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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 REPLY TO THE LETTER OF ENQUIRY
FROM THE SHANGHAI STOCK EXCHANGE IN RELATION TO
MATERIAL ASSETS REORGANISATION OF THE COMPANY**

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 NOTICES:

1. If Beijing Jingmei Group Co., Ltd. ("Jingmei Group") fails to repurchase the equity interests corresponding to 30% equity interests in Ordos City BOE Energy Investment Co., Ltd. ("BOE Energy") before 31 May 2016, Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding") will repurchase the abovementioned equity interests.
2. If Beijing Jingcheng International Financing Lease Co., Ltd. ("Jingcheng International Financial") fails to resolve the repurchase of the payment by the required time, such amount will be exposed to larger risk impairment, which constitutes a substantive impediment to the Material Assets Reorganisation. As a result, it may lead to termination of Material Assets Reorganisation or a substantive change to the Reorganisation proposal. The Company will timely make announcements in respect of the explanation on the progress of such matter by Jingcheng Holding. Investors are reminded to read the subsequent announcements of the Company and to be aware of the investment risks.

According to the request under the Letter of Enquiry in Respect of Material Assets Reorganisation of Beijing Jingcheng Machinery Electric Company Limited (《關於對北京京城機電股份有限公司重大資產重組相關事項的問詢函》) from the Shanghai Stock Exchange (Letter from SSE [2016] No. 0321) ("Letter of Enquiry"), Beijing Jingcheng Machinery Electric Company Limited (the "Company"),

Jingcheng Holding as its controlling shareholder and relevant intermediaries have seriously conducted analysis in relation to the enquiries and hereby respond as follows in respect of the questions in the Letter of Enquiry:

- 1. The receivable of Jingcheng International Financial from Jingmei Group is RMB1.5 billion, amounting to approximately 50% of its total asset, which materially affects the target asset. Please provide additional information on the intended solutions or measures of the Company to be taken in respect of recovery of the payment of repurchase of equity interests and explain whether there are any risks in the recovery.**

Response to the question:

On 5 April 2016, the Company received a notice from its controlling shareholder, Jingcheng Holding: as at 31 March 2016, Beijing Jingcheng International Financing Lease Co., Ltd. (“Jingcheng International Financial”) has not received the payment of the repurchase of 30% equity interests in BOE Energy by Jingmei Group.

In order to facilitate the Material Assets Reorganisation, upon active negotiations by Jingcheng Holding and Jingcheng International Financial with Jingmei Group, Jingmei Group commits to continue to push forward the repurchase of the abovementioned equity interests. Jingmei Group is a mega-size energy group with an integrated business covering electric power, coal and new energy which is capable of performing the repurchase. Therefore, the risk of recovery the payment of the repurchase does not exist.

On 8 April 2016, Jingcheng Holding issued the Explanation on Receiving the Repurchase Amount. Since March 2016, Jingcheng Holding has actively communicated with Jingmei Group for a number of times. Jingmei Group indicated that it will continue to push forward the repurchase of the abovementioned equity interests. If Jingmei Group fails to repurchase the equity interests corresponding to 30% equity interests in BOE Energy before 31 May 2016, Jingcheng Holding will repurchase the abovementioned equity interests.

Jingcheng Holding is of the view that the abovementioned matter does not constitute a substantive impediment to Material Assets Reorganisation, therefore, it will continue to push forward the relevant works of Material Assets Reorganisation.

Jingcheng Holding will continue to communicate with Jingmei Group. In case of any progress, it will promptly inform the Company. The Company will make announcements timely in respect of the explanation on the progress of such matter by Jingcheng Holding. Investors are reminded to read the subsequent announcements of the Company and to be aware of the investment risks.

- 2. Please verify that if the abovementioned matter cannot be solved, whether it may constitute a substantive impediment to the Material Assets Reorganisation and whether it may lead to a termination of Material Assets Reorganisation or a substantive change to the Reorganisation proposal. Financial advisor is invited to comment.**

Response to the question:

Opinion of the financial advisor is as follows:

After receiving the Letter of Enquiry, the independent financial advisor organised meetings with intermediaries and inquired Jingcheng Holding and Jingcheng International Financial in respect of the payment of the repurchase by Jingmei Group. Jingcheng Holding indicated that it has actively communicated with Jingmei Group and Jingmei Group has committed to continue to push forward the repurchase of the abovementioned equity interests.

On 8 April 2016, Jingcheng Holding issued an Explanation on Receiving the Repurchase Amount. Since March 2016, Jingcheng Holding has actively communicated with Jingmei Group for a number of times. Jingmei Group indicated that it will continue to push forward the repurchase of the abovementioned equity interests. If Jingmei Group fails to repurchase the equity interests corresponding to 30% equity in BOE Energy before 31 May 2016, Jingcheng Holding will repurchase the abovementioned equity interests.

Jingcheng Holding is of the view that the abovementioned matter does not constitute a substantive impediment to Material Assets Reorganisation, therefore, it will continue to push forward the relevant proposals of Material Assets Reorganisation.

Jingcheng Holding will continue to communicate with Jingmei Group. In case of any progress, it will promptly inform the Company. The Company will make announcements timely in respect of the illustration on the progress of such matter by Jingcheng Holding. Investors are reminded to read the subsequent announcements of the Company and to be aware of the investment risks.

As at 31 October 2015, due to strategic arrangement, Jingcheng International Financial, on behalf of Jingmei Group, held equity interests amounted to of RMB1,504,352,300, representing 45.03% of the Company's total asset. If Jingcheng International Financial fails to resolve the repurchase of the payment properly, such amount will be exposed to larger risk impairment, which constitutes a substantive impediment to the Material Assets Reorganisation. As a result, it may lead to a termination of Material Assets Reorganisation or a substantive change to the Reorganisation proposal.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 8 April 2016

As at the date of this announcement, the board of directors of the Company 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.