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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)

**MAJOR TRANSACTION
IN RELATION TO THE LEASE AGREEMENT
ENTERED INTO BY BEIJING TIANHAI**

The Board announces that on 4 September 2018, Beijing Tianhai (a wholly-owned subsidiary of the Company) and Jingcheng Haitong entered into the Lease Agreement, pursuant to which, Beijing Tianhai leased a parcel of land and the plant erected thereon at 9 Tianying North Road, Chaoyang District, Beijing, the PRC to Jingcheng Haitong for a term of 18 years.

LISTING RULES IMPLICATIONS

One of the applicable percentage ratios of the Lease Agreement is more than 25%. The transaction under the Lease Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular of the Company containing further details of the Lease Agreement, the notice of convening the EGM together with proxy form and reply slip and any other information as required by the Listing Rules is expected to be dispatched to the Shareholders on or before 26 September 2018.

Risk Warning

As the term of lease under the Lease Agreement is relatively long, there is a risk that the business conditions of Jingcheng Haitong will change or other reasons may result in its failure to perform. Shareholders and investors are advised to be aware of the investment risks.

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Principal terms of the Lease Agreement are as follow:

Date: 4 September 2018

Parties: Beijing Tianhai (as lessor)
Jingcheng Haitong (as lessee)

Property: 9 Tianying North Road, Chaoyang District, Beijing, the PRC. The land area of the Property stated in the State-owned Land Use Right Certificate is 87,541.76 sq.m., and the total gross floor area of the Property stated in the Building Ownership Certificate is 45,143.62 sq.m..

Jingcheng Haitong agreed to rent the Property on an “as is” basis after on-site examination of the Property.

Property use:

- (1) the Property is for an integrated industrial park with transformation, construction and operation of technical innovations, cultural creativity and business office.
- (2) Jingcheng Haitong undertook to Beijing Tianhai that the Property will be only used for the purposes specified in the Lease Agreement and in compliance with the regulations relating to land, use of building and property management in Beijing, the PRC.
- (3) Jingcheng Haitong guaranteed that the use of the Property as stipulated in the Lease Agreement shall not be changed without authorization during the term of lease. If the use of the Property is adjusted, it shall comply with the relevant laws, regulations and policies, and shall be in line with the principle of best interests of both parties.

Term of lease: The term of lease of the Property is 18 years (including rent-free period). The starting date of lease means the effective date of the Lease Agreement.

Rent-free period:

- (1) The rent-free period is included in the term of lease. The rent-free period shall be six months from the date following the effective date of the Lease Agreement, during which Jingcheng Haitong is not required to pay rent. The rent shall be payable for the period starting from the day following the end date of the rent-free period.
- (2) If renovation and upgrade works are conducted during the rent-free period but the government explicitly prohibits the construction of such works and the total period of work suspension reaches one month, the rent-free period shall be extended by one month; if the total period of work suspension is longer than one month and the rent-free period is therefore affected, Beijing Tianhai and Jingcheng Haitong shall negotiate about the follow-up matters.
- (3) After Beijing Tianhai has handed over the Property to Jingcheng Haitong, subject to the negotiation and agreement among the parties, for any building occupied by Beijing Tianhai within the area of the Property which has not been transformed and has ownership certificate, Beijing Tianhai shall waive the rent payable by Jingcheng Haitong according to the area and period actually occupied by it.

Rent and other expenses:

- (1) During the term of lease, the initial rent standard is RMB1.43/square metre/day.
- (2) The initial rent rate during the term of lease shall be increased by 5% from the previous year's rent rate every three years from the date of lease, that is, the rent rate for the fourth, fifth and sixth lease years should be increased by 5% based on the rent rate of the third lease year and so on for the subsequent term.
- (3) The rent is payable in advance for every three months by bank transfer or cheque or other payment methods. Payment shall be made within one week before the start of each three-month period for and shall not be later than the last business day of the previous three-month period. After Beijing Tianhai has delivered the Property to Jingcheng Haitong and within the week before the end of the rent-free period, Jingcheng Haitong shall pay the rent of the Property for the first three months to Beijing Tianhai in one lump sum.

- (4) During the rent-free period, Jingcheng Haitong does not need to pay rent to Beijing Tianhai, but it is required to bear the Utilities Fees of the Property and other related expenses incurred in accordance with the provisions of the Lease Agreement. The Utilities Fees are not included in the rent and shall be paid by Jingcheng Haitong directly to the utilities service providers.
- (5) Both parties shall each bear the taxes and fees related to the signing and performance of the Lease Agreement in accordance with the relevant regulations in China and Beijing, including but not limited to the fees for the registration of the Lease Agreement, stamp duty, etc.

The terms of the Lease Agreement were reached on an arm's length basis with reference to properties of similar size, terms, location and the prevailing market conditions in the vicinity at the time of entering into the Lease Agreement.

Conditions for the
Lease Agreement to
be effective:

The Lease Agreement shall be formed from the date on which the legal representative or authorized representative of the parties signed the agreement or the agreement is affixed with their seal and the agreement is affixed with company seal, and the Lease Agreement shall become effective from the date on which the Lease Agreement is approved at the general meeting of the Company.

