

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.*



**北京京城機電股份有限公司**  
**Beijing Jingcheng Machinery Electric Company Limited**

*(a joint stock limited company established in the People's Republic of China)*  
**(Stock Code: 0187)**

- (1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**  
**(2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY**  
**JINGCHENG MACHINERY ELECTRICITY**  
**(3) APPLICATION FOR WHITELASH WAIVER AND**  
**(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

The Board announces that on 6 May 2019, the Board resolved to propose a non-public issuance of A Shares, pursuant to which the Company will issue not more than 84,400,000 A Shares to Jingcheng Machinery Electricity, and the total funds raised shall amount to not more than RMB462,283,000 (subject to regulatory approval).

The issue price of the A Shares shall not be less than (i) 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the A Shares in the 20 trading days preceding the Pricing Benchmark Date equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date divided by the total volume of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date), and (ii) the net asset value per Share attributable to the shareholders of ordinary shares of the parent company as set out at the latest audited consolidated financial statements of the Company, which is RMB1.11 as at the date of this announcement. If the CSRC amends the pricing method of the non-public issuance prior to the Proposed A Shares Issue, the Board may, subject to the authorization at the general meeting, adjust the Benchmark Price of the Proposed A Shares Issue in accordance with relevant requirements under the relevant laws and regulations. If any ex-right and ex-dividend event such as bonus issue of shares and capitalisation issue occurs during the period from the Pricing Benchmark Date to the date of issuance, the issue price of the Proposed A Shares Issue shall be adjusted accordingly.

The maximum number of A Shares to be issued under the Proposed A Shares Issue, being 84,400,000 A Shares, represents (i) approximately 26.2% of the existing issued A Shares and 20.0% of the existing total issued Shares as at the date of this announcement; and (ii) approximately 20.8% of the enlarged issued A Shares and approximately 16.7% of the enlarged total issued Shares upon the completion of the Proposed A Shares Issue (assuming full subscription and issuance of a total of 84,400,000 A Shares under the Proposed A Shares Issue).

The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the General Meeting and the Class Meetings. The Proposed A Shares Issue is subject to the approval of Beijing SASAC, the CSRC and the SFC.

#### **CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY JINGCHENG MACHINERY ELECTRICITY**

As part of the Proposed A Shares Issue, the Company and Jingcheng Machinery Electricity entered into the A Shares Subscription Agreement on 6 May 2019, pursuant to which, the Company has conditionally agreed to issue, and Jingcheng Machinery Electricity has conditionally agreed to subscribe for not more than 84,400,000 A Shares with a total subscription money of not more than RMB462,283,000 under the Proposed A Shares Issue.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Jingcheng Machinery Electricity is the controlling shareholder holding approximately 43.30% of the total issued Shares of the Company, and therefore Jingcheng Machinery Electricity is a connected person of the Company under the Listing Rules. The Proposed A Shares Issue constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **IMPLICATIONS UNDER THE TAKEOVERS CODE – APPLICATION FOR WHITEWASH WAIVER**

Upon completion of the Proposed A Shares Issue, Jingcheng Machinery Electricity's shareholding of the Company is expected to increase from approximately 43.30% to not more than approximately 52.75%. The Proposed A Shares Issue will give rise to an obligation on the part of Jingcheng Machinery Electricity to make a mandatory offer for all the Shares other than those already owned or agreed to be acquired by it under Rule 26.1 of the Takeovers Code. Jingcheng Machinery Electricity will apply for the Whitewash Waiver from compliance with Rule 26.1 of the Takeovers Code from the Executive. The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, the approval by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the General Meeting. The Proposed A Shares Issue will not proceed if the Whitewash Waiver is not granted by the Executive or the Proposed A Shares Issue and Whitewash Waiver are not approved by the Independent Shareholders at the General Meeting and the Class Meetings.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In order to standardise and improve the profit distribution policy of the Company, enhance the transparency of profit distribution, according to the provisions of the “Notice on Further Implementing the Cash Dividends of Listed Companies” and “Guidelines for the Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies” issued by CSRC and other related laws and regulations and regulatory documents, the resolution in relation to the amendments to the Articles of Association was considered and approved at the thirteenth extraordinary meeting of the ninth session of the Board. The proposed amendments to the Articles of Association are subject to the approval by the Shareholders by way of passing a special resolution at the General Meeting and approval by the relevant authority.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising all the independent non-executive Directors but not any non-executive Director as they are nominated by Jingcheng Machinery Electricity) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Proposed A Shares Issue and Whitewash Waiver. In this connection, Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and Whitewash Waiver.

## **GENERAL MEETING AND CLASS MEETINGS**

The General Meeting will be convened to consider and, if thought fit, approve resolutions relating to (i) the Proposed A Shares Issue; (ii) the Specific Mandate; (iii) the Whitewash Waiver; and (iv) the proposed amendments to the Articles of Association.

The Class Meetings will be convened to consider and, if thought fit, approve resolutions relating to (i) the Proposed A Shares Issue; and (ii) the Specific Mandate.

Jingcheng Machinery Electricity and parties acting in concert with it and those who are involved in or interested in the Proposed A Shares Issue or the Whitewash Waiver will abstain from voting on the corresponding resolutions to be proposed at the General Meeting and/or the Class Meetings.

## GENERAL

A circular containing, among other things, (i) details of the Proposed A Shares Issue, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles of Association; (ii) a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser; and (iii) the notice of General Meeting and Class Meetings is expected to be despatched to the Shareholders on or before 27 May 2019 in accordance with the applicable Listing Rules and Takeovers Code.

