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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)

POSSIBLE MAJOR TRANSACTION
DISPOSAL OF EQUITY INTERESTS IN SHANDONG TIANHAI

POSSIBLE DISPOSAL OF EQUITY INTERESTS IN SHANDONG TIANHAI

The Board announces that the Company proposes to dispose of the 51% equity interests in Shandong Tianhai held by the Company through Beijing Tianhai by public tender to be quoted on CBEX. The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the laws and regulations of the PRC concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through CBEX. According to the regulations of CBEX, the Potential Transferee is required to enter into the Equity Transaction Agreement with the Company.

The Minimum Consideration (i.e. the listing price for 51% equity interests in Shandong Tianhai) is 51% of RMB120,410,500. The Minimum Consideration is determined based on the results of the Valuation Report. Shareholders should note that the consideration will depend on the final bid price, but will in any event be no less than the Minimum Consideration.

IMPLICATIONS UNDER THE LISTING RULES

Using the Minimum Consideration as the basis of calculation, one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Potential Disposal is more than 25% but less than 75%. Thus, the Potential Disposal (if materialised) constitutes a major transaction of the Company and is therefore subject to the requirements of reporting, announcement, and shareholders' approval at general meeting under Chapter 14 of the Listing Rules.

A circular containing, inter alia, details of (i) further information in respect of the Potential Disposal and the Equity Transaction Agreement; and (ii) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 11 February 2019.

Yong'an Heli holds 49% equity interests in Shandong Tianhai, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Yong'an Heli has not given up its preemptive right as an original shareholder of Shandong Tianhai. If Yong'an Heli finally obtains the qualification as the Potential Transferee of the Potential Disposal, the Company will comply with the applicable requirements under Chapters 14A of the Listing Rules.

The Transfer Price of the Potential Disposal is subject to the final bid price, it is expected that there will be no impact on the Company's operating results for the year 2018 and will have an impact on the Company's profit and loss for the year 2019. The specific amount will be calculated and disclosed based on the results of the Potential Disposal.

As at the date of this announcement, the Potential Disposal has not yet been materialised, the Potential Transferee is still uncertain, no Equity Transaction Agreement has been signed by the Company, and no arrangement on contract performance has been made. Therefore, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

BACKGROUND

The Board announces that the Company proposes to dispose of the 51% equity interests in Shandong Tianhai held by the Company through Beijing Tianhai by public tender to be quoted on CBEX. The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the laws and regulations of the PRC concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through CBEX. According to the regulations of CBEX, the Potential Transferee is required to enter into the Equity Transaction Agreement with the Company.

THE PUBLIC TENDER

Qualification of the Potential Transferee

The Potential Transferee shall satisfy, among others, the following descriptions and qualifications:

1. the Potential Transferee must be a validly existing enterprise or a natural person; and
2. the Potential Transferee must have sound financial capability for payment.

Date and Procedures of the Public Tender

The Company intends to submit the tender notice to CBEX before the end of March 2019 after the Shareholders have passed the relevant resolution at the extraordinary general meeting.

The publication period will be open for 20 working days from the date of the tender notice. During the publication period, bidders qualified to be the Potential Transferee may indicate their interest in purchasing the 51% equity interests in Shandong Tianhai and register themselves as bidders. Upon the expiry of the publication period, CBEX will notify the Company the identity of the Potential Transferee.

Within 3 working days upon notification of the Potential Transferee by CBEX, the Company is required to enter into the Equity Transaction Agreement with the Potential Transferee.

As at the date of this announcement, material information of the Equity Transaction Agreement including the Potential Transferee, Transfer Price, payment method, delivery and transfer time, etc. have not been determined. The Company will enter into the Equity Transaction Agreement upon confirmation of the Potential Transferee and perform its relevant approval procedures and information disclosure obligations. As at the date of this announcement, no equity transfer agreement has been entered into between the Company and any other party in relation to the Potential Disposal.

Consideration

The Minimum Consideration (i.e. the listing price of 51% equity interests in Shandong Tianhai) is 51% of RMB120,410,500. The Minimum Consideration is based on the results of the Valuation Report issued by an independent valuer, Beijing China Enterprise Appraisals Co., Ltd., in respect of the 51% equity interests in Shandong Tianhai using the asset-based approach with 30 April 2018 being the base date for valuation. Such valuation results have not been approved by Beijing SASAC and the final report will be subject to the approval of Beijing SASAC.

