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北京京城机电股份有限公司
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 PROVISION OF GUARANTEE BY
BEIJING TIANHAI INDUSTRY CO., LTD. (A SUBSIDIARY OF THE COMPANY)
TO ITS SUBSIDIARY
TIANJIN TIANHAI HIGH PRESSURE CONTAINER CO., LTD.**

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.

IMPORTANT NOTES:

- Name of the guaranteed party: Tianjin Tianhai High Pressure Container Co., Ltd. (hereinafter "Tianjin Tianhai");
- Beijing Tianhai Industry Co., Ltd. (hereinafter "Beijing Tianhai") is a subsidiary of Beijing Jingcheng Machinery Electric Company Limited (the "Company"). As the guarantee given by Beijing Tianhai are regarded as the management of listed company, the Company is obliged to fulfill the responsibility of information disclosure. Tianjin Tianhai is a subsidiary of Beijing Tianhai;
- Amount of the guarantee and actual balance of the guarantee provided: the amount of the guarantee provided for Tianjin Tianhai is RMB24.50 million; the actual balance of the guarantee provided is RMB11.20 million;
- A counter-guarantee is provided for the guarantee; and
- The Company has no overdue external guarantee.

I. OVERVIEW OF THE GUARANTEE

In order to meet requirements of working capital for operations of Tianjin Tianhai, the Company held the nineteenth extraordinary meeting of the seventh Board on 23 May 2014, at which the Board considered and approved the resolution on provision of guarantee by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, to its subsidiary Tianjin Tianhai High Pressure Container Co., Ltd. and agreed to provide a comprehensive credit guarantee of RMB24.50 million.

The poll results for the above-mentioned resolution: affirmative votes: 11; dissenting vote: 0; abstention vote: 0. The provision of guarantee to Tianjin Tianhai is within the power of the Board, and it is not required to be submitted to the shareholders' meeting of the Company for consideration and approval.

On 23 May 2014, based on the above-mentioned resolution, Beijing Tianhai entered into the Contract of Warranty for the Maximum Amount with Tianjin Branch of Hua Xia Bank Co., Ltd. (hereinafter "Hua Xia Bank"), under which Beijing Tianhai applied a comprehensive credit of RMB24.50 million for Tianjin Tianhai, with joint liability guarantee attached. Tianjin Tianhai provided a counter-guarantee for a term of one year.

II. BASIC INFORMATION OF THE GUARANTEED PARTY

(I) Operation of the guaranteed party

Name of the company: Tianjin Tianhai High Pressure Container Co., Ltd.

Registered place: Parcel D-2, Extension Area of Tianjin Port Bonded Area, Tianjin

Legal representative: Liu Guangling

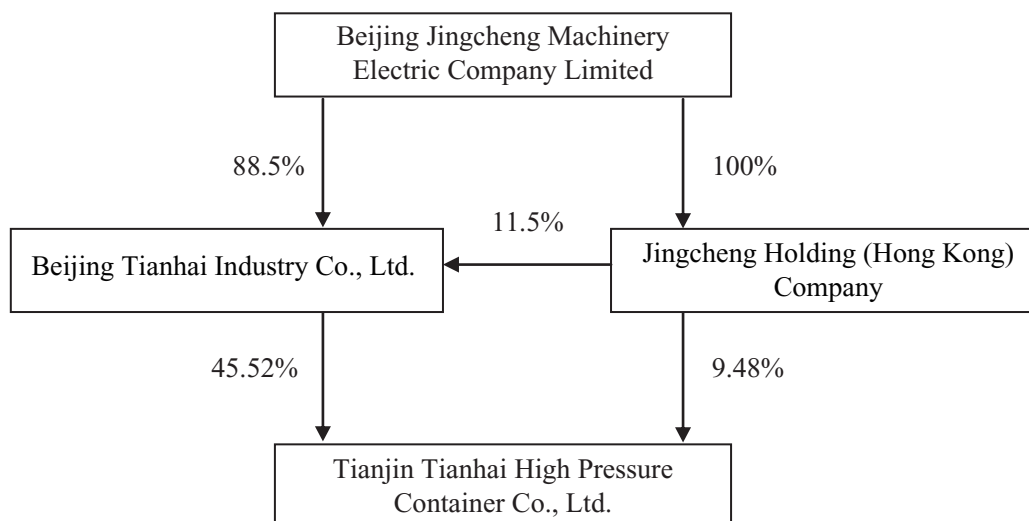
Principal business: Design and manufacturing of high pressure containers and after-sales service, export business of its own products and skills and import business of mechanical equipments, components, raw and auxiliary material and skills that the company needs (exclusive of products and skills which are limited or prohibited for company to operate by the state).