**The completion of the Proposed A Shares Issue is subject to the satisfaction of certain conditions, including but not limited to the grant of the Whitewash Waiver by the Executive, which may or may not be granted by the Executive. The granting of the Whitewash Waiver is a non-waivable condition precedent to the A Shares Subscription Agreement. Accordingly, the Proposed A Shares Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE

On 6 May 2019, the Board approved the Proposed A Shares Issue, pursuant to which the Company will issue a maximum of 84,400,000 A Shares to Jingcheng Machinery Electricity and the total funds raised shall amount to not more than RMB462,283,000 (subject to regulatory approval).

The A Shares to be issued under the Proposed A Shares Issue will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the General Meeting and the Class Meetings.

The details of the Proposed A Shares Issue are set out below.

### Structure of the A Share Issue

Class and par value of A Shares to be issued:	A Shares with a par value of RMB1.00 each.
Number of A Shares to be issued:	<p>A maximum of 84,400,000 A Shares will be issued under the Proposed A Shares Issue, which represents:</p> <ul style="list-style-type: none"><li>(i) approximately 26.2% of the existing issued A Shares and 20.0% of the existing total issued Shares as at the date of this announcement; and</li><li>(ii) approximately 20.8% of the enlarged issued A Shares and approximately 16.7% of the enlarged total issued Shares upon the completion of the Proposed A Shares Issue (assuming full subscription and issuance of a total of 84,400,000 A Shares under the Proposed A Shares Issue).</li></ul>

The maximum number of A Shares to be issued will be adjusted if any ex-dividend or ex-right event occur such as dividend distribution, issue of bonus shares or conversion of capital reserve into share capital occur during the period from the Pricing Benchmark Date to the Issuance Date, the maximum number of A Shares to be issued will be adjusted accordingly.

Set out below is the arithmetic calculations in respect of the abovementioned possible adjustment to the maximum number of A Shares to be issued:—

$$Q_1 = Q_0 \times (1+N)$$

Where,

- (i)  $Q_0$  is the maximum number of A Shares to be issued before adjustment;
- (ii) N is the number of bonus issue or capitalization per A Share; and
- (iii)  $Q_1$  is the maximum number of A Shares to be issued after adjustment.

The final number of A Shares to be issued shall be determined by negotiation between the Board and the sponsor (lead manager) based on the approval from the CSRC.

Target subscriber and method of subscription:

The target subscriber of the Proposed A Shares Issue is Jingcheng Machinery Electricity.

Apart from the A Shares Subscription Agreement, the Company has not and will not entered into any agreement with any other parties in respect of the Proposed A Shares Issue.

The target subscriber will subscribe by way of cash in RMB.

Method and time of issue:

The A Share Issue will be carried out by way of non-public issuance of A Shares to Jingcheng Machinery Electricity. The Company will complete the Proposed A Shares Issue within after obtaining the approval from the CSRC within the valid period.

Pricing Benchmark Date, issue price and pricing principles:

The Pricing Benchmark Date is the first date of issuance of A Share pursuant to the Proposed A Shares Issue.

The issue price of the A Shares to be issued under the Proposed A Shares Issue shall not be less than (i) 90% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the A Shares in the 20 trading days preceding the Pricing Benchmark Date equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date divided by the total volume of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date), and (ii) the net asset value per Share attributable to the shareholders of ordinary shares of the parent company as set out at the latest audited consolidated financial statements of the Company. If the CSRC amends the pricing method of the non-public issuance prior to the Proposed A Shares Issue, the Board may, subject to the authorization at the general meeting, adjust the Benchmark Price of the Proposed A Shares Issue in accordance with relevant requirements under the laws and regulations. If any ex-right and ex-dividend event such as bonus issue of shares and capitalisation issue occurs during the period from the Pricing Benchmark Date to the date of issuance, the issue price shall be adjusted accordingly based on the following method:

Bonus issue of shares or capitalisation issue:  $P_1 = P_0 / (1 + N)$

Where:

- (i)  $P_0$  denotes the issue price before adjustment;
- (ii)  $N$  denotes the number of Shares to be distributed as scrip dividend or converted from the capital reserve per share; and
- (iii)  $P_1$  denotes the new issue price after adjustment.

Given the net asset value per Share attributable to the shareholders of ordinary shares of the parent company as at the date of this announcement as set out in the 2018 annual audited consolidated financial statements of the Company is RMB1.11, on such basis it is expected the minimum issue price would, subject to the approval of Beijing SASAC, and the CSRC, be at least RMB1.11 (the Benchmark Price). This represents a discount of approximately 85.5% over the closing price of the Company's A Shares at RMB7.68 on 30 April 2019, being the last trading day immediately before the date of this announcement. In the event that the issue price, after taking into account the ex-right and ex-dividend event (if any), is expected to fall below the Benchmark Price, the Company will re-comply with the necessary approval requirements including, among other things, Independent Shareholders' approval requirements under the Listing Rules and for a new whitewash waiver under the Takeovers Code.

The above adjustment is made based on the requirement under Rule 13 of the “Implementation Rules for Non-public Issuance of Shares by Listed Companies” (《上市公司非公開發行股票實施細則》) promulgated by CSRC: The Board shall also resolve to determine whether the issue size shall be adjusted accordingly in case of ex-dividend or ex-rights activities in respect of the shares of the Company during the period from the date of resolution by the Board to the date of issuance. CSRC will consider and approve the above adjustment as a part of the proposal for Proposed A Shares Issue, CSRC will not consider and approve such adjustment on a standalone basis.