Shareholders should note that the Transfer Price will depend on the final bid price, but will in any event be no less than the Minimum Consideration.

The Equity Transaction Agreement

The Company will enter the Equity Transaction Agreement after the Potential Transferee is determined. The principal terms of the Equity Transaction Agreement are set out as below:

Equity transfer:	The Company shall transfer its 51% equity interests in Shandong Tianhai through Beijing Tianhai to the Potential Transferee, and its capital contribution of RMB58,420,500 in respect of the 51% equity interests in Shandong Tianhai has been settled in full.
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Shandong Tianhai has not engaged in any forms of guarantee, including but not limited to pledging of the relevant assets and equity, or any limitations or obligations that will hinder the Potential Disposal or the exercise of any shareholder's rights. Shandong Tianhai has not been the subject of any seizure or any injunctive measures by the competent authorities.

Mode of transfer:	Through public tender to be quoted on CBEX, the bidder who wins the bidding will be the Potential Transferee.
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Transfer Price and payment method:

The Potential Transferee shall pay the Company the Transfer Price subject to the final bid price through public tender, which shall not be lower than the listing price.

The Potential Transferee shall pay for the deposit as requested by the Company and CBEX, which shall form part of the consideration.

The Transfer Price shall be denominated in RMB. If the Transfer Price is paid in foreign currency by the Potential Transferee, the amount of the foreign currency paid by the Potential Transferee will be determined by the average price of the buying price and the selling price of RMB and such foreign currency as the exchange rate as announced by the People's Bank of China one day before the Potential Transferee pays the Transfer Price. If the Potential Transferee fails to pay the Transfer Price when due, the exchange rate risks for the period from the due date of payment of the Transfer Price to the overdue payment date.

The Potential Transferee shall pay the Transfer Price to the Company by installment as follows:

- (1) The Potential Transferee shall remit 70% of the Transfer Price into the settlement account designated by CBEX within 3 days upon the Agreement becoming effective.
- (2) The Potential Transferee shall pay the Company the balance of the Transfer Price together with the interests incurred for the period from the effective date of the Agreement until the date of actual payment calculated at the prevailing bank loan interest rate for the same period, with full settlement of such balance of the Transfer Price and corresponding interests to the Company within 6 months upon effectiveness of the Agreement. Details relating to the balance of the Transfer Price stated in this clause, and the legal means for the provision of guarantee such as equity pledge by the Potential Transferee or joint and several guarantee to be provided by third party (if any) will be set out in the guarantee agreement and/or equity pledge agreement between the parties.

Completion:

1. The Company and the Potential Transferee shall perform or assist to perform the obligation regarding the reporting to relevant vetting authorities and cooperate to handle any reasonable requests and enquires made by such vetting authorities, on a best effort basis, for the purpose of obtaining the approval from such vetting authorities for the Agreement and the Potential Disposal contemplated thereunder.

2. Within 30 working days upon the Potential Disposal contemplated under the Agreement of obtaining the equity transaction certificate issued by CBEX, the Company shall procure Shandong Tianhai to complete the equity transfer registration procedures with relevant authority and the Potential Transferee shall provide necessary assistance and cooperation. The completion of the Potential Disposal shall take place on the date upon the completion of equity transfer registration procedures and issuance of new business license of Shandong Tianhai by the relevant authority.
3. Within 30 days upon the completion of the Potential Disposal, both parties shall determine the specific date, place and subject matters to be completed in relation to the Potential Disposal. Pursuant to the “assets and information list” of Shandong Tianhai required under the Agreement, the assets and list, ownership certificate, approval documents, financial statements, filing information, chops and seals, construction plans and technical information of Shandong Tianhai shall be transferred by the Company to and verified by the Potential Transferee.
4. The Company shall take responsibilities for the information in terms of completeness and truthfulness of the abovementioned information and whether it is consistent with the information provided by Shandong Tianhai, and bear all legal liabilities arisen from concealment and misrepresentation of facts.
5. The Company shall transfer the assets, power of control and management of Shandong Tianhai to the Potential Transferee within the above agreed period and Shandong Tianhai will be managed and controlled by the Potential Transferee.
6. Where the original Shandong Tianhai is cancelled by the Potential Transferee and its assets are consolidated into its corporate or associated entities under its control, the Company shall assist in completing the registration and transfer procedures for obtaining relevant certificates and approvals.
7. The Company entered into the “Trademark License Agreement” with Shandong Tianhai on 28 May 2014 in respect of the Company’s authorisation to Shandong Tianhai to use the agreed trademark. Pursuant to the “Trademark License Agreement”, where the Company holds less than 40% equity interests in Shandong Tianhai, the Company has the right to terminate the “Trademark License Agreement”, therefore the Potential Transferee shall procure Shandong Tianhai to enter into an agreement with the Company to terminate the abovementioned “Trademark License Agreement” as requested by the Company.

