Asset Transaction Agreement upon confirmation of the successful bidder and perform its relevant approval procedures and information disclosure obligations. As at the Latest Practicable Date, no asset transfer agreement has been entered into between the Company and any other party in relation to the Potential Disposal.

Consideration

The Minimum Consideration, being the initial bidding price for the Property Assets of Langfang Tianhai, is RMB175,123,000. The Minimum Consideration is based on the results of the Valuation Report for SASAC issued by an independent valuer, China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司), in respect of the Property Assets of Langfang Tianhai using cost approach on 31 March 2017, being the base date for valuation. Such valuation results have been approved by Beijing SASAC and the final report will be subject to the approval of the SASAC. Shareholders should note that the Consideration will depend on the final bid price and in any event not less than the Minimum Consideration.

According to the transaction rules of the CBEX, in principle, the Consideration shall be paid in one instalment.

FINANCIAL INFORMATION OF THE PROPERTY ASSETS OF LANGFANG TIANHAI

The unaudited net asset value of the Property Assets of Langfang Tianhai is RMB128,259,592.06 as at 31 March 2017. The Property Assets of Langfang Tianhai is valued at RMB174,453,000, according to the results of the valuation report of Property Assets of Langfang Tianhai issued by Asia-Pacific Consulting and Appraisal Limited as at 31 July 2017.

REASONS FOR AND BENEFITS FOR THE POTENTIAL DISPOSAL

The Potential Disposal is beneficial to the implementation of the Company's strategies for transformation, upgrade and development, activation of inventory and assets, as well as to the effective utilization of capitals, which helps increase revenue of the Company and facilitates the sustainable development of the Company.

The Directors are of the view that the transaction contemplated under the Potential Disposal will be on normal commercial terms which is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE POTENTIAL DISPOSAL AND INTENDED USE OF PROCEEDS

Earnings

It is estimated that the Group will receive gains from the Disposal of approximately RMB30,000,000 to RMB50,000,000 upon the completion (the above range is estimated based on the approved assessed value of RMB175,123,000 as the initial bidding price of the Public Tender and is subject to the final consideration after the completion of transaction through the Public Tender). Such gains are estimated based on the Minimum Consideration receivable from the Potential Disposal deducting the asset value of the Property Assets of Langfang Tianhai as at 31 March 2017 and the profits or losses during the transition period and relevant transaction expenses. Shareholders are reminded that (i) the actual gains will be recognized in the financial statements of the Company after the disposal through Public Tender and subject to the audit by the auditor on the profit or loss after the date of completion of the Potential Disposal, therefore, the actual gains may differ from the abovementioned amounts; (ii) if the PRC accounting policies have changes, the Company will comply with such changes.

Assets and liabilities

Subject to the completion of the Potential Disposal, Langfang Tianhai will remain as a subsidiary of the Company, and its financial statements will continue to be consolidated into the consolidated financial statements of the Group. As at 31 March 2017, the unaudited total assets of Langfang Tianhai was RMB243,062,900. After the completion of the Potential Disposal, the total assets and total liabilities of the Group will decrease and the final information is subject to the audited amount after the Public Tender.

The Board intends to use the net proceeds arising from the Potential Disposal as the repayment for certain interest-bearing borrowings and the Group's working capital.

IMPLICATIONS UNDER THE LISTING RULES

The Minimum Consideration, being the initial bidding price for the Property Assets of Langfang Tianhai, is RMB175,123,000. The Minimum Consideration is based on the results of the Valuation Report for SASAC. Shareholders should note that the Consideration will depend on the final bid price and in any event not less than the Minimum Consideration.

Using the Minimum Consideration as the basis of calculation, the relevant percentage ratios calculated under the Listing Rules in respect of the Potential Disposal is more than 5% but less than 25%. Thus, the Potential Disposal may constitute a discloseable transaction of the Company and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. The Company expects that the Potential Disposal, if materialized, may constitute a notifiable transaction of the Company subject to approval of the Shareholders under Chapter 14 of the Listing Rules. The Board has resolved to convene the EGM for considering the resolution in relation to the Potential Disposal.

LETTER FROM THE BOARD

To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder has material interest in the Potential Disposal and the transactions contemplated thereunder and thus no Shareholder would be required to abstain from voting on the resolution for approving the Potential Disposal at the EGM.

An announcement containing the results of the Public Tender will be made by the Company as soon as practicable after the Public Tender is completed.