Lock-up period:

The target subscriber shall not transfer the A Shares subscribed under the Proposed A Shares Issue within 36 months from the date of completion of the Proposed A Shares Issue.

Total funds to be raised and used:

The total funds (inclusive of issuance expenses) to be raised from the Proposed A Shares Issue shall finally be determined by the actual issue price and issue size, and shall be not more than RMB462,283,000.

The proceeds from the Proposed A Shares Issue are intended to be used in the following manner:

- (1) as to approximately RMB52,000,000 to the construction project of the Type IV cylinder automation digital control production line;
- (2) as to approximately RMB27,285,000 to the research and development project of hydrogen energy product; and
- (3) as to approximately RMB382,998,000 to the repayment of debts owed to Jingcheng Machinery Electricity and financial institutions, of which RMB100,000,000 will be used for repayment of special payables <sup>(note)</sup> of Jingcheng Machinery Electricity, RMB45,000,000 will be used for repayment of borrowings of Jingcheng Machinery Electricity, RMB23,799,800 will be used for repayment of debts of financial institutions, such financial institutions are independent of the Company and are not the shareholders of the Company.

Note: Beijing SASAC issued a Notice about Appropriation of 2013 State-owned Capital Operation Budget on 4 June 2013 (JGZ [2013] No.96) (《關於撥付2013年國有資本經營預算資金的通知》) and notified to inject the State fund of RMB 100,000,000.00 (“**State Fund**”) to Jingcheng Machinery Electricity for the project of production base construction for gas storage and transportation equipment. On 30 July 2013, Jingcheng Machinery Electricity allocated the State Fund to Beijing Tianhai. Beijing Tianhai received the State Fund in August 2013 and recognized as special payables.



In particular, the details of proceeds to be used for repayment of debts of financial institutions are as follows:

Borrower	Lending bank	Loan Amount (RMB'0,000)	Loan period (Starting date – Closing date)	
Beijing Tianhai	Hua Xia Bank Co., Ltd.	3,000.00	2018.06.22	2019.06.22
	Hua Xia Bank Co., Ltd.	3,000.00	2018.10.10	2019.10.10
	Hua Xia Bank Co., Ltd.	2,800.00	2018.10.23	2019.10.23
	Hua Xia Bank Co., Ltd.	2,000.00	2018.05.23	2019.05.23
	Hua Xia Bank Co., Ltd.	3,000.00	2018.05.10	2019.05.10
	Hua Xia Bank Co., Ltd.	2,000.00	2018.11.16	2019.11.04
	Bank of Beijing	2,999.99	2018.11.06	2019.05.06
	Bank of Beijing	4,999.82	2018.11.06	2019.11.06
Total		<u>23,799.80</u>		

After the proceeds from the Proposed A Shares Issue are received, the Company will prioritise the use of the proceeds of RMB237,998,000 according to the needs for repaying the above banks loans, and the shortfall will be covered by the Company's own funds.

Considering that the actual time for the proceeds to be received cannot be estimated, the Company will arrange the repayment of the Company's loans with flexibility based on the principle of optimizing the Company's debts structure and saving its costs and expenses as much as possible. If some of the above bank loans have been repaid before the proceeds from the Proposed A Shares Issue are received, the Company will utilize the remaining proceeds for repaying other bank loans, the specific details of the repayment of other bank loans will be determined at the authorized general manager's office of the Company.

Place of listing:

The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued pursuant to the Proposed A Shares Issue.

The A Shares to be issued under the Proposed A Shares Issue can be traded on the Shanghai Stock Exchange upon the expiration of the lock-up period.

Validity period of the resolution:

The resolution regarding the Proposed A Shares Issue shall be valid for 12 months from the date of the passing at the General Meeting and the Class Meetings. If the Company obtains the approval of the Proposed A Shares Issue by CSRC during such validity period, such validity will be automatically extended to the completion date of the Proposed A Shares Issue.



Specific Mandate of the issuance of A Shares:	The Company will issue the A Shares under the Specific Mandate which is intended to be granted to the Board at the General Meeting and the Class Meetings.
Rights of the A Shares to be issued:	The A Shares to be issued pursuant to the Proposed A Shares Issue, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issue of such A Shares.
Distribution of profit:	Upon completion of the Proposed A Shares Issue, the existing and new Shareholders will be entitled to the Company's cumulative undistributed profits accumulated from before the Proposed A Shares Issue.

## **CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY JINGCHENG MACHINERY ELECTRICITY**

As part of the Proposed A Shares Issue, the Company and Jingcheng Machinery Electricity entered into the A Shares Subscription Agreement on 6 May 2019, pursuant to which, the Company has conditionally agreed to issue and Jingcheng Machinery Electricity has conditionally agreed to subscribe for not more than 84,400,000 A Shares to be issued pursuant to the Proposed A Shares Issue for an amount not more than RMB462,283,000.

### **Major terms of the A Shares Subscription Agreement**

Date:	6 May 2019
Parties:	(1) The Company, as the issuer; and  (2) Jingcheng Machinery Electricity, as the subscriber.
Number of A Shares to be subscribed:	Jingcheng Machinery Electricity will subscribe all shares to be issued under the Proposed A Share Issue, with the number of A Shares to be subscribed of not more than 84,400,000 A Shares, and is subject to a maximum subscription amount of RMB462,283,000.  If any ex-right or ex-dividend event (such as distribution of dividend, bonus issue of shares, capitalization issue) occurs between the Pricing Benchmark Date and the Issuance Date, the maximum number of A Shares to be subscribed by Jingcheng Machinery Electricity will be adjusted accordingly.  If the total funds raised in the Proposed A Shares Issue is required to be reduced due to regulatory policy changes or according to the requirements of the relevant approval documents, Jingcheng Machinery Electricity agrees to subscribe for the adjusted amount accordingly.

