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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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0187)

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

**TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION
TO THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY TO
JINGCHENG MACHINERY ELECTRICITY THAT THE WAIVER OF
JINGCHENG MACHINERY ELECTRICITY'S OBLIGATION
TO MAKE A GENERAL OFFER OF THE SECURITIES OF THE COMPANY
AS A RESULT OF THE PROPOSED A SHARES ISSUE UNDER
THE RELEVANT LAWS AND REGULATIONS OF
THE PRC BE APPROVED, CONFIRMED AND RATIFIED
AND**

NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2019

A letter from the Board is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee is set out on pages 16 to 17 of this circular.

A notice convening the fourth extraordinary general meeting of 2019 ("EGM") of Beijing Jingcheng Machinery Electric Company Limited (the "Company") to be held at the Conference Room 1 of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC, on 16 December 2019 (Monday) at 9:30 a.m. is set out on pages 21 to 24 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy dated 30 October 2019 in accordance with the instructions printed thereon and return it as soon as possible and in any event no later than 24 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

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DEFINITIONS

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

“2017 Gas Cylinder Pipe Sale and Purchase Framework Agreements”	the 2017 Tianjin Tianhai Agreement and the 2017 Kuancheng Tianhai Agreement
“2017 Kuancheng Tianhai Agreement”	the framework agreement (氣瓶管購銷框架合同) dated 28 April 2017 entered into between Kuancheng Tianhai and Tianjin Pipe in relation to the sale and purchase of gas cylinder pipes for the period from 1 January 2017 to 31 December 2019
“2017 Tianjin Tianhai Agreement”	the framework agreement (氣瓶管購銷框架合同) dated 28 April 2017 entered into between Tianjin Tianhai and Tianjin Pipe in relation to the sale and purchase of gas cylinders pipes for the period from 1 January 2017 to 31 December 2019
“2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements”	the 2020 Tianjin Tianhai Agreement and the 2020 Kuancheng Tianhai Agreement
“2020 Kuancheng Tianhai Agreement”	the framework agreement (氣瓶管購銷框架合同) dated 30 October 2019 entered into between Kuancheng Tianhai and Tianjin Pipe in relation to the sale and purchase of gas cylinder pipes for the period from 1 January 2020 to 31 December 2022
“2020 Tianjin Tianhai Agreement”	the framework agreement (氣瓶管購銷框架合同) dated 30 October 2019 entered into between Tianjin Tianhai and Tianjin Pipe in relation to the sale and purchase of gas cylinder pipes for the period from 1 January 2020 to 31 December 2022
“A Shares”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the Shanghai Stock Exchange (stock code: 600860)
“A Shares Subscription Agreement”	the subscription agreement entered into between the Company and Jingcheng Machinery Electricity on 6 May 2019 in relation to the subscription of not more than 84,400,000 A Shares
“associate”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Beijing Tianhai”	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, which is principally engaged in the production and sale of seamless steel gas cylinders, winding gas cylinders, accumulator shells, asbestos-free acetylene cylinders, welded insulated cylinders, carbon fiber full-winding compound gas cylinders (including those for the use of vehicles), cryogenic tanks and filling stations, etc.
“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 ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated between Tianjin Tianhai, Kuancheng Tianhai and Tianjin Pipe under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 16 December 2019
“Group”	the Company together with its subsidiaries
“H Shares”	the overseas-listed foreign shares of the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange and are subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, which is established by the Company, comprising all the independent non-executive Directors (including Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong), to give advices as regards the Continuing Connected Transactions and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution in respect of the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the connected transactions contemplated thereunder
“Jingcheng HK”	Jingcheng Holding (Hong Kong) Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is principally engaged in import and export trade, advertising agency and information consultation, etc.
“Jingcheng Machinery Electricity”	北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 43.30% interest in the Company
“Kuancheng Tianhai”	寬城天海壓力容器有限公司 (Kuancheng Tianhai High Pressure Containers Co., Ltd.), a company incorporated in the PRC and is 61.1% and 38.9% owned by Beijing Tianhai and Kuancheng Shenghua respectively
“Kuancheng Shenghua”	寬城升華壓力容器製造有限責任公司 (Kuancheng Shenghua High Pressure Containers Manufacturing Co., Ltd.), a company incorporated in the PRC, which is principally engaged in the production and sale of seamless gas cylinders, welded gas cylinders and seamless steel pipes
“Latest Practicable Date”	12 November 2019, 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, does not include, Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“Proposed Annual Caps”	the proposed annual monetary caps for the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements for the period from 1 January 2020 to 31 December 2022
“Proposed A Shares Issue”	the proposed non-public issuance of not more than 84,400,000 A Shares to Jingcheng Machinery Electricity
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the A Shares and the H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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% 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, which is principally engaged in the production and processing of steel pipes, the processing of metallic products and the production of non-ferrous metallic products, etc.
“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, which is principally engaged in areas such as investment in the industrial, commercial, service and infrastructure sectors
“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 Beijing Tianhai, Tianjin Seamless and Jingcheng HK, respectively
“%”	per cent