GENERAL

The Company

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

Langfang Tianhai

Major business scope of Langfang Tianhai: design and manufacture of B1 seamless gas cylinders (steel seamless gas cylinders only) and B3 special gas cylinders (compressed natural gas steel cylinders for vehicles and steel liner hoop-wrapped CNG cylinder for vehicles only) and sales of the Company's self-manufactured products (other than commodities and technologies being restricted or prohibited to operate, import or export by the State).

Details of the Property Assets of Langfang Tianhai: The Property Assets of Langfang Tianhai are buildings with gross floor area of 45,045.80 sq.m., located in the factory zone at No. 18, Yaohua Road, Economic and Technological Development Zone, Langfang City, the PRC. The buildings are built in two phases. Construction of Phase I completed in the end of 2008 and August 2009, respectively. Phase I mainly comprises 1# main factory building, warehouses for finished products, air compression station, common chemical liquid rooms, circulating pump rooms, oil depots, gate keeper's room 1#, gate keeper's room 2#, loadometer room, office building, dining rooms, Phase I roads and Phase I external pipeline network, and among which, the loadometer room was demolished as of the base date for valuation. Construction of Phase II completed in June 2012. Phases II comprises 2# main factory building, Phase II roads and Phases II external pipeline network. Among which, 1# main factory building, 2# main factory building, warehouses for finished products, air compression station and common chemical liquid rooms were built using steel for building structure; office building, dining rooms, sewage disposal station, circulating pump rooms, oil depots, gate keeper's room 1#, gate keeper's room 2# and loadometer room were built using concrete and masonry for building structure. Production rooms in the buildings are 1# factory building and 2# factory building while others are production support services room. Water supply, electricity and heat supply are provided in the office building and factory buildings. Property ownership certificates are Lang Kai Zi No. 05020, No. 05021, No. 05022, and No. 05023 of Langfang's property ownership certificate as well as Lang Kai Zi No. H5741 of Langfang's property ownership certificate. As for land assets, the land use right area is 62,946.02 sq.m. with a land use right certificate of Lang Kai Guo Yong (2007) No. 119. The Property Assets of Langfang Tianhai is currently occupied by the Group.

LETTER FROM THE BOARD

ENGAGEMENT OF AUDIT FIRM FOR 2017 INTERNAL CONTROL REPORT

The Board proposes for the Company to engage Da Hua Certified Public Accountants (Special General Partnership) as the audit firm for the Company's 2017 internal control report, and authorize the Board to sign with it the engagement agreement and to determine its remuneration.

RECOMMENDATION

The Directors consider that the Potential Disposal is 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 Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Potential Disposal.

The Directors also recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to engage Da Hua Certified Public Accountants (Special General Partnership) as the audit firm for the Company's 2017 Internal Control Report.

THE EGM

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy which has been despatched on 21 July 2017 in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. The form of proxy should be returned to the registered address of the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC not less than 24 hours before the time appointed for the commencement of the EGM or any adjournment thereof. Completion and return of the said revised form of proxy will not prevent you from attending and voting in person at the EGM or at any adjournment thereof if you so wish.

Reply slip for the EGM has been despatched on 21 July 2017. You have been reminded to complete and sign the reply slip and return the signed slip to the Company at Board office, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, PRC before 14 August 2017 in accordance with the instructions printed thereon.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I, II and III to this circular.

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

1. STATEMENT OF INDEBTEDNESS

As at 31 July 2017, the Group had interest-bearing liabilities of RMB371,691,600, which included pledged bank borrowings of RMB40,091,600 and unpledged bank borrowings of RMB331,600,000, and such bank borrowings were not guaranteed. As at 31 July 2017, the bills payable of the Group of RMB8,000,000 were pledged by bank deposits of RMB6,500,000. Except for the above or otherwise disclosed in this circular, as at 31 July 2017, the Group had no loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or mortgages on bonds, loans or other similar indebtedness or commitments under finance leases, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, guarantees or other contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, after taking into account the Group's internal resources, the effect of the Disposal and the transactions contemplated thereunder and existing cash and bank balances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the completion of the Potential Disposal, the core businesses of the Company will remain as the operation and development of gas storage and transportation. The Company will focus on efficiency, transformation and risk control in order to achieve stability in operating income and costs for the sustainable development of the Company.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 July 2017 of the property interests of the Group.



