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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 FOR THE 2018 ANNUAL RESULTS**

The board of directors of the Company (the “**Board**”) and all directors 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).

IMPORTANT NOTICE:

1. The Company is expected to record a loss of RMB93.00 million to RMB113.00 million in its results.
2. After the deduction of non-recurring items of profits and losses, the Company is expected to record a loss of RMB107.80 million to RMB127.80 million in its results.

I. ESTIMATED RESULTS FOR THE PERIOD

(1) Period of estimated results

1 January 2018 to 31 December 2018.

(2) Estimated results

1. Upon the preliminary calculation of the financial department, the Company is expected to incur a loss and record net profit attributable to the shareholders of the Company of RMB-93.00 million to RMB-113.00 million for 2018 as compared to RMB20.8684 million for the same period of last year.
 2. The Company is expected to record net profit attributable to the shareholders of the Company after deducting the non-recurring profits and losses of RMB-107.80 million to RMB-127.80 million.
- (3) Specific explanation from the certified public accountant 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 which would be inconsistent with the "expected loss for the 2018 annual results of the Company". However, the certified public accountant would not provide any guarantee in respect of the expected loss in the Company's 2018 financial results. Such financial results will be subject to the audited financial report of 2018 to be duly issued by the certified public accountant.

II. FINANCIAL RESULTS FOR THE CORRESPONDING PERIOD OF LAST YEAR

- (I) Net profit attributable to the shareholders of the Company: RMB20.8684 million.

The net profit attributable to the shareholders of the Company after deducting the non-recurring profits and losses: RMB-60.7756 million.

- (II) Earnings per share: RMB0.05.

III. THE MAJOR REASONS FOR THE ESTIMATED LOSS FOR THE PERIOD

- (I) Impact on the principal business:

- 1) Due to the declining macro economy, the fluctuation of natural gas market, the subsidy policy of new energy vehicles and the increasingly strict environmental protection policies, the demand for natural gas storage and transportation industry fluctuated significantly, which had resulted in a relatively great impact on the Company's principal business. Under the integrated influence of the above factors, the Company's operations in 2018 have been under greater pressure. In the first half of 2018, the loading volume dropped in a clifflike manner. As an upstream supplier, the Company adjusted its sales strategy in a timely manner and kept track of changes in market demand. Due to insufficient work, the production capacity was not effectively utilized, thereby leading to increases in unit hours and unit costs and higher costs.

- 2) The prices of the Company's major raw materials, such as stainless steel, fluctuated greatly, which lowered the gross profit margin of the products. Although the Company has strictly controlled its cost expenditures, enhanced the efficiency of capital use and actively revitalized idle assets by leasing the factories in Wufangqiao, the fixed costs were high due to the large volume of the Company's principal business. With the declining operating income and the provision for impairment of inventories, the Company's operating results continued to drop and recorded loss in the principal business.
- 3) The Company's hydrogen energy products continued to grow, but the industry has not yet been fully commercialized and has not formed economies of scale.

(II) Impact of accounting treatment:

The Ministry of Finance issued the Accounting Standards for Enterprises No. 14 – Revenues (Revised) in July 2017 and the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Revised) in March 2017. The Company has implemented the above standards from 1 January 2018 in compliance with the requirements. The implementation of the above standards has no significant impact on the Company's financial position for the year.

IV. RISK WARNING

The Company considers that there is no material uncertainty affecting the accuracy of the estimated results.

V. OTHERS

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 2018 to be formally published by the Company. Investors are advised to pay attention to the investment risks.

For and on behalf of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
30 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.