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of consistency, the Chinese names prevail.

LETTER FROM THE BOARD



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)

Executive directors:

Mr. Wang Jun
Mr. Li Junjie
Mr. Zhang Jiheng

Non-executive directors:

Ms. Jin Chunyu
Mr. Wu Yanzhang
Mr. Xia Zhonghua
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

18 November 2019

To the Shareholders

Dear Sir or Madam,

**TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION TO
THE ENTERING INTO THE GAS CYLINDER PIPE SALE AND
PURCHASE FRAMEWORK AGREEMENTS AND THE CONNECTED TRANSACTIONS
BETWEEN TIANJIN TIANHAI HIGH PRESSURE CONTAINERS CO., LTD. AND
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AND
NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2019**

LETTER FROM THE BOARD

1. INTRODUCTION

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

At the EGM, an ordinary resolution will be proposed to consider and approve the resolution in relation to the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd., and a special resolution will be proposed to consider and approve the resolution in relation to the non-public issuance of A Shares of the Company to Jingcheng Machinery Electricity that the waiver of Jingcheng Machinery Electricity's obligation to make a general offer of the securities of the Company as a result of the Proposed A Shares Issue under the relevant laws and regulations of the PRC be approved, confirmed and ratified.

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

Reference is made to the announcement of the Company dated 30 October 2019, whereby Tianjin Tianhai, Kuancheng Tianhai and Tianjin Pipe proposed to enter into the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements to renew the 2017 Gas Cylinder Pipe Sale and Purchase Framework Agreements, pursuant to which Tianjin Tianhai and Kuancheng Tianhai agreed to continue to procure gas cylinder pipes from Tianjin Pipe for a term of 3 years commencing from 1 January 2020 to 31 December 2022. The proposed annual caps for the Continuing Connected Transactions between Tianjin Tianhai and Tianjin Pipe, and between Kuancheng Tianhai and Tianjin Pipe are RMB300,000,000 and RMB200,000,000 respectively.

The transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advisor's advices and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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

This circular is to provide you with the recommendation from the Independent Board Committee to Independent Shareholders in relation to the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements.

LETTER FROM THE BOARD

The principal terms of the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements are set out below:

(i) 2020 Tianjin Tianhai Agreement

Date: 30 October 2019

Parties: Tianjin Tianhai as purchaser
Tianjin Pipe as vendor

Term: The 2020 Tianjin Tianhai Agreement is valid for a term of 3 years, commencing from 1 January 2020 to 31 December 2022

Subject matter: Tianjin Tianhai shall procure gas cylinder pipes from Tianjin Pipe in accordance with the provisions of the 2020 Tianjin Tianhai Agreement