Asia-Pacific Consulting and Appraisal Limited
Room 1501(112), 15F, SPA Centre,
53-55 Lockhart Road,
Wanchai Hong Kong

August 21, 2017

The Board of Directors
Beijing Jingcheng Machinery Electric Company Limited
Room 901, No. 59 Mansion,
Dongsanhuan Road Central,
Chaoyang District,
Beijing,
PRC

Dear Sirs,

Instructions, Purpose and Date of Valuation

Asia-Pacific Consulting and Appraisal Limited (“APA” or “we”) is instructed by Beijing Jingcheng Machinery Electric Company Limited (the “Company”) to provide valuation service on one property located in Langfang City of the People’s Republic of China (the “PRC”) for disclosure purpose. The property is held by Langfang Tianhai High Pressure Containers Co., Ltd. (廊坊天海高压容器有限公司) (the “Target Company”), a company incorporated in the PRC with limited liability and is 86.954% owned by 北京天海工业有限公司 (Beijing Tianhai Industry Co., Ltd.) (“Beijing Tianhai”), a wholly-owned subsidiary of the Company. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interests as at 31 July 2017 (the “valuation date”).

Basis of Valuation

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Methods of Valuation

Given the property type, we primarily relied on the benchmark land price approach to arrive at the value conclusion of the land. We have made reference to the benchmark land price announced by the local land administrative bureau with consideration of the inherent characteristics of the property in our valuation.

Benchmark land price is defined as “the average land price of the land with similar use as at a special date within a certain district” which is assessed and approved by the local government as price benchmark for land granting transaction.

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the fair value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation (including Land Appreciation Tax) which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

Source of Information

We have relied to a very considerable extent on the information given by the Target Company and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the Target Company and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Target Company. We have also been advised by the Target Company that no material factors have been omitted from the information to reach an informed view and we have had no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other title documents relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the Target Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have no reason to doubt the truth and accuracy of the information provided to us by the Target Company. We have also sought confirmation from the Target Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 28 July 2017 by Ms. Jasper Jia, a member of RICS and has over 9 years' experience in property valuation in the PRC; and Ms. Alice Dong who has 13 years' experience respectively in property valuation in the PRC.

Currency

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited
David G.D. Cheng
MRICS
Executive Director

Note: David G.D. Cheng is a Chartered Surveyor who has 17 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held by the Target Company for owner occupation in the PRC

No.	Property	Capital value attributable to the Target Company as at 31 July 2017 <i>RMB</i>
1.	A parcel of land, 12 buildings and various structures located at No. 18 Yaohua Street, Development Zone, Langfang City, Hebei province, PRC	174,453,000
Grand-total:		<u>174,453,000</u>

VALUATION CERTIFICATE

Property interests held by the Target Company for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2017 RMB
1.	A parcel of land, 12 buildings and various structures located at No. 18 Yaohua Street, Development Zone, Langfang City, Hebei province, PRC	<p>The property comprises a parcel of land with a site area of approximately 62,946.02 sq.m., 12 buildings and various ancillary structures erected thereon which were completed between 2008 to 2012.</p> <p>The buildings have a total gross floor area of approximately 45,045.80 sq.m.</p> <p>The buildings mainly include industrial plants, office building, storage houses, staff canteen and ancillary buildings.</p> <p>The structures mainly include wall, roads, bicycle shed and gates.</p> <p>The land use rights of the property have been granted for a term of 50 years with the expiry date of 20 June 2057 for industrial use.</p>	The property is currently occupied by the Target Company for industrial purpose.	174,453,000

Notes:

1. Langfang Tianhai High Pressure Containers Co., Ltd. (廊坊天海高壓容器有限公司) (the "Target Company"), a company incorporated in the PRC with limited liability and is 86.954% owned by 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.) ("Beijing Tianhai"), a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Lang Kai Guo Yong (2007) No. 119 dated on 17 July 2017 issued by Langfang Land Resources Bureau Development Zone Branch, the land use rights of the parcel of land with a site area of approximately 62,946.02 sq.m. have been granted to Langfang Tianhai High Pressure Containers Co., Ltd. (廊坊天海高壓容器有限公司) for industrial use for a term of 50 years expiring on 20 June 2057.
3. Pursuant to 5 Building Ownership Certificates – Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di Nos. G5020, G5021, G5022, G5023 and H5741, 12 buildings with a total gross floor area approximately 45,045.80 sq.m. are owned by Langfang Tianhai High Pressure Containers Co., Ltd. (廊坊天海高壓容器有限公司).
4. A summary of major certificates/approvals is shown as follows:
 - a. State-owned Land Use Rights Certificates Yes
 - b. Building Ownership Certificates Yes

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

Long position in Shares

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

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

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS

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

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors and the proposed Directors were aware, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. EXPERTS' QUALIFICATION AND CONSENTS

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

Name	Qualification
Asia-Pacific Consulting and Appraisal Limited	an independent property valuer
China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司)	an independent valuer and consultant

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and reference to its name in the form and context in which it appears.

