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

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

(Stock Code: 0187)

**ANNOUNCEMENT ON THE ENTERING INTO OF
THE STRATEGIC COOPERATION LETTER OF INTENT BETWEEN
LANGFANG TIANHAI HIGH PRESSURE CONTAINERS CO., LTD.,
AN INDIRECT SUBSIDIARY OF THE COMPANY,
AND
KUANCHENG SHENGHUA PRESSURE VESSEL MANUFACTURING CO., LTD**

The board of directors and all members of the Board warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

IMPORTANT NOTICE:

- **Material risks and uncertainties on performance:** the agreement signed is a strategic cooperation letter of intent to express the cooperative intention of the parties and to lay down the basis for further cooperation. The implementation is subject to discussion and negotiation in respect of the specific matters of the cooperation and the Company's approval procedures depending on the amount of capital contribution. Therefore, there are uncertainties in this agreement.
- **Impacts on the results of the Company for the current year:** it is expected that it would not cause significant impact on the results of the Company for the current year.

I. The Basic Information on the Strategic Cooperation Letter of Intent

(1) Parties to the agreement

Party A: Langfang Tianhai High Pressure Containers Co., Ltd.

Party B: Kuancheng Shenghua Pressure Vessel Manufacturing Co., Ltd. (“Kuancheng Shenghua”)

(2) Basic information of the counterparty

Company name: Kuancheng Shenghua

Nature: private company with limited liabilities

Legal representative: Ma Ze

Registered capital: RMB10 million

Principal businesses: manufacture and sale of seamless cylinders (steel only), welded cylinders (liquefied petroleum gas steel cylinders of less than 40 liters in volume only) and seamless steel tubes; export of products produced by the enterprise (except for goods and technologies restricted and prohibited by the state for import and export)

The operating income of Kuancheng Shenghua in 2015 was RMB84,189,721.57 while both total profit and net profit were RMB-32,061,288.09.

There is no connected relationship between Kuancheng Shenghua and the Company.

(3) Date and place in which the agreement was entered into:

The Strategic Cooperation Letter of Intent was entered into at Kuancheng County, Chengde City on 10 November 2016.

(4) The performed consideration, approval or filing procedures for the entering into of the agreement:

The Strategic Cooperation Letter of Intent entered into is a framework agreement of strategic cooperation, which is not required to be submitted to the board of directors of the Company or general meeting for approval at this stage. Upon confirmation of the specific investment and cooperation matters, the Company will perform relevant decision-making and approval procedures pursuant to the requirements of laws and regulations such as the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

II. Details of the Strategic Cooperation Letter of Intent

(1) Cooperation Model

Party A and Party B agreed to jointly establish a company, which is tentatively named as Kuancheng Tianhai High Pressure Containers Co., Ltd. (寬城天海高壓容器有限公司) (“Kuancheng Tianhai”). The principal products of Kuancheng Tianhai are positioned as impact extruded cylinders and some tube type cylinders, which are produced upon the authorization of Beijing Tianhai Industry Co., Ltd.. Details of the specific restrictions are subject to the capital contribution agreement.

(2) Investment and shareholding

In principle, Party A invests by contributing manufacturing technology and facilities of impact extruded cylinders and large tube type cylinders while Party B invests by contributing land and plants in its existing plant areas and facilities available for this project. The shareholding of Party A will account for 51-55% and the relevant shareholding is guaranteed by Beijing Tianhai Industry Co., Ltd. To guarantee the above shareholding principle, the shareholding can be adjusted by way of cash capital contribution. The registered place of the joint venture company is Kuancheng.

(3) Kuancheng Tianhai’s structure

Party A and Party B agreed to draft the capital contribution agreement and the articles of association of Kuancheng Tianhai as soon as possible. Kuancheng Tianhai will have 5 directors, of which 3 will be appointed by Party A and 2 by Party B. The chairman will be appointed by Party A and the general manager will be appointed by Party B. Personnel appointed by Party A will be responsible for technological and financial matters.

(4) Right for sale and other agreements

The right for export shall belong to Beijing Tianhai Industry Co., Ltd.;

Kuancheng Tianhai shall have the right to sell its own manufactured products in the domestic market under the authorization of Beijing Tianhai Industry Co., Ltd.;

Kuancheng Tianhai shall comply with the sale principle of not granting credit;

Kuancheng Tianhai shall not produce “steel cylinder 219” products;

Kuancheng Tianhai shall have the right to use the Tianhai brand within the scope of authorization of Beijing Tianhai Industry Co., Ltd. The specific details will be set out in the capital contribution agreement.

(5) The work schedule

The asset assessment and project approval to be completed by the end of 2016;

The company registration of Kuancheng Tianhai to be completed around the Chinese New Year in 2017;

The relocation of the production line of tube type cylinders to be completed with certification in mid-2017;

The relocation of the production line of compressors to be completed with certification in September 2017.

The above schedule is a planned timetable and the specific arrangement is subject to the actual situation.

III. Impacts on the Company

The signing of this agreement is in line with the strategic development need of the Company to achieve the relocation of traditional gas cylinder products and transfer of properties of Beijing Tianhai Industry Co., Ltd., and makes use of land resources reasonably. If the cooperation with private enterprises is carried out based on the letter of intent, both parties will achieve complementary advantages on technology and costs, which is beneficial in enhancing the competitiveness of products and profitability of the enterprise as well as exploring the integrated ownership reform.

IV. Warning on Major Risks

This agreement is a strategic framework agreement made according to the intention of cooperation upon friendly negotiation by both parties. The specific details of cooperation involved in such agreement is subject to the further signing of relevant cooperation agreements, the transfer and relocation of production lines are subject to an in-depth feasibility study on the technical aspects. Details of its implementation and the progress thereof poses uncertainties.

The Company will perform relevant decision-making and approval procedures and make disclosure as appropriate pursuant to the Articles of Association and requirements of relevant laws, regulations and regulatory documents. Investors are advised to pay attention to the investment risks.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC
14 November 2016

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