8. The Potential Transferee shall procure Shandong Tianhai to complete the registration procedures for change of the name of Shandong Tianhai within 15 working days upon the completion date of the Potential Disposal and the wordings of “Tianhai” shall not be included in the new name of Shandong Tianhai.

Obligations of fees payment
for the Potential Disposal:

Fees incurred in the Potential Disposal contemplated under the Agreement shall be borne by the Company and the Potential Transferee respectively in accordance with the relevant requirements.

Liability for breach of
contract:

1. Upon the Agreement being effective, any party who proposes to terminate the Agreement without any reason shall pay 30% of the Transfer Price to the other party as one-off liquidated damages in accordance with the Agreement and shall be liable for any losses suffered by the other party.
2. Where the Potential Transferee fails to pay the Transfer Price within the agreed period under the Agreement, the Potential Transferee shall pay the Company the liquidated damages for late payment. Such liquidated damages shall be calculated according to the 0.05% of the Transfer Price payable within the overdue period. In case the overdue payment exceeds 30 days, the Company shall be entitled to terminate the Agreement and require the Potential Transferee to pay 10% of the Transfer Price as liquidated damages according to the Agreement and compensate for any losses suffered by the Company and Shandong Tianhai therein.
3. Where the Company fails to transfer Shandong Tianhai according to the Agreement, the Company shall pay liquidated damages to the Potential Transferee. Such liquidated damages shall be calculated at 0.05% of the Transfer Price payable for each day overdue. In case the overdue period exceeds 30 days, the Potential Transferee shall be entitled to terminate the Agreement and require the Company pays the Potential Transferee 10% of the Transfer Price as liquidated damages.
4. If there is any undisclosed or omitted matters regarding the assets and liabilities of Shandong Tianhai which may cause material and adverse impacts to Shandong Tianhai or the price of the Potential Disposal, the Potential Transferee shall be entitled to terminate the Agreement and require the Company to pay 10% of the Transfer Price as liquidated damages to bear the liability for breach of contract according to the Agreement. If the Potential Transferee does not terminate the Agreement, it shall be entitled to ask the Company for compensation regarding relevant matters. The compensation amount shall be equal to the relevant portion of the losses incurred by the above undisclosed or omitted assets and liabilities of Shandong Tianhai.

5. Where Shandong Tianhai fails to enter into relevant agreement(s) under the Agreement with the Company within the period that the Company requested or Shandong Tianhai fails to complete the registration procedures for change of corporate name within the agreed period under the Agreement, the Potential Transferee shall pay 0.05% of the Transfer Price to the Company as liquidated damages for every overdue day and compensate the Company for all losses incurred thereof.

Effective date of the Agreement:

The Agreement shall take effect upon the date of signature and sealing by legal representatives or authorised representatives of the Company and the Potential Transferee.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL AND THE USE OF PROCEEDS

The reasons for the Potential Disposal is to lower the operating cost of the Company, to optimize its asset structure and resources allocation, and to focus more on its core business, so as to improve the quality of the assets of the Company and increase the profitability of the Company.

The Directors consider the transaction contemplated under the Potential Disposal will be on normal commercial terms, which is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Upon completion of the Potential Disposal, Shandong Tianhai will no longer be a subsidiary of the Company. The financial results of Shandong Tianhai will no longer be consolidated into the accounts of the Company.

The Transfer Price of the Potential Disposal is subject to the final bid price, it is expected that there will be no impact on the Company's operating results for the year 2018 and will have an impact on the Company's profit and loss for the year 2019. The specific amount will be calculated and disclosed based on the results of the Potential Disposal.

The Company intends to use the proceeds for its production and operation.

GENERAL

Information on the Company

The authorised scope of operation of the Company includes general logistics and professional contractor.