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

As at the Latest Practicable Date, each of the above experts 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 2016, being the date to which the latest published audited financial statements of the Company were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) the finance lease cooperation framework agreement entered into by Tianhai Industrial and Jingcheng International Financial on 15 January 2015 for a term commencing from 1 January 2015 to 31 December 2015 pursuant to which Jingcheng International Financial will purchase and Tianhai Industrial will sell the traditional industrial gas cylinders, CNG gas cylinders, LNG gas cylinders, LNG storage tanks, gas stations and other products for the purpose of providing finance leases by Jingcheng International Financial to customers;
- (b) the framework agreement entered into by Kuancheng Tianhai and Tianjin Pipe on 28 April 2017 for a term of 3 years, commencing from 1 January 2017 to 31 December 2019 in relation to the sale and purchase of gas cylinder pipes; and
- (c) the framework agreement entered into by Tianjin Tianhai and Tianjin Pipe on 28 April 2017 for a term of 3 years, commencing from 1 January 2017 to 31 December 2019 in relation to the sale and purchase of gas cylinder pipes.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is at Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing, PRC.
- (b) The Hong Kong branch share registrar and transfer office of the Company (for H Shares) is Hong Kong Registrars Limited at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The joint company secretaries of the Company are Mr. Lo Tai On, who is a non-practising qualified accountant and Mr. Luan Jie.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing, PRC during normal business hours within 14 days from the date of this circular:

- (a) the articles of association of the Company;

- (b) the valuation report of the Property Assets of Langfang Tianhai issued by Asia-Pacific consulting and Appraisal Limited, the text of which is set out in Appendix II to this circular;
- (c) the material contracts referred to under the section headed “Material Contracts” in this appendix;
- (d) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016; and
- (e) this circular.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING

(The following corresponds to the notice of EGM which was issued to shareholders on 21 July 2017.)



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 THE FIRST EXTRAORDINARY GENERAL MEETING OF 2017

The board of directors of the Company (the “Board”) and all members of the Board warrant that this announcement does not contain any false information, misleading statement or material omission and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein contained.

I. NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of 2017 (“EGM”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) will be convened as follows:

II. BASIC INFORMATION OF THE MEETING:

1. Convenor of the meeting: the Board of the Company
2. Time of the meeting: 4 September 2017 (Monday) at 10:00 a.m.
3. Place of the meeting: the Conference Room of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing
4. Shares registration date: 4 August 2016 (Friday)

III. RESOLUTIONS:

Ordinary Resolutions

1. To consider and approve the resolution on the transfer of property assets through public tender by Langfang Tianhai High Pressure Containers Co., Ltd. and to authorise the board of directors of Langfang Tianhai to determine the

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING

transfer-related matters including the tender price based on an asking price not less than the valuation price approved by the State-owned Assets Supervision and Administration Commission;

2. To consider and approve the appointment of Da Hua Certified Public Accountants (Special General Partnership) as the internal control auditor for the Company's 2017 internal control report and to authorise the Board to sign a service contract with it and determine its remuneration.

IV. ATTENDEES OF AND ATTENDANCE AT THE EGM:

The directors, supervisors and senior management of the Company.

The lawyers engaged by the Company.

Shareholders of the Company (“**Shareholder(s)**”) whose names appear on the register of members of the Company at the close of business on 4 August 2017 have the right to attend the EGM after completion of registration procedures.

Shareholders or proxies who intend to attend the EGM are requested to deliver the reply slip of attending to the Company before 14 August 2017. The reply slip may be delivered in person, by post or facsimile.

Holders of the Company's H shares (“**H Shares**”) should note that the register of members of the Company will be closed from 4 August 2017 to 4 September 2017 (both days inclusive), during which time no H Shares transfer will be registered. For holders of H Shares who intend to attend the EGM, transfer documents together with the related share certificates must be lodged with the Hong Kong share registrar of the Company no later than 4:30 p.m. on 3 August 2017. The address is Hong Kong Registrars Limited, Room 1712-1716, 17/F, 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 EGM may appoint one or more proxy(ies) who need not be a Shareholder, to attend and vote on his or her behalf at the EGM.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING

2. For any Shareholder who appoints more than one proxy, his or her proxies can only exercise the voting right by way of poll.
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 authorisation document, must be notarially certified. To be valid, the notarially certified copy of the power of attorney, or other authorisation document, 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 EGM.

V. OTHER MATTERS:

1. Contact for the meeting

Contact telephone: 010-67365383

Fax: 010-87392058

Contact person: Board office of the Company

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

Postal Code: 101109

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

The Board of

Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC

21 July 2017