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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 IN RELATION TO THE TERMINATION OF
CONNECTED TRANSACTION**

- (1) NON-EXERCISE OF RIGHT OF FIRST REFUSAL**
(2) BEIBA MEDIA EQUITY INTEREST EXCHANGE AGREEMENT
(3) JINGGUOFA EQUITY INTEREST EXCHANGE AGREEMENT

The board of directors of the Company (the “Board”) and all members the board guarantee that the information contained in this announcement does not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility.

Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Jingcheng Holding”), the controlling shareholder of Beijing Jingcheng Machinery Electric Company Limited (the “Company” or “Jingcheng Company” together with its subsidiaries collectively referred to as the “Group”), entered into the “Equity Transfer and Exchange Agreement in relation to Beijing Jingcheng Machinery Electric Company Limited between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beijing Jingguofa Equity Investment Fund (Limited Partnership)” (“Jingguofa Equity Exchange Agreement”) with Beijing Jingguofa Equity Investment Fund (Limited Partnership) (“Jingguofa”) and entered into “Equity Transfer and Exchange Agreement in relation to Beijing Jingcheng Machinery Electric Company Limited between Beijing Jingcheng Machinery Electric Holding Co., Ltd. and Beijing Bashi Media Co., Ltd.” with Beijing Bashi Media Co., Ltd. (“Beiba Media”), respectively, on 26 January 2016 (“Beiba Media Equity Interest Exchange Agreement”, together with the Jingguofa Equity Interest Exchange Agreement collectively referred to as the “Equity Transfer and Exchange Agreement”). For details, please refer to the announcement dated 27 January 2016 and the circular dated 30 May 2016.

As the above-mentioned equity transfer constitutes connected transaction, the Company convened the fifteenth extraordinary meetings of the Board of the eighth session on 26 January 2016. The resolution on the non-exercise of the right of first refusal (the “Non-exercise of Right of First Refusal”) and connected transaction under the capital injection agreement of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, was considered and approved at the 2015 Annual General Meeting of the Company held on 16 June 2016.

On 25 July 2016, the Company received a notice from the controlling shareholder: “Jingcheng Holding received a notice from State-owned Asset Supervision and Administration Commission of Beijing Municipal Government notifying that the equity interest exchange of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. was not approved and the relevant information will be withdrawn from SASAC, hence the equity interest exchange cannot proceed.”

The conditions for the agreement taking effective disclosed in the announcement dated 27 January 2016 are set out below:

The Equity Transfer and Exchange Agreement shall be formed upon signing by the legal representative or authorized representative of both parties with the company seal of each party affixed and shall take effect on the date of all of the following conditions precedent being fully satisfied:

1. Approval of resolution on the transaction by the internal authority (Board and shareholders) of Jingcheng Company;
2. Approval of resolutions on the non-exercise of Right of First Refusal by shareholders of Minghui Tianhai, and approval of the transaction;
3. Approval by State-owned Assets Supervision and Administration Commission of the transaction;
4. Approval by other governmental and regulatory authorities (if required).

In case that any of the conditions precedent of the Equity Transfer and Exchange Agreement is not satisfied, the Agreement will not take effect. Each of the parties shall pay the costs incurred by signing and performing the agreement and no responsibilities shall be borne by any one of the parties.

Since the Equity Transfer and Exchange Agreement for the Transaction was not approved by the State-owned Assets Supervision and Administration Commission, the Equity Transfer and Exchange Agreement cannot and will not be effective and is terminated, and the resolution on the Non-exercise of Right of First Refusal and connected transaction under the capital injection agreement of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. by Beijing Tianhai Industry Co., Ltd., a subsidiary of the Company, will not proceed and is terminated.

The Board believes that the termination of the Equity Transfer and Exchange Agreement and the termination of the Non-exercise of Right of First Refusal will not have any material adverse impact on the business, operation and financial position of the Group.

The Company's designated media for information disclosure are Shanghai Securities News, Securities Daily, the website of the Shanghai Stock Exchange (www.sse.com.cn) and the HKExnews website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The information of the Company will be subject to the content published in the above media. Investors are advised to pay attention to the upcoming announcement and the investment risks.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 25 July 2016

As at the date of this announcement, the Board 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.