Method of subscription:	By way of cash subscription in RMB.
Subscription price and pricing principles:	The subscription price will be determined on the same basis as other A Shares to be issued under the Proposed A Shares Issue as mentioned above.
Conditions precedent for the A Shares Subscription Agreement to take effect:	<p>The A Shares Subscription Agreement will take effect when all the following conditions have been satisfied:</p> <ol style="list-style-type: none"> <li>1. the approval from the Board for the Proposed A Shares Issue has been obtained;</li> <li>2. the approval from Beijing SASAC for the Proposed A Shares Issue has been obtained;</li> <li>3. the approval from the Shareholders at the General Meeting, A Shares Class Meeting and H Shares Class Meeting for the Proposed A Shares Issue, A Shares Subscription Agreement and Whitewash Waiver and all the related and auxiliary resolutions have been obtained;</li> <li>4. the approval from the CSRC for the Proposed A Shares Issue has been obtained;</li> <li>5. all necessary consents, approvals, authorizations, permits, waivers and notices from the relevant government and/or regulatory authorities for the Proposed A Shares Issue have been obtained; and</li> <li>6. the grant of the Whitewash Waiver from the SFC in accordance with the Takeovers Code has been obtained and such waiver has not been revoked prior to completion of the Proposed A Shares Issue.</li> </ol> <p>All of the aforementioned conditions (1)-(6) are non-waivable.</p> <p>Under the Takeovers Code, the resolution(s) in relation to Whitewash Waiver shall be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the General Meeting.</p>
Lock-up period:	The A Shares to be subscribed by Jingcheng Machinery Electricity pursuant to the A Share Issue shall not be traded or transferred within 36 months from the date of completion of the Proposed A Shares Issue.

Liability for breach of contract: Upon entering into the A Shares Subscription Agreement, apart from force majeure, it shall constitute a breach of contract if any party does not perform or fails to perform promptly or properly any obligation ought to be performed under the A Shares Subscription Agreement or contravenes any statement, warranty or undertaking made pursuant to the A Shares Subscription Agreement. The defaulting party shall bear the liability for breach of contract in the following ways:

- (1) where the A Shares Subscription Agreement has specified the situation of liability for breach of contract, the relevant provision shall be applied;
- (2) for liability for breach of contract not specified in the A Shares Subscription Agreement, the defaulting party shall indemnify the non-defaulting party in full for any loss suffered by, any liability of and/or any fees (including reasonable legal fees and travelling expenses, etc.) of the non-defaulting party arising from the breach of contract.

If any party does not perform or fails to perform promptly or properly any obligation ought to be performed under the A Shares Subscription Agreement, which result in the failure of achieving the purpose of the A Shares Subscription Agreement, the non-defaulting party shall be entitled to cancel the A Shares Subscription Agreement. The defaulting party shall indemnify the non-defaulting party in full for the loss arising from the breach of contract.

After the signing of the A Shares Subscription Agreement and prior to the completion of the Proposed A Shares Issue, if Jingcheng Machinery Electricity unilaterally cancels or terminates the A Shares Subscription Agreement, or if after the satisfaction of all conditions precedent of the A Shares Subscription Agreement, Jingcheng Machinery Electricity fails to pay the subscription amount in full in a timely manner prior to the specific payment date confirmed between the Company and the sponsor as required in the A Shares Subscription Agreement, Jingcheng Machinery Electricity shall pay 3% of the total funds raised from the Proposed A Share Issue as the liquidated damages.

If the abovementioned liquidated damages cannot cover the loss suffered by the Company, the Company shall be entitled to request Jingcheng Machinery Electricity to fully indemnify for the loss suffered by, any liability of and/or any fees (including reasonable legal fees and travelling expenses, etc.) of the Company.

However, if Jingcheng Machinery Electricity unilaterally cancels or terminates the A Shares Subscription Agreement in accordance with the requirements of the laws and regulations and the terms of the A Shares Subscription Agreement, such cancellation or termination shall not be regarded as a breach of contract.

If the Proposed A Shares Issue (1) fails to obtain the approval at the general meeting of the Company; and/or (2) fails to obtain the approval and/or exemption from the CSRC and/or other competent authorities (if necessary); and/or (3) is adjusted by the Company for matters including the Pricing Benchmark Date due to changes in the securities market, and if the Board unilaterally terminates the contract, thus the Proposed A Shares Issue cannot proceed, such circumstances shall not constitute the breach of contract by the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED A SHARES ISSUE**