Liability for breach
of contract:

- (1) If either party violates the provisions of the Lease Agreement, the party shall be liable to the other party for breach of contract. The entire economic loss caused by the unilateral termination of the Lease Agreement by the defaulting party shall be borne by such defaulting party.
- (2) If Jingcheng Haitong delays payment of the rent or other expenses payable under the Lease Agreement, for each day of delay, Jingcheng Haitong shall pay Beijing Tianhai liquidated damages for the delay which is 0.05% of the total rent payable and other expenses payable.
- (3) During the term of lease, if Jingcheng Haitong violates the Lease Agreement by arbitrarily surrendering the lease, it shall be deemed that Jingcheng Haitong allows Beijing Tianhai to enter the Property and surrenders all the ownership of decorations, facilities and items in the Property, and such ownership will be transferred to Beijing Tianhai at that time. Jingcheng Haitong shall be responsible for compensating all losses suffered by Beijing Tianhai in connection therewith .

- (4) If Beijing Tianhai does not deliver the Property to Jingcheng Haitong according to the agreement, for each day of delay, Beijing Tianhai shall pay Jingcheng Haitong liquidated damages which is 0.05% of the rent of the undelivered part of the Property. The total liquidated damages shall not exceed three months' rent of the undelivered part of the Property.

Termination of the
Lease Agreement:

1. The parties agree that during the term of the Lease Agreement, if the Lease Agreement is terminated due to force majeure, then each party will not be responsible to the other party.
2. The parties agree that the non-defaulting party may unilaterally terminate the Lease Agreement in any of the following circumstances. If the defaulting party causes losses to the non-defaulting party, the defaulting party shall also compensate the non-defaulting party for all economic losses:
 - (1) The rent or related expenses are unpaid and overdue for more than 90 days by Jingcheng Haitong;
 - (2) Beijing Tianhai, without justifiable reasons, deliberately fails to fulfill the obligations of arranging relevant sealing formalities or issuing certification, such as the sub-tenant's business registration, tax registration, etc., which must be issued by Beijing Tianhai, for more than 90 days;
 - (3) Beijing Tianhai terminates the agreement without authorization during the term of lease;
 - (4) Jingcheng Haitong terminates the agreement before the expiry of the term of lease;
 - (5) The defaulting party has other serious breach of contract.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT

The Company rents out its idle properties, which is conducive to improving utilization efficiency of asset of the Company, revitalising the assets and creating benefits. The Lease Agreement will bring a long-term and stable rental income to the Company and is expected to have positive impacts on the Company's revenue and net profit in future fiscal years.

The terms of the Lease Agreement are entered into with reference to the properties of similar size, terms, location and the prevailing market conditions in the vicinity at the time of entering into the Lease Agreement. Having considered the above, the terms of the Lease Agreement were determined after arm's length negotiation, and the Directors consider that the terms of the Lease Agreement are on normal commercial terms, fair and reasonable and the Lease Agreement and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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GENERAL

Information on the Company

Authorised scope of operation of the Company: general logistics and professional contractor.

General operation projects: develop, design, sale, install, adjust and maintain cryogenic containers, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency.

Information on Beijing Tianhai

Beijing Tianhai is a wholly-owned subsidiary of the Company. Authorised scope of operation of Beijing Tianhai: production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, add-on components, fire extinguishers, fire extinguishing system products and components, gas cylinders for medical equipment, gas cylinders for life rescues, gas cylinders and components for food machineries, gas and wrapped cylinders and components for gas vehicles, gas storage special containers, bundled devices, cryogenic gas cylinders and components, LPG cylinders and components, aluminium cores, cylinders and components, new enhanced complex materials (complex materials such as carbon fibre, organic fibre and high strength glass fibre) and products, complex gas cylinders (natural gas storage cylinders for vehicles, gas storage cylinders for respirators, containers for water treatment), testing equipment for complex gas cylinders.

General scope of operation: providing installation, test, adjustment, maintenance, technical consultancy and services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage and transportation; providing after-sales service and maintenance; import and export of commodities and technology and acting as import and export agency.

Information on Jingcheng Haitong

Jingcheng Haitong is a company incorporated in the PRC. Its principal business is organising cultural and art exchange activities (excluding performances); property management; economic and trade consultancy; office leasing; motor vehicle public parking services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jingcheng Haitong and its ultimate beneficial owner are independent third parties of the Company and its Connected Persons.

Risk Warning

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DEFINITIONS

In this announcement, unless otherwise defined, the following terms shall have the meanings set out below:

“A Share(s)”	domestic ordinary Share(s) with a par value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in RMB
“Beijing Tianhai”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a company established in the PRC with limited liability and indirect wholly-owned by the Company
“Board”	the board of Directors
“Company”	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 PRC with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
“Connected Person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting to be held by the Company, among other things, to consider and, if thought fit, to approve the Lease Agreement
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange, subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreement”	the Lease Agreement entered into between Beijing Tianhai (as lessor) and Jingcheng Haitong (as lessee) on 4 September 2018 in relation to the Property
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Jingcheng Haitong”	北京京城海通科技文化發展有限公司 (Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Property”	9 Tianying North Road, Chaoyang District, Beijing, the PRC. The land area of the Property stated in the State-owned Land Use Right Certificate is 87,541.76 sq.m., and the total gross floor area of the Property stated in the Building Ownership Certificate is 45,143.62 sq.m.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Share(s)”	A Shares and H Shares of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Utilities Fees”	all expenses incurred by utilities including the water usage (if any), electricity (if any), communication (if any), network (if any) etc. of the Property
“%”	percent

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
4 September 2018

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.