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

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

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

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

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

LETTER FROM THE BOARD

Notwithstanding the fact that the actual purchase price of gas cylinder pipes payable by the Group is subject to the terms of individual agreement to be entered into monthly, such purchase price shall be determined based on the monthly pricing policy issued by Tianjin Pipe. The selling prices of the gas cylinder pipes are adjusted monthly according to iron ore prices, steel prices and other production costs of Tianjin Pipe. So far as the Board is aware, it is a market practice to adopt similar monthly pricing arrangement for gas cylinder pipes, and same pricing basis is applied to all customers of gas cylinder pipes of Tianjin Pipe, including independent third parties or connected persons. Therefore, the Board considers that the prices offered to the Group are no less favorable than those available for independent third parties. On this basis, the Board considers that the pricing terms of the transactions contemplated under the 2020 Tianjin Tianhai Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

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

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

Proposed annual cap: RMB300,000,000 for each of the 3 years ending 31 December 2020, 31 December 2021 and 31 December 2022

Basis of the proposed annual caps: The proposed annual caps are determined after taking into account the following:

1. the agreements which have already been entered into for the gas cylinder pipes to be purchased by Tianjin Tianhai from Tianjin Pipe;
2. the anticipated quantity of gas cylinder pipes to be purchased by Tianjin Tianhai and the estimated market price of pipes; and
3. the historical transaction amounts of the gas cylinder pipes procured by Tianjin Tianhai from Tianjin Pipe.

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Historical transaction amounts: The amounts of previous transactions paid by Tianjin Tianhai to Tianjin Pipe in relation to the procurement of gas cylinder pipes are as follows:

	For the year ended 31 December		For the 9 months ended 30 September
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	133,967.8	125,216.8	70,444.3

(ii) 2020 Kuancheng Tianhai Agreement

Date: 30 October 2019

Parties: Kuancheng Tianhai as purchaser
Tianjin Pipe as vendor

Term: The 2020 Kuancheng Tianhai Agreement is valid for a term of 3 years, commencing from 1 January 2020 to 31 December 2022

Subject matter: Kuancheng Tianhai shall procure gas cylinder pipes from Tianjin Pipe in accordance with the provisions of the 2020 Kuancheng Tianhai Agreement

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

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

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

LETTER FROM THE BOARD

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

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

Notwithstanding the fact that the actual purchase price of gas cylinder pipes payable by the Group is subject to the terms of individual agreement to be entered into monthly, such purchase price shall be determined based on the monthly pricing policy issued by Tianjin Pipe. The selling prices of the gas cylinder pipes are adjusted monthly according to iron ore prices, steel prices and other production costs of Tianjin Pipe. So far as the Board is aware, it is a market practice to adopt similar monthly pricing arrangement for gas cylinder pipes, and same pricing basis is applied to all customers of gas cylinder pipe of Tianjin Pipe, including independent third parties or connected persons. Therefore, the Board considers that the prices offered to the Group are no less favorable than those available for independent third parties. On this basis, the Board considers that the pricing terms of the transactions contemplated under the 2020 Kuancheng Tianhai Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

50% of the consideration of the gas cylinder pipes purchased in the current month shall be paid on the day when Kuancheng Tianhai and Tianjin Pipe enter into the monthly sale and purchase agreement and the balance shall be paid by Kuancheng Tianhai within 3 days after the production of gas cylinder pipes.

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

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Proposed annual cap: RMB200,000,000 for each of the 3 years ending 31 December 2020, 31 December 2021 and 31 December 2022

Basis of the proposed annual caps: The proposed annual caps are determined after taking into account the following:

The proposed annual caps are determined with reference to the anticipated quantity of gas cylinder pipes to be purchased by Kuancheng Tianhai and the estimated market price of gas cylinder pipes. The anticipated quantity of gas cylinder pipes to be purchased by Kuancheng Tianhai is determined by taking into account the estimated annual production capacity and raw material costs of the tube type cylinders of Kuancheng Tianhai.

Historical transaction amounts: Kuancheng Tianhai entered into the 2017 Kuancheng Tianhai Agreement with Tianjin Pipe in 2017. With regard to the performance of the agreement, in terms of price comparison, other suppliers have provided better offerings in areas such as pricing, product supply cycle and payment method. As such, Kuancheng Tianhai had not made any transactions with Tianjin Pipe from the date of the 2017 Kuancheng Tianhai Agreement in 2017 to the Latest Practicable Date.