According to “Medium and Long Term Development Plan of the Automotive Industry” (《汽車產業中長期發展規劃》) jointly promulgated by the Ministry of Industry and Information Technology and the Development and Reform Commission in 2017, technology roadmaps for hydrogen fuel cell vehicle industry of China was proposed, which focused on strengthening the development of core technologies and achieving breakthroughs, it covered the strengthening of research and development of fuel cell vehicles, the construction project of the innovation center including the formulation of technology roadmaps for hydrogen fuel cell vehicles, vehicle lightweight technology and vehicle manufacturing technology. The plan proposed to accomplish an achievement for every five-year stage starting from 2020. The targets for 2020 are to achieve demonstration and application in the public service vehicles sector in designated regions, aim to exceed 1000 sets per enterprise in respect of the production of fuel cell systems and implement the storage and transportation of high-pressure gas hydrogen, with an aim of exceeding 100 hydrogen refueling stations. The targets for 2025 are to achieve large-scale application in the sector of urban private vehicles and public services vehicles sector, improve the functions of key system accessories including key parts of high-speed and fuel-free air compressor, hydrogen cycling system and 70MPa hydrogen storage tank to satisfy the indicator requirements of vehicles, aim to exceed 10,000 sets per enterprise in respect of the production of fuel cell systems and implement the storage and transportation of high-pressure and low temperature liquified hydrogen, with an aim of exceeding 300 hydrogen refueling stations. The targets for 2030 are to achieve mass marketing in the private vehicles and large commercial vehicles sector, with an aim of exceeding 100,000 sets per enterprise in respect of the production of fuel cell systems, and to achieve the storage and transportation of atmospheric pressure and high density organic liquified hydrogen with a number of over 1,000 hydrogen refueling stations.

According to the above, the Directors consider that as at the date of this announcement, the hydrogen energy market is at the initial stage in China, but there will be huge room for development in 2020 to 2030. The funds raised from the Proposed A Shares Issue to invest in the construction project of the Type IV cylinder automation digital control production line and the research and development project of hydrogen energy product is mainly to allow the Company to enter into the hydrogen energy market, occupy a market position in the fierce and competitive hydrogen market in the future and acquire the necessary equipment and technology in advance for the hydrogen energy business, as well as exploring

emerging businesses including storage tanks for hydrogen energy vehicles, hydrogen supply system and hydrogen transportation. In the long run, the completion of the Proposed A Shares Issue is beneficial to the Company for expanding new business market, further enhancing its profitability and overall competitiveness and improving its risk resistance capacity effectively so as to achieve a sustainable development for the Company. If there is a sound development of the hydrogen energy market subsequently, the Company may consider using its own financial resources for investing in its hydrogen energy business.

Meanwhile, the Company will repay bank loans, which enable it to effectively improve its structure of assets and liabilities and lower finance costs, strengthen its size and strength to a certain extent, improve its competitiveness and enhance its profitability, solvency and risk resistance capacity, which is in the benefits of the Company and all its Shareholders as a whole.

The net proceeds from the Proposed A Shares Issue will be used for (1) the construction project of the Type IV cylinder automation digital control production line (the Type IV cylinder project); (2) the research and development project of hydrogen energy product; (3) the repayment of debts owed to Jingcheng Machinery Electricity and financial institutions.

The A Shares Subscription Agreement was negotiated between the Board (excluding the interested Directors and the independent non-executive Directors) and Jingcheng Machinery Electricity based on normal commercial terms and in accordance with the requirements of the Measures for Securities Issuance by the Listed Companies (《上市公司證券發行辦法》) and the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) promulgated by CSRC, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the Independent Board Committee whose view will be provided after taking into consideration of the advice from the Independent Financial Adviser) are of the view that the terms of the A Shares Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

The following sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Proposed A Shares Issue (assuming full subscription and issuance of a total of 84,400,000 A Shares under the Proposed A Shares Issue):

	As at the date of this announcement		Immediately after completion of the Proposed A Shares Issue	
	Number of Shares held	Approximate percentage of the total issued Shares (%)	Number of Shares held	Approximate percentage of the total issued Shares (%)
<b>A Shares</b>				
Jingcheng Machinery Electricity	182,735,052	43.30	267,135,052	52.75
<i>Parties acting in concert with Jingcheng Holding</i>	0	0	0	0
Sub-total for Jingcheng Machinery Electricity and parties acting in concert with it	<u>182,735,052</u>	<u>43.30</u>	<u>267,135,052</u>	<u>52.75</u>
Ms. Wu Yan, independent non-executive Director	43,001	0.01	43,001	0.01
Public Shareholders	<u>139,221,947</u>	<u>32.99</u>	<u>139,221,947</u>	<u>27.49</u>
<b>Sub-total</b>	<u>322,000,000</u>	<u>76.30</u>	<u>406,400,000</u>	<u>80.25</u>
<b>H Shares</b>				
Jingcheng Machinery Electricity	0	0	0	0
<i>Parties acting in concert with Jingcheng Holding</i>	0	0	0	0
Sub-total for Jingcheng Machinery Electricity and parties acting in concert with it	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Public Shareholders	<u>100,000,000</u>	<u>23.70</u>	<u>100,000,000</u>	<u>19.75</u>
<b>Sub-total</b>	<u>100,000,000</u>	<u>23.70</u>	<u>100,000,000</u>	<u>19.75</u>
<b>Total</b>	<u><u>422,000,000</u></u>	<u><u>100</u></u>	<u><u>506,400,000</u></u>	<u><u>100</u></u>

