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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 RESOLUTIONS PASSED AT
THE FOURTH EXTRAORDINARY MEETING OF THE NINTH SESSION
OF THE BOARD OF DIRECTORS**

AND VOLUNTARY WINDING-UP OF SUBSIDIARY

The Board and all members of the Board warrant that there are no false representations, misleading statements 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.

Pursuant to the notice of meeting dated 8 May 2018, the fourth extraordinary meeting of the ninth session of the board of directors (the “**Board**”) of Beijing Jingcheng Machinery Electric Company Limited (the “**Company**” together with its subsidiaries, the “**Group**”) was held on 11 May 2018 by way of telecommunication. All of the eleven eligible directors attended the meeting. The supervisors and senior management members of the Company also attended the meeting. The convening of the meeting was in compliance with the requirements of all applicable laws and the articles of association of the Company.

The meeting was presided over by Mr. Wang Jun, the Chairman of the Board, at which the following resolutions were considered and approved:

1. The resolution in relation to the provision of bridging loan of not exceeding RMB45 million to Beijing Tianhai Industry Co., Ltd. (“**Beijing Tianhai**”), a subsidiary of the Company, by Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“**Jingcheng Machinery Electric**”), the controlling shareholder of the Company, was considered and approved.

In order to support the development of the Company, Jingcheng Machinery Electric, the controlling shareholder of the Company, provides a bridging loan of not exceeding RMB45 million to Beijing Tianhai, a subsidiary of the Company, for a term of fifteen days. The bridging loan bears interest at the one-year benchmark lending interest rate as determined by the People's Bank of China. The Company will not provide any security or guarantee for such financial assistance.

As Jingcheng Machinery Electric is the controlling shareholder of the Company, according to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Jingcheng Machinery Electric is the connected party of the Company, such matter constitutes a connected transaction. According to the regulation under the Guidelines on the Shanghai Stock Exchange for the Listed Companies' Postponement of and Exemption from Information Disclosure, such financial assistance is not required to apply for exemption from the Shanghai Stock Exchange. If the self-exemption conditions are met, the matter can be considered and disclosed by way of exempted connected transaction.

Mr. Wang Jun, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi, being connected directors, abstained from voting for this resolution. The number of valid votes for this resolution: 6; affirmative votes: 6; dissenting vote: 0; abstention vote: 0.

2. The resolution in relation to the early dissolution and liquidation of Langfang Tianhai High Pressure Containers Co., Ltd. ("**Langfang Tianhai**") and the authorization to the board of directors of Langfang Tianhai to determine the subsequent matters of dissolution and liquidation was considered and approved.

Information on Langfang Tianhai:

As at the date of the announcement, the Company owns 86.9542% of equity interest of Langfang Tianhai. Since 2011, the financial statements of Langfang Tianhai was included in the consolidated financial statements of the Company, Langfang Tianhai is therefore a non wholly-owned subsidiary of the Company. Mr. Wu Shouzhong is a shareholder of Langfang Tianhai, who owns 13.0458% of equity interest.

Langfang Tianhai was established on 27 March 2007 and located at No. 18 Yaohua Road, Langfang Development Zone, Langfang City, Hebei Province, which was a Sino-foreign equity joint venture enterprise invested by Beijing Jingcheng Machinery Electric Holding Company Limited and Mr. Wu Shouzhong from South Korea. The registered capital was RMB180 million. On 21 December 2011, the shareholdings of the Chinese shareholder of Langfang Tianhai changed from "Beijing Jingcheng Machinery Electric Holding Company Limited" to "Beijing Tianhai Industry Co., Ltd.". On 8 January 2013, Beijing Tianhai made a capital contribution unilaterally as agreed by both shareholders. The additional registered capital was RMB121.41 million. The registered capital of Langfang Tianhai increased from RMB180 million to RMB301.41 million upon the completion of capital contribution.

The current business scope of Langfang Tianhai includes design and manufacture of B1 seamless cylinders (only steel seamless cylinders) and B3 special gas cylinders (only compressed natural gas steel cylinder for vehicle use and hoop-wrapped composite cylinders with steel liner for the on-board storage of compressed natural gas as a fuel for automotive vehicles), sales of self-produced products of the Company (other than commodities and technologies whose dealing, import or export is restricted or prohibited to operate by the State). The operating period of Langfang Tianhai: 27 March 2007 to 26 March 2027.

Implications of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules of the Stock Exchange”):

Pursuant to the audited consolidated financial statements of the Company for the year ended 31 December 2017, as the total amount of assets, profit and revenue of Langfang Tianhai for the year ended 31 December 2017 accounted for over 5% (calculated based on the percentage ratios as defined under rule 14.04(9) of the Listing Rules of the Stock Exchange) of the consolidated total amount of assets, profit and revenue of the Company respectively, disclosures are therefore made pursuant to rule 13.25(2) of the Listing Rules of the Stock Exchange.

Reasons for voluntary dissolution and liquidation of Langfang Tianhai:

According to the strategy of Beijing Tianhai of exiting non-profitable business of 13th Five-Year Plan and allocating land resources effectively, and pursuant to Article 56 of the Articles of Association of Langfang Tianhai High Pressure Cylinder Co., Ltd., the joint venture can be terminated if it incurs significant loss. As the operating period of Langfang Tianhai has not yet expired, both shareholders agreed to the early dissolution and liquidation of Langfang Tianhai and to relieve the product structure of Langfang Tianhai to other subsidiaries and complete the reintegration of the assets of the Group so as to enhance overall profitability. The specific reasons are as follows:

- (1) Since the incorporation of Langfang Tianhai, contracts were unsaturated under the impacts of financial crisis and “Anti-double investigation” in the United States market. Though the measures such as changing logos and obtaining certificates were taken, no obvious improvements were shown. On the other hand, under the double effect of economic downturn and guidance of national policies, the natural gas industry cooled down rapidly, leading to the sharp shrinkage of hoop-wrapped cylinders contracts in domestic market and orders largely dropped. Under the stress of both international market and domestic market, Langfang Tianhai experienced a long-term loss. There is little hope on turning loss to profit through normal operation.
- (2) The environmental protection pressure of local government is getting more and more intense. Langfang Tianhai was forced to suspend production multiple times in 2016 and 2017 according to the local government’s policy of production reduction and emission reduction. The contract delivery capacity was materially impacted.
- (3) The original products of Langfang Tianhai were transferred to Kuancheng Tianhai Pressure Vessel Manufacturing Co., Ltd. and Tianjin Tianhai so as to manufacture more cost-competitive products which is more conducive to improving the overall profit of the Company.

Effect on the Company:

The Board is of the view that the voluntary dissolution and liquidation of Langfang Tianhai is in the best interest of the Group and will not have significant adverse impact on the Group's operations. Further announcement will be made by the Company as and when appropriate if there is any material progress of the dissolution and liquidation.

Number of valid votes for this resolution: 11; affirmative votes: 11; dissenting vote: 0; abstention vote: 0.

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

Beijing, the PRC
11 May 2018

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