In recent years, with the increasingly stringent domestic environmental policies, steel manufacturing plants were heavily restricted enterprises, the production capacity of which was being limited and resulted in significant price fluctuations of steel and longer product supply cycles. Nonetheless, the Company and Tianjin Pipe are long-term business partners with continuous communication. In order to ensure a stable supply of raw material for Kuancheng Tianhai, Kuancheng Tianhai had entered into the 2020 Kuancheng Tianhai Agreement with Tianjin Pipe.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2020 GAS CYLINDER PIPE SALE AND PURCHASE FRAMEWORK AGREEMENTS

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

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements are fair and reasonable; in the ordinary and usual course of business of the Group, on normal commercial terms or better; and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements.

INTERNAL CONTROL MEASURES

According to the procurement policy of the Group's procurement department, the Group has maintained a directory of qualified suppliers, comprising independent suppliers and suppliers which are connected persons to the Group. To ensure the Company is offered the most favorable pricing, the procurement department of the Company, would review two to three qualified suppliers selected for the raw materials procured by the Group every month. Although the Group has been purchasing gas cylinder pipes manufactured by Tianjin Pipe, the Company will also consider gas cylinder pipes produced by other manufacturers. The most important criteria for the Company to select the supplier would be (i) the pricing terms; (ii) transportation costs; (iii) quality; and (iv) previous business relationship. The Company usually procures gas cylinder pipes from the supplier with quotation that enables the Company to achieve highest cost-effectiveness.

Tianjin Tianhai and Kuancheng Tianhai will strictly implement the Company's procurement management measures. In accordance with the demand plan of gas cylinder pipes for the following month which will be sent to Tianjin Pipe by Tianjin Tianhai and Kuancheng Tianhai respectively, the respective business personnel of Tianjin Tianhai and Kuancheng Tianhai will prepare the respective individual agreements to be entered into with Tianjin Pipe every month. The head of procurement department and head of the marketing department of Tianjin Tianhai and Kuancheng Tianhai will respectively review the quantity and pricing of gas cylinder pipes under such individual agreements based on the monthly demand plan and pricing policy. The Company's legal department will review and ensure the individual agreements and transactions contemplated thereunder comply with the relevant laws and regulations, including but not limited to, the annual caps requirement under the Listing Rules.

With such internal control procedures in place, the Board considers that the pricing offered to the Company is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Tianjin Tianhai and Kuancheng Tianhai are both non wholly-owned subsidiaries of the Company. As at the Latest Practicable Date, Tianhai Seamless is a controlling shareholder of Tianjin Tianhai holding 45% interest in Tianjin Tianhai. Both Tianhai Seamless and Tianjin Pipe are the wholly-owned subsidiaries of Tianjin Pipe Group. Therefore, Tianjin Pipe is an associate of Tianjin Seamless and also a connected person at the subsidiary level of the Company. Transactions contemplated under the 2020 Tianjin Tianhai Agreement between

LETTER FROM THE BOARD

Tianjin Tianhai and Tianjin Pipe as well as the transactions contemplated under the 2020 Kuancheng Tianhai Agreement between Kuancheng Tianhai and Tianjin Pipe constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) the Board has approved the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements; and (ii) the independent non-executive Directors have confirmed that the terms of each of the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advisor's advices and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

SHAREHOLDERS' APPROVAL

According to the listing rules of the Shanghai Stock Exchange, the Continuing Connected Transactions shall be subject to the approval of the Shareholders. Therefore, the Directors propose to put forward the Continuing Connected Transactions and the Proposed Annual Caps for approval by the Shareholders at the EGM. The Company will convene the EGM on 16 December 2019.

To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder has material interest in the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements and the Continuing Connected Transactions contemplated thereunder and thus no Shareholder would be required to abstain from voting on the resolution in relation to the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the connected transactions contemplated thereunder at the EGM.