As shown in the above table, the total shareholding interest held by Jingcheng Machinery Electricity and parties acting in concert with it in the Company immediately before and after the Proposed A Shares Issue are approximately 43.30% and approximately 52.75% respectively.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not carried out any fund raising exercises during the 12 months immediately preceding the date of this announcement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Jingcheng Machinery Electricity is the controlling shareholder holding approximately 43.30% of the total issued Shares of the Company as at the date of this announcement, and therefore Jingcheng Machinery Electricity is a connected person of the Company under the Listing Rules. The Proposed A Shares Issue constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Jun, an executive Director, and Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi, who are non-executive Directors, are nominated by Jingcheng Machinery Electricity and act as senior management in Jingcheng Machinery Electricity and/or its subsidiaries other than the Group, and accordingly Mr. Wang Jun, Ms. Jin Chunyu, Mr. Du Yuexi, Mr. Xia Zhonghua and Ms. Li Chunzhi have abstained from voting on the Board resolutions to approve the Proposed A Shares Issue. Saved and except for the aforesaid, none of the Directors has any material interest in any of the Proposed A Shares Issue and hence no other Director has abstained on voting such Board resolutions.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, Jingcheng Machinery Electricity holds 182,735,052 A Shares, representing in aggregate approximately 43.30% of the total issued share capital of the Company. Upon completion of the Proposed A Shares Issue, Jingcheng Machinery Electricity's shareholding of the Company is expected to increase from approximately 43.30% to not more than approximately 52.75%. In the absence of the Whitewash Waiver, the Proposed A Shares Issue will give rise to an obligation on the part of Jingcheng Machinery Electricity to make a mandatory offer for all the Shares other than those already owned or agreed to be acquired by it under Rule 26.1 of the Takeovers Code.

Jingcheng Machinery Electricity will apply for the Whitewash Waiver from compliance with Rule 26.1 of the Takeovers Code from the Executive. The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, the approval by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the General Meeting. The Proposed A Shares Issue will not proceed if the Whitewash Waiver is not granted by the Executive or the Proposed A Shares Issue and Whitewash Waiver are not approved by the Independent Shareholders at the General Meeting and the Class Meetings.



As at the date of this announcement, the Company does not believe that the Proposed A Shares Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed A Shares Issue does not comply with other applicable rules and regulations.

Jingcheng Machinery Electricity and parties acting in concert with Jingcheng Machinery Electricity and those who are involved in or interested in the Proposed A Shares Issue and/or the Whitewash Waiver will abstain from voting in respect of the resolution(s) to approve the Proposed A Shares Issue and the Whitewash Waiver at the General Meeting and the Class Meetings.

### **ADDITIONAL DISCLOSURE OF INTEREST**

As at the date of this announcement, other than the A Shares to be subscribed by Jingcheng Machinery Electricity pursuant to the A Shares Subscription Agreement and 182,735,052 A Shares currently held by Jingcheng Machinery Electricity, Jingcheng Machinery Electricity or parties acting in concert with it confirm that:

- (i) none of Jingcheng Machinery Electricity or parties acting in concert with it has dealt in any Shares, acquired or entered into any agreement to acquire any voting rights in the Company within the six months immediately prior to the date of this announcement;
- (ii) there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by Jingcheng Machinery Electricity or any person acting in concert with Jingcheng Machinery Electricity;
- (iii) none of Jingcheng Machinery Electricity or parties acting in concert with it has received any irrevocable commitment from any person to vote for or against the resolutions to be proposed at the General Meeting to approve the Proposed A Shares Issue and/or the Whitewash Waiver;
- (iv) Jingcheng Machinery Electricity and parties acting in concert with it do not hold any outstanding options, warrants, derivatives or any securities that are convertible into Shares or any derivatives in respect of securities in the Company;
- (v) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any of Jingcheng Machinery Electricity and parties acting in concert with it;
- (vi) save for the Proposed A Shares Issue, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of Jingcheng Machinery Electricity and parties acting in concert with it and which might be material to the transactions contemplated under the Proposed A Shares Issue or the Whitewash Waiver;

- (vii) save for the A Shares Subscription Agreement, there are no agreements or arrangements to which Jingcheng Machinery Electricity is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Proposed A Shares Issue or the Whitewash Waiver; and
- (viii) none of Jingcheng Machinery Electricity or parties acting in concert with it has borrowed or lent any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In order to standardize and improve the profit distribution policy of the Company, enhance the transparency of profit distribution, according to the provisions of the “Notice on Further Implementing the Cash Dividends of Listed Companies” and “Guidelines for the Supervision of Listed Companies No. 3-Cash Dividends of Listed Companies” issued by CSRC and other related laws and regulations and regulatory documents, the resolution in relation to the amendments to the Articles of Association was considered and approved at the thirteenth extraordinary meeting of the ninth session of the Board.. The proposed amendment of the relevant article is as follow:

### **Before the amendment**

#### **Article 229**

The basic principles of the profit distribution policy of the Company:

The Company shall take full account of return to investors and distribute dividend to its shareholders each year in proportion to the distributable profit realized in the year concerned (from the consolidated financial statements);

The profit distribution policy of the Company maintains maintain continuity and stability, and operates for the long-term interest of the Company, the entire interest of all its shareholders and the sustainable development of the Company;

### **After the amendment**

#### **Article 229**

The profit distribution policy of the Company is as follow:

- I. The basic principles of the profit distribution policy of the Company

The Company shall take full account of return to investors and distribute dividend to its shareholders each year in proportion to the distributable profit realized in the year concerned (from the consolidated financial statements).

The Company shall give priority to dividend distribution in cash.

The profit distribution policy of the Company is specified as follows:

The manner of profit distribution: The Company may distribute dividends in cash, in shares, in a combination of both cash and shares. Subject to conditions, the Company may propose interim profit distribution.