The Company's general operation projects include developing, designing, selling, installing, adjusting and maintaining 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 Shandong Tianhai

Shandong Tianhai is a company established under the laws of the PRC with limited liability on 12 June 2014. The Company holds 51% equity interests in Shandong Tianhai through its controlling subsidiary Beijing Tianhai, and Yong'an Heli holds 49% equity interests. The business scope of Shandong Tianhai includes: production of seamless gas cylinders (steel seamless gas cylinders only) and welding gas cylinders; sales of industrial gas cylinders and their accessories (for projects requiring approval according to law, the operating activities can be commenced upon approval of the relevant departments).

In accordance with the generally accepted accounting principles in the PRC, the profits before and after taxation of Shandong Tianhai for the financial years ended 31 December 2016 and 2017 were as follows:

	For the year ended 31 December 2016 <i>RMB</i>	For the year ended 31 December 2017 <i>RMB</i>
Profit before taxation	15,459,416.08	-6,623,910.39
Profit after taxation	13,235,662.58	-6,623,910.39

As at 30 September 2018, the book value of Shandong Tianhai was RMB 115,742,483.89.

As at 30 April 2018, Shandong Tianhai was valued at RMB 120,410,500 based on the Valuation Report.

IMPLICATIONS UNDER THE LISTING RULES

Using the Minimum Consideration as the basis of calculation, one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Potential Disposal is more than 25% but less than 75%. Thus, the Potential Disposal (if materialised) constitutes a major transaction of the Company and is therefore subject to the requirements of reporting, announcement, and shareholders' approval at general meeting under Chapter 14 of the Listing Rules.

A circular containing, inter alia, details of (i) further information in respect of the Potential Disposal and the Equity Transaction Agreement; and (ii) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 11 February 2019.

Yong'an Heli holds 49% equity interests in Shandong Tianhai, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Yong'an Heli has not given up its preemptive right as an original Shareholder of Shandong Tianhai. If Yong'an Heli finally obtains the qualification as the Potential Transferee of the Potential Disposal, the Company will comply with the applicable requirements under Chapters 14A of the Listing Rules.

An announcement containing the results of the public tender will be made by the Company as soon as practicable after the public tender is completed.

As at the date of this announcement, the Potential Disposal has not yet been materialised, the Potential Transferee is still uncertain, no Equity Transaction Agreement has been signed by the Company, and no arrangement on contract performance has been made. Therefore, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless defined otherwise, the terms used shall have the following meanings:

“Beijing SASAC”	Beijing Municipal People’s Government State-owned Assets Supervision and Administration Commission
“Beijing Tianhai”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a company incorporated in the PRC with limited liability, which is 100% owned by the Company
“Board”	the board of Directors of the Company
“CBEX”	北京產權交易所有限公司 (China Beijing Equity Exchange Co., Ltd.), an institution authorised by the State-owned Assets Supervision and Administration Commission for transaction of assets and equity of State-owned enterprises under the central government of the PRC
“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
“Directors”	the directors of the Company
“Equity Transaction Agreement” or “Agreement”	the equity transaction agreement to be entered into between the Company and the Potential Transferee in relation of the Potential Disposal
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	the listing price of RMB120,410,500 for the 51% equity interest in Shandong Tianhai, which is the estimated value of Shandong Tianhai based on the Valuation Report
“Potential Disposal”	the proposed disposal of 51% equity interests in Shandong Tianhai by the Company through CBEX

“Potential Transferee”	the bidder who won the bidding for the Potential Disposal through public tender
“PRC” or “State”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Tianhai”	山東天海高壓容器有限公司 (Shandong Tianhai High Pressure Containers Co.,Ltd.), a company incorporated in the PRC with limited liability, which the Company indirectly owns 51% equity interests
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Price”	the final bid price of the 51% equity interests in Shandong Tianhai
“Valuation Report”	the “Asset Valuation Report in relation to the Value of All the Shareholders’ Interest of Shandong Tianhai High Pressure Containers Co., Ltd. Proposed to be Transferred by Beijing Tianhai Industry Co., Ltd.” (Zhong Qi Hua Ping Bao Zi (2018) No. 4028) issued by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.) in respect of all the equity interests (net assets) of Shandong Tianhai for valuation purpose as at 30 April 2018, being the base date for valuation
“Yong’an Heli”na	山東永安合力鋼瓶股份有限公司 (Shandong Yong’an Heli Steel Cylinder Co., Ltd.), a company incorporated in the PRC with limited liability, which owns 49% equity interests in Shandong Tianhai
“%”	percent

On behalf of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
16 January 2019

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.