GENERAL

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

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

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

LETTER FROM THE BOARD

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

Tianjin Pipe has a registered capital of RMB20 million. As at 30 September 2019, Tianjin Pipe has total assets and net assets of RMB1,022.9696 million and RMB66.4753 million respectively. As at 30 September 2019, Tianjin Pipe's operating income from its principal business and net profit are RMB5,445.0602 million and RMB8.7388 million respectively (the aforementioned figures are unaudited).

3. THE RESOLUTION IN RELATION TO THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY TO JINGCHENG MACHINERY ELECTRICITY THAT THE WAIVER OF JINGCHENG MACHINERY ELECTRICITY'S OBLIGATION TO MAKE A GENERAL OFFER OF THE SECURITIES OF THE COMPANY AS A RESULT OF THE PROPOSED A SHARES ISSUE UNDER THE RELEVANT LAWS AND REGULATIONS OF THE PRC BE APPROVED, CONFIRMED AND RATIFIED

Due to the business development needs, the Company had conditionally agreed to a non-public issuance of not more than 84,400,000 A Shares, pursuant to which Jingcheng Machinery Electricity had conditionally agreed to subscribe for the Proposed A Shares Issue in full in RMB paid by cash. As at the Latest Practicable Date, Jingcheng Machinery Electricity is a controlling shareholder of the Company which holds 43.30% interest in the Company. Upon the completion of the Proposed A Shares Issue, Jingcheng Machinery Electricity's shareholding of the Company is expected to increase, giving rise to an obligation on the part of Jingcheng Machinery Electricity to make a general offer.

Pursuant to the A Shares Subscription Agreement entered into between the Company and Jingcheng Machinery Electricity, the new shares to be subscribed by Jingcheng Machinery Electricity shall not be traded or transferred within 36 months from the date of completion of the Proposed A Shares Issue. The subscription of shares by Jingcheng Machinery Electricity under the Proposed A Shares Issue is in accordance with the relevant requirements in relation to the application for waiver of the obligation to make a general offer under the "Administrative Measures for Takeovers of Listed Companies" (《上市公司收購管理辦法》), and is tendered for approval at the EGM for waiver of Jingcheng Machinery Electricity's obligation to make a general offer in increasing its shareholding of the Company.

Jingcheng Machinery Electricity and parties acting in concert with Jingcheng Machinery Electricity and those who are involved in or interested in the Proposed A Shares Issue are required to abstain from voting in respect of the resolution for waiver of Jingcheng Machinery Electricity's obligation to make a general offer of the securities of the Company as a result of the Proposed A Shares Issue under the relevant laws and regulations of the PRC at the EGM.

LETTER FROM THE BOARD

4. THE EGM

A notice convening the EGM to be held on 16 December 2019 (Monday) at 9:30 a.m. is set out on pages 21 to 24 of this circular which has been disclosed on 30 October 2019. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy dated 30 October 2019 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. In order to be valid, 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 or the Company's H share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the commencement of the EGM 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 EGM or at any adjournment thereof if you so wish.

Reply slip for the EGM has also been disclosed on 31 October 2019. You have been reminded to complete and sign the reply slip and return the signed slip to the Company at No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing or the Company's H share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 26 November 2019 in accordance with the instructions printed thereon.

5. VOTING BY WAY OF POLL

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

6. ADDITIONAL INFORMATION

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

7. RECOMMENDATION

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

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



北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0187)

18 November 2019

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 18 November 2019 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter will have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been established by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the entering into the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 15 of the Circular.

Having considered the terms of the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and the transactions contemplated thereunder, we consider that the terms of the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements and the continuing connected transactions entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd., and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour for the resolution to be proposed at the EGM to approve the Gas Cylinder

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Pipe Sale and Purchase Framework Agreements and the connected transactions entered into between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

WU YAN

Independent non-executive Director

YANG XIAOHUI

Independent non-executive Director

LIU NING

Independent non-executive Director

FAN YONG

Independent non-executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the Directors, the supervisors and chief executive of the Company or their respective associates had the following interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations below (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, 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 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	Name of Shareholder	Capacity of 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 Machinery Electricity	Standing committee member of party committee, deputy general manager and general counsel	182,735,052 A Shares	43.30%
Jin Chunyu	Jingcheng Machinery Electricity	Assistant of general manager and head of planning and finance department	182,735,052 A Shares	43.30%
Wu Yanzhang	Jingcheng Machinery Electricity	Head of the investment and development department	182,735,052 A Shares	43.30%
Xia Zhonghua	Jingcheng Machinery Electricity	Head of housing, land and resources department	182,735,052 A Shares	43.30%

Save as disclosed above, as at the Latest Practicable Date, none of the 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 member of the Group which is not determinable by 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 2018, 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 Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors 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.