The financial position and operating situation of Tianjin Tianhai for the recent two years are set out below:

Unit: RMB 0,000

Peirod	Total Assets	Total Liabilities	Total Bank Borrowings	Total Current Liabilities	Net Assets	Operating Income	Net Profits
As of 31 December 2012	37,574	13,447	4,000	13,447	24,127	53,786	98.58
As of 31 December 2013	39,996	16,251	8,000	16,251	23,745	46,624	-381.5

(II) The relationship between the guaranteed party and the Company



(III) Main contents of the guarantee

(i) Guarantee Contract

- Way of guarantee: Joint liability guarantee
- Type of guarantee: Assured guarantee
- Duration of guarantee: 23 May 2014 to 23 May 2015
- Amount of guarantee: RMB24.50 million
- Scope of assured guarantee: The principal amounts, interests, overdue interests, default interest, compound interest, liquidated damages, compensations, fees to realize creditor's rights incurred by Hua Xia Bank and other payables from all other debtors of the principal contract are guaranteed by Beijing Tianhai.

6. Liability for breach of contract: After the contract becomes effective, Beijing Tianhai and Hua Xia Bank shall perform their obligations stipulated in the contract. Either party who fails to perform or under-performs their obligations hereunder shall be liable for breach of contract and shall compensate the non-breaching party for the losses caused thereupon.
7. Effectiveness of the contract: The contract shall be effective upon signing by the two parties. The validity of the contract is separated from the principal contract, and shall not be affected by the validity of the principal contract. If the principal contract is recognised as invalid, Beijing Tianhai shall assume joint guarantee liability for the debts caused by recovery of property or damage compensation of the debts under the principal contract.

(ii) Counter-Guarantee Contract

1. Type and amount of the debt guaranteed

The debt guaranteed under the counter-guarantee contract is the comprehensive credit contract of RMB24.50 million, being the 70% of the RMB35 million credit exposure stipulated in the principal contract entered into between Tianjin Tianhai and Hua Xia Bank and guaranteed by Beijing Tianhai.

2. Scope of Guarantee

Counter-Guarantee Contract involves items under comprehensive credit contract, such as principal, interests, compound interest, default interest, liquidated damages, compensations, fees to realise creditor's rights and other costs incurred from repayment of the aforesaid amount by Beijing Tianhai on behalf of Tianjin Tianhai.

3. Duration of guarantee

Duration of guarantee of the counter-guarantee contract: one year from the day after the date on which Beijing Tianhai starts to repay the loan, interests and other related fees to Hua Xia Bank on behalf of Tianjin Tianjin.

IV. Opinions of the Board

The Board is of the opinion that the guarantee is in compliance with relevant provisions of the Company Law, the Shares Listing Rules of the Shanghai Stock Exchange and the articles of association of the Company. Tianjin Tianhai, as the guaranteed party, is a subsidiary of the Company, over which the Company has substantial control, and Tianjin Tianhai has stable operation results with good credit standing and controllable guarantee risks. Therefore, the provision of guarantee to Tianjin Tianhai by Beijing Tianhai will not damage the interests of the Company.

The resolution on provision of guarantee to Tianjin Tianhai by Beijing Tianhai obtained prior approval from independent directors before it was submitted to the Board, and the independent directors also expressed their independent opinions when reviewing the relevant resolution:

1. The resolution on provision of guarantee by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, to its subsidiary Tianjin Tianhai High Pressure Container Co., Ltd., which is considered by the Board is based on the actual operating situation and credit position of Tianjin Tianhai, and its purpose is to meet the operational demands of Tianjin Tianhai.
2. The object of the guarantee provided by Beijing Tianhai is Tianjin Tianhai, Tianjin Tianhai has provided a counter-guarantee. We are of the opinion that the Company can control and prevent guarantee risks efficiently.
3. The cumulative amount of external guarantees provided by the Company amounted to RMB11.20 million, all of which are provided to Tianjin Tianhai by Beijing Tianhai, representing approximately 1.39% of the audited net assets of the Company attributable to the shareholders of listed companies in 2013.
4. The above-mentioned guarantee is in compliance with relevant provisions of the Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF [2003] No. 56) (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》(證監發[2003]56號)) and the Notice on Regulating the External Guaranties Provided by Listed Companies (ZJF [2005] No. 120) (《關於規範上市公司對外擔保行為的通知》(證監發[2005]120號)) and the provisions of External Guarantee Management System of the Company concerning the authorities to approve the guarantee. The decision-making procedures are in compliance with relevant laws, regulations and requirements of the articles of association of the Company, and the resolution will not damage the interests of the Company and its shareholders, especially minority shareholders, thus we agree on the guarantee.

V. Cumulative amount of external guarantees and overdue guarantees

As at the date of this announcement, the cumulative amount of external guarantees provided by the Company amounted to RMB11.20 million, all of which were provided to Tianjin Tianhai by Beijing Tianhai, representing 1.39% of the audited net assets of the Company attributable to the shareholders of listed companies in 2013. The amount of overdue guarantees is nil.

VI. Documents available for inspection

1. Resolutions at the nineteenth extraordinary meeting of the seventh Board of the Company;
2. Copy of business license of Tianjin Tianhai;
3. Guarantee Contract; and
4. Counter-Guarantee Contract.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

26 May 2014

As at the date of this announcement, the Board of the Company comprises Mr. Wang Pingsheng, Mr. Hu Chuanzhong, Mr. Wu Yanzhang, Mr. Li Junjie and Ms. Jiang Chi as executive directors, Mr. Jiang Zili and Ms. Wu Dongbo as non-executive directors and Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as independent non-executive directors.