Specific conditions and proportions of cash dividend of the Company:

Subject to special circumstances, the Company shall distribute cash dividend when the Company makes profit in the year and the accumulated undistributed profit (from the consolidated financial statements) shall be a positive figure. The dividend distributed by the Company in cash each year shall be no less than 5% of the annual distributable profits (from the consolidated financial statements) realized in the year. The accumulated dividend distributed by the Company in cash in the past three years shall be no less than 30% of the average annual distributable profits (from the consolidated financial statements) realized in the past three years.

The profit distribution policy of the Company maintains maintain continuity and stability, and operates for the long-term interest of the Company, the entire interest of all its shareholders and the sustainable development of the Company.

The Company shall give priority to dividend distribution in cash.

## II. The specific profit distribution policy of the Company

1. The manner of profit distribution: The Company may distribute dividends in cash, in shares, in a combination of both cash and shares. Subject to conditions, the Company may propose interim profit distribution.

2. Specific conditions and proportions of cash dividend of the Company:

Upon satisfying all below conditions regarding cash dividend, the profits distributed by the Company in cash each year shall be no less than 5% of the annual distributable profits realized in the year. The accumulated dividend distributed by the Company in cash in the past three years shall be no less than 30% of the average annual distributable profits (from the consolidated statements) realized in the past three years:

The aforementioned “special circumstances” refer to material investment plans or significant cash expenditures (excluding projects funded by raised proceeds) with accumulated expenditure made by the Company within the following 12 months amounting to or exceeding 25% of the latest audited net assets of the Company; “material investment plans” or “significant cash expenditures” include external investment, external repayment of debts or material asset acquisitions.

Conditions for distributing dividends in shares by the Company:

Where the Company’s business is in a sound condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividend in the form of shares is in the entire interest of all the shareholders of the Company, the Company may propose distributing dividends in shares.

- (1) if the distributable net profit realized by the Company in the year concerned (i.e. net profit of the Company net of loss recovery and allocation of its profits to the statutory reserve) are positive with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company;
- (2) if the accumulated distributable profits made by the parent company are positive;
- (3) auditors had issued a standard unqualified audit report for the financial statements of the Company for that year;
- (4) no special circumstances have occurred in the Company (excluding projects funded by raised proceeds);

The aforementioned “special circumstances” refer to material investment plans or significant capital expenditures (excluding projects funded by raised proceeds) with accumulated expenditure made by the Company within the following 12 months amounting to or exceeding 25% of the latest audited net assets of the Company; “material investment plans” or “significant capital expenditures” include external investment, external repayment of debts or material asset acquisitions.

- (5) there is no situation in which the principal and interest of the bond cannot be repaid on time or the principal and interest of the matured bond cannot be repaid on time.

### III. Conditions for distributing dividends in shares by the Company

Where the Company's business is in a sound condition, and the Company's share price valuation is within a reasonable range, under the condition that the minimum cash dividend ratio and the reasonability of the Company's share capital could be ensured, dividends in shares can be used for profit distribution according to the status of the provident fund and cash flow.

### IV. The Board shall take various factors into consideration, including its industry features, development stages, business model and profitability level as well as whether it has any significant capital expenditure arrangements, to propose a differentiated policy at different stages for cash dividend distribution.

- (1) Where the Company is in a developed stage with no significant capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution;
- (2) Where the Company is in a developed stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;
- (3) Where the Company is in a developing stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution;

In the case that it is difficult to distinguish the Company's stage of development but the Company has significant capital expenditure arrangements, such matter may be dealt with pursuant to the preceding provisions.

Save for the above amendments, other provisions of the Articles of Association remained unchanged.

The Articles of Association is written in Chinese and the translation into English is for reference only. In case of inconsistency between the Chinese and English versions of the Articles of Association, the Chinese version shall prevail.

The proposed amendments to the Articles of Association are subject to approval of the Shareholders by way of a special resolution to be proposed at the General Meeting and approval by the relevant authority.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent committee should comprise all non-executive Directors who have no interest in the Proposed A Shares Issue and Whitewash Waiver other than as a Shareholder. Apart from Ms. Wu Yan, an independent non-executive Director, who holds 43,001 A Shares, which represents 0.01% of the total share capital of the Company, none of the Directors has direct or indirect interest in the Company. Ms. Wu Yan has no direct or indirect interest in the Proposed A Shares Issue and the Whitewash Waiver, other than as a Shareholder. The Independent Board Committee (excluding Ms. Wu Yan) is of the view that, pursuant to Rule 2.8 of the Takeovers Code, Ms. Wu Yan is eligible to be a member of the Independent Board Committee. The Independent Board Committee (comprising all the independent non-executive Directors but not including any non-executive Director as they are nominated by Jingcheng Machinery Electricity) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Proposed A Shares Issue and Whitewash Waiver. In this connection, Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and Whitewash Waiver.

## **GENERAL MEETING AND CLASS MEETINGS**

The General Meeting will be convened to consider and, if thought fit, approve resolutions relating to (i) the Proposed A Shares Issue; (ii) the Specific Mandate; (iii) the Whitewash Waiver; and (iv) the proposed amendments to the Articles of Association.

The Class Meetings will be convened to consider and, if thought fit, approve resolutions relating to (i) the Proposed A Share Issues; and (ii) the Specific Mandate.

Jingcheng Machinery Electricity and parties acting in concert with it and those who are involved in or interested in the A Share Issue and/or the Whitewash Waiver will abstain from voting on the corresponding resolutions to be proposed at the General Meeting and/or the Class Meetings.

