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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 PROGRESS OF
MATERIAL ASSETS REORGANISATION**

The board of directors of the Company (the “Board”) 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. On 31 May 2016, Beijing Jingcheng International Financing Lease Co., Ltd. (“Jingcheng International”) and Beijing Jingmei Group Co., Ltd. (“Jingmei Group”) entered into a conditional Equity Transfer Agreement. The relevant approval procedures are currently being fulfilled.
2. The Equity Transfer Agreement is subject to the fulfillment of various conditions. Whether the approval can be obtained for this transaction and the relevant matters from the Beijing State-owned Assets Commission and the approval time for the above matters are uncertain. Therefore, there are uncertainties on whether the Equity Transfer Agreement can proceed.
3. If the matter in relation to the payment in the repurchase fails to be resolved within 3 working days after the effective date of the Equity Transfer Agreement, such amount will be exposed to larger risk in impairment, which will constitute 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.

The sixth meeting of the eighth session of the Board of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) was held on 26 November 2015. Resolution in relation to

the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were considered and approved and announced. For details, please refer to the announcements of the Company dated 27 November 2015 on Shanghai Securities News, Securities Daily, the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Trading of shares of the Company has been resumed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong on 14 December 2015.

In accordance with the laws and regulations such as the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers, in order to prevent the trigger of any mandatory offer by Jingcheng Holding, ensure the listed position of H Shares in Hong Kong, carry out the reorganisation proposal of H Shares of the Company successfully, further increase the capital strength of the Company and safeguard the long term development of the Company, the Company made modification to the reorganisation proposal. The trading of H Shares of the Company was resumed at 1 pm on 18 January 2016. The sixteenth extraordinary meeting of the eighth session of the board of Beijing Jingcheng was held on 3 February 2016. Resolution in relation to the issue of shares and payment of cash to purchase assets and related fund raising and connected transaction proposal and other related resolutions were again considered and approved and announced. For details, please refer to the announcements of the Company dated 3 February 2016 published on Shanghai Securities News, Securities Daily, the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The trading of A Shares of the Company has been resumed on the Shanghai Stock Exchange on 4 February 2016. On 3 March 2016, the Company disclosed the Announcement on the Progress of Material Assets Reorganisation (announcement no.: Lin 2016-013). On 5 April 2016, the Company disclosed the Announcement on the Progress of Material Assets Reorganisation (announcement no.: Lin 2016-018). On 3 May 2016, the Company disclosed the Announcement on the Progress of Material Assets Reorganisation (announcement no.: Lin 2016-024).

I. PROGRESS OF THE MATERIAL ASSETS REORGANISATION

The Company and the related parties are actively promoting the work of Material Assets Reorganisation. As at the date of this announcement, the audit for the relevant assets involved in Material Assets Reorganisation are completed and valuation works are nearly completed. After the completion of the valuation works, pursuant to relevant regulations for valuation and management of state-owned assets, the relevant valuation report has to comply with the state-owned assets assessment approval procedures. After the completion of the abovementioned works, the Company shall convene another board meeting to consider and approve the matters in relation to Material Assets Reorganisation, and shall comply with relevant announcement and approval procedures in accordance with relevant laws and regulations.

II. THE PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

1. Date

31 May 2016

2. Parties

Transferor: Beijing Jingcheng International Financing Lease Co., Ltd. (“Party A”)

Transferee: Beijing Jingmei Group Co., Ltd. (“Party B”)

According to the Letter of intent in relation to shareholdings held by nominees (《股權代持意向書》) signed by Jingcheng Holding and Party B on 24 September 2012 and the Supplemental Agreement signed by Party A and Party B on 8 December 2015, Party A proposed to transfer its 30% interests (“Target Interests”) in Ordos City BOE Energy Investment Co. Ltd. (“BOE Energy”) to Party B and Party B agreed to take up such interests.

3. Consideration

The consideration for the transfer negotiated and confirmed by both parties: RMB1,541,350,300.

4. Payment of consideration

Party B will transfer all of the consideration to the Party A’s bank account within 3 working days after the agreement takes effect.

5. Representations and Warranties

Party A has the legal, effective and complete rights in the disposal of Target Interests without any restrictions which may affect the equity transfer. In addition to obtaining the approval issued by the Beijing State-owned Assets Commission according to relevant laws, Party A shall perform the internal decision-making procedures including, but not limited to, authorization and approval which are necessary for signing the agreement in compliance with the relevant laws. Party A shall procure BOE Energy to complete the procedures in relation to equity transfer and change of business registration of Target Interests within 3 working days after the agreement takes effect. Party B shall actively co-operate with Party A.

Party B taking up the Target Interests shall in compliance with the requirements of the laws, regulations and articles of association. In addition to obtaining the approval issued by approving authority according to relevant laws, Party B shall perform the internal decision-making procedures including, but not limited to, authorization and approval which are necessary for signing this agreement in compliance with the relevant laws. Party B shall pay the consideration for the Target Interests to Party A in accordance with the requirements of the agreement and such consideration for the Target Interests shall be derived from legitimate sources.

6. Agreement taking effect

The agreement shall take effect on the date of the following conditions being fully satisfied: (1) the agreement signed by the legal representative or authorized representative of both Parties with the company seal of each party affixed; (2) Beijing Haohua Energy Resource Company Ltd., a

controlling subsidiary of Party B, has considered and approved the resolution in relation to the change of “Non-competition Undertaking” of Beijing Jingmei Group Co., Ltd. at the shareholder’s meeting; (3) Beijing Energy Group approved the equity transfer under the agreement; (4) Beijing State-owned Assets Commission approved the equity transfer under this agreement and the value related matters of equity transfer, Party A and Party B shall implement the equity transfer according to the approval and the relevant approval comments of Beijing State-owned Assets Commission.

III. SPECIAL REMINDER

1. Jingcheng International and Jingmei Group entered into the conditional Equity Transfer Agreement on 31 May 2016. The relevant approval procedures are currently being fulfilled.
2. The Equity Transfer Agreement is subject to the fulfillment of various conditions. Whether the approval can be obtained for this transaction and the relevant matters from the Beijing State-owned Assets Commission and the approval time for the above matters are uncertain. Therefore, there are uncertainties on whether the Equity Transfer Agreement can proceed.
3. According to the communication results between the Company and the parties involved in the transaction, at present, there are no related matters discovered by the Company, which may lead to the withdrawal or termination of Material Assets Reorganisation by the board of directors of the Company or the parties involved in the transaction nor there is a substantive change being made to Material Assets Reorganisation.
4. Risks related to Material Assets Reorganisation have been explained in full in the section “I. Risks relating to the Transaction” under “Warning on Major Risks” in the “Proposal In Relation to acquisition of Assets through Issue of Shares and Cash Payment as well as Raising of Supporting Funds and Connected Transaction for Beijing Jingcheng Machinery Electric Company Limited (Revised)” disclosed by the Company on 3 February 2016. Shareholders are reminded to read the relevant contents carefully and to be aware of the investment risks.
5. Pursuant to the Measures on the Administration of Material Assets Reorganisation of Listed Companies and related regulations of the Shanghai Stock Exchange, before the notice of general meeting to be convened for the consideration and approval of Material Assets Reorganisation to be issued by the Company, announcements in relation to the progress of the reorganisation will be released in every thirty days.
6. The designated media for publication of Company information includes Shanghai Securities News, Securities Daily, the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Information of the Company published on the above designated media shall prevail. Investors are advised to pay attention to the further announcements of the Company and the investment risks.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 1 June 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.