6. 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 2018, being the date to which the latest published audited accounts of the Company were made up.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office 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:

- (a) the 2017 Gas Cylinder Pipe Sale and Purchase Framework Agreements; and
- (b) the 2020 Gas Cylinder Pipe Sale and Purchase Framework Agreements.

NOTICE OF EGM

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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)

NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2019

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

IMPORTANT NOTICE:

- The date of the fourth extraordinary general meeting of 2019: 16 December 2019 (Monday)

I. BASIC INFORMATION OF THE MEETING

NOTICE IS HEREBY GIVEN that the fourth extraordinary general meeting of 2019 (the “EGM”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) will be convened by the board of directors of the Company (the “Board”) and the relevant matters of the meeting are as follows:

- (I) **Type and session:** the fourth extraordinary general meeting of 2019
- (II) **Convenor:** the Board
- (III) **Voting methods:** a combination of on-site voting by ways of poll and internet voting will be adopted for the EGM
- (IV) **Share Record Date:** 15 November 2019 (Friday)

NOTICE OF EGM

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

Date and time of the meeting: 9:30 a.m. on 16 December 2019 (Monday)

Venue of the meeting: Conference Room 1 of the Company, No. 2 Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC

II. MATTERS TO BE CONSIDERED AT THE EGM

Ordinary resolution

No.	Resolution
1	To consider and approve the resolution in relation to the entering into the Gas Cylinder Pipe Sale and Purchase Framework Agreements and the connected transactions between Tianjin Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd. and between Kuancheng Tianhai High Pressure Containers Co., Ltd. and Tianjin Pipe Steel Trade Co., Ltd.

Special resolution

No.	Resolution
2	To consider and approve the resolution in relation to the non-public issuance of A Shares of the Company to Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“ Jingcheng Machinery Electricity ”), details of which were set out in the circular of the Company dated 27 June 2019:

“THAT

the waiver of Jingcheng Machinery Electricity’s obligation to make a general offer of the securities of the Company as a result of the Proposed A Shares Issue under the relevant laws and regulations of the PRC is hereby approved, confirmed and ratified.”

III. ATTENDEES OF THE MEETING

- (I) Shareholders of the Company, whose names appear on the register of members of the Company at the close of business on the Share Record Date, are entitled to attend EGM, and may appoint proxy(ies) in writing to attend and vote at the EGM. Such proxy(ies) need not be the shareholder(s) of the Company.
- (II) Directors, supervisors and senior management of the Company.
- (III) Lawyers engaged by the Company.
- (IV) Other staff.

NOTICE OF EGM

IV. REGISTRATION METHOD

Shareholders or proxies who intend to attend the EGM are requested to deliver the reply slip of attending to the Company before 26 November 2019. 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 15 November 2019 to 16 December 2019 (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 H share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 November 2019.

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 or her own identity document, evidence of shareholding and valid documents evidencing his or her capacity as a legal representative. While appointing proxy to attend the meeting, the proxy should present his or her identity document 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.
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 or her 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 business address of the Company or lodged with the H share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM.

V. OTHER MATTERS

1. Contact for the meeting

Contact telephone: 8610-67365383/58761949

Fax: 8610-87392058/58766735

NOTICE OF EGM

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. Shareholders attending the meeting should bear their own accommodation and travel expenses.
3. Personnel attending the meeting shall arrive half hour before the meeting time and bring along the originals of identity document, stock account card and power of attorney for verification.

The Board of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC
30 October 2019

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