A circular containing, among others, (i) details of the Proposed A Shares Issue, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles of Association; (ii) a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser; and (iii) the notice of General Meeting and Class Meetings is expected to be despatched to the Shareholders on or before 27 May 2019 in accordance with the applicable Listing Rules and Takeovers Code.

**The completion of the Proposed A Shares Issue is subject to the satisfaction of certain conditions, including but not limited to the grant of the Whitewash Waiver by the Executive, which may or may not be granted by the Executive. The granting of the Whitewash Waiver is a non-waivable condition precedent to the A Shares Subscription Agreement. Accordingly, the Proposed A Shares Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **GENERAL**

### **Information on the Company**

The authorised scope of operation of the Company includes general logistics; professional contractor; developing, designing, selling, installing, adjusting and maintaining of 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; economic and trading consultancy; import and export of commodities and technology and acting as import and export agency.

### **Information on Jingcheng Machinery Electricity**

The authorised scope of operation of Jingcheng Machinery Electricity, as the controlling shareholder of the Company, includes labour dispatch; state-owned assets operation and management within the authorised scope; investment and investment management; property development, sales of commodity housing; leasing of housing; property management; technical transfer, technical trainings, technical consultancy and technical services; sales of mechanical and electrical equipment (excluding vehicles); technological development.

### **Information on Beijing State-owned Capital Operation and Management Center**

Beijing State-owned Capital Operation and Management Center directly owns 100% equity of Jingcheng Machinery Electricity and is a state-owned enterprise established entirely with the capital contributed by Beijing SASAC on 30 December 2008 with a registered capital of RMB35 billion. It is an investment and financing platform focusing on the operation of state-owned capital and the management of state-owned equities with the objective of achieving the securitization and maximizing the value of state-owned capital.



## Information on Beijing SASAC

Beijing SASAC is the ultimate beneficial owner of Jingcheng Machinery Electricity and owns 100% equity of Beijing State-owned Capital Operation and Management Center. Pursuant to the Program for the Reform of the Institutions of the People's Government of Beijing Municipality as approved by the Central Committee of the Communist Party of China and the State Council and the Circular of the People's Government of Beijing Municipality about the Establishment of Institutions, the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality ("Municipality SASAC") has been established. Municipality SASAC is a special institution directly under the Municipality Government and authorised by the Municipality Government to represent the State to perform the duties of the state-owned assets contributor.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"A Shareholder(s)"	holders of A Shares
"A Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the Shanghai Stock Exchange (stock code: 600860)
"A Shares Class Meeting"	the class meeting of A Shareholders
"A Shares Subscription Agreement"	the subscription agreement entered into between the Company and Jingcheng Machinery Electricity on 6 May 2019 in relation to the subscription of not more than 84,400,000 A Shares
"acting in concert"	has the meaning as defined in the Takeovers Code; and the term "concert parties" shall be construed accordingly
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"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 and a wholly-owned subsidiary of the Company

“Benchmark Price”	for illustration purpose only, RMB1.11 being the net asset value per Share attributable to the shareholders of ordinary shares of the parent company set out in the latest audited consolidated financial statements of the Company for the year ended 31 December 2018 as at the date of this announcement
“Board”	the board of Directors of the Company
“CSRC”	China Securities and Regulatory Commission
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting
“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 ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“General Meeting”	a general meeting of the Company to be convened to consider, if thought fit, to approve, among others, the Proposed A Shares Issue, the Whitewash Waiver and the proposed amendments to the Articles of Association
“Group”	the Company and its subsidiaries
“H Shareholder(s)”	holders of H Shares
“H Share(s)”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00187)
“H Shares Class Meeting”	the class meeting of H Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong being all the independent non-executive Directors, which is formed in accordance with the Listing Rules and the Takeovers Code to advise the Independent Shareholders on the Proposed A Shares Issue, the Specific Mandate and the Whitewash Waiver
“Independent Financial Adviser”	Vinco Capital Limited, the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and the Whitewash Waiver
“Independent Shareholders”	the Shareholders other than (i) Jingcheng Machinery Electricity and its associates and concert parties; and (ii) the Shareholders who are involved in or interested in the Proposed A Shares Issue and/or the Whitewash Waiver
“Issuance Date”	the respective date of issuance of A Shares to the target subscriber pursuant to the Proposed A Shares Issue
“Jingcheng Machinery Electricity”	北京京城機電控股有限責任公司(Beijing Jingcheng Machinery Electric Holding Co., Ltd.*), a company incorporated in the PRC and holding 43.30% interest in the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pricing Benchmark Date”	the first date of issuance of A Shares pursuant to the Proposed A Shares Issue
“Proposed A Shares Issue”	the proposed non-public issuance of not more than 84,400,000 A Shares to Jingcheng Machinery Electricity
“RMB”	renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares

“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board in relation to the Proposed A Shares Issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Jingcheng Machinery Electricity to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by Jingcheng Machinery Electricity and its concert parties) as a result of the allotment and issue of the A Shares under the A Shares Subscription Agreement
“%”	per cent

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

Beijing, the PRC  
6 May 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.*

*As at the date of this announcement, the board of directors of Jingcheng Machinery Electricity comprises Mr. Ren Yanguang, Mr. Wang Guohua, Mr. Zhao Ying, Mr. Lin Jing, Mr. Lu Jian, Mr. Su Sheng and Mr. Yang Huazhong.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to Jingcheng Machinery Electricity and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*The directors of Jingcheng Machinery Electricity jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to Jingcheng Machinery Electricity and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best*

*of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*\* For identification purposes only*