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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 EXPECTED LOSS
IN THE RESULTS OF 2016 AND DELISTING WARNING ON THE A SHARES**

The board of directors of the Company 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.

This announcement is made by Beijing Jingcheng Machinery Electric Company Limited (the "Company") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and the Inside Information Provisions (as defined under the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

I. FORECASTS ON THE RESULTS FOR THE CURRENT PERIOD

(1) Period of estimated results

1 January 2016 to 31 December 2016.

(2) Estimated results

Upon the preliminary calculation of the Company's financial department, the Company is expected to record loss in operating results in the year of 2016 and net profit attributable to the shareholders of the Company of RMB-155 million to RMB-135 million.

- (3) **Shinewing Certified Public Accountants LLP, the certified public accountant, issued a specific explanation on whether the estimation of the Company's financial results for the period is appropriate and made with due care:**

According to the preliminary audit, the certified public accountant did not discover any audit evidence inconsistent with the "Expected loss in the 2016 financial results of the Company". However, the certified public accountant would not provide any guarantee in respect of the expected loss in the Company's 2016 financial results. Such financial results shall be subject to the financial audit report of 2016 duly issued by the certified public accountant.

II. THE RESULTS FOR THE CORRESPONDING PERIOD OF LAST YEAR

- (1) Net profit attributable to the shareholders of the listed company: RMB-207,817,373.56
- (2) Earnings per share: RMB-0.49

III. THE MAJOR REASONS FOR THE LOSS IN THE RESULTS OF THE CURRENT PERIOD

- (1) Demands in industrial gas cylinder market remained low and the production capacity was highly excessive; intensification of monotonic competition in the gas storage and transportation industry led to a decrease in profit margin, which resulted in a decline in sales revenue of the Company.
- (2) Due to the decrease in price difference between petroleum and natural gas, low cost was no longer an advantage for natural gas vehicles. Meanwhile, the PRC provided high subsidies and adopted administrative measures for promoting new energy vehicles (mainly electric vehicles), which led to a significant decrease in demands in the natural gas vehicle market and a drop in production and sales of cylinders for natural gas vehicles.
- (3) As the Company is currently at a reform, adjustment, transformation and upgrading stage, the current arrangement is unreasonable and the efficiency in relation to the usage of resources is low. In addition, during heavily polluted periods, the Company has taken measures to stop and limit its production in accordance with requirements of the government, which resulted in a decrease in production capacity and delay in product delivery.

IV. OTHERS

- (1) The above estimated figures are based on preliminary calculation only. The specific and accurate financial figures will be disclosed in the audited annual report of 2016 to be formally published by the Company. Investors are advised to pay attention to the investment risks.

- (2) According to the relevant requirements under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, if the Company incurs loss in 2016, the Company will have incurred losses for two consecutive years and the A shares of the Company will be subject to delisting risk warning upon the disclosure of the 2016 annual report. Investors are advised to pay attention to the investment risks.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC
25 January 2017

As at the date of this announcement, the Board 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.