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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF FURTHER INTEREST IN JOINT VENTURE COMPANY

THE ACQUISITION

Reference is made to the voluntary announcement of the Company dated 21 August 2018 relating to, among other things, the JV Agreement for the establishment of Jingcheng Haitong by Tianhai Industrial (a subsidiary of the Company) and Beijing Nengtong, for the purpose of jointly developing the Wufangqiao Plant of Tianhai Industrial into an integrated industrial park with garden-style high-end technical innovations, cultural innovations and business office as major functions.

On 28 April 2022, Tianhai Industrial entered into the SPA with Beijing Nengtong, pursuant to which Beijing Nengtong has agreed to sell, and Tianhai Industrial has agreed to purchase the Sale Equity Interest at the consideration of RMB461,732. On the same day, Tianhai Industrial entered into the Supplemental Agreement with Beijing Nengtong to amend certain provisions of the JV Agreement.

Upon Completion, the Group's equity interest in Jingcheng Haitong will increase from 49% to 51% and Jingcheng Haitong will become a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is below 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Shareholders and potential investors of the Company should note that as the Acquisition is subject to the fulfilment of the conditions under the SPA, the Acquisition may or may not proceed. The Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the voluntary announcement of the Company dated 21 August 2018 relating to, among other things, the JV Agreement for the establishment of Jingcheng Haitong by Tianhai Industrial (a subsidiary of the Company) and Beijing Nengtong, for the purpose of jointly developing the Wufangqiao Plant of Tianhai Industrial into an integrated industrial park with garden-style high-end technical innovations, cultural innovations and business office as major functions.

According to the JV Agreement, if the total profit of Jingcheng Haitong for a year reaches RMB20 million and the major upgrade projects have been substantially completed, or if the occupancy rate of the industrial park as at the end of a year (being 31 December) reaches 80% or above, or upon the expiry of 5 years following the establishment of Jingcheng Haitong, Beijing Tianhai shall have the right to increase the capital of Jingcheng Haitong through conversion of debts into equity in view of the actual status of operation of Jingcheng Haitong in order to obtain the control over it following the increase in Tianhai Industrial's equity interest in Jingcheng Haitong from 49% to 51%. As the net assets of Jingcheng Haitong are less than RMB1 per share, having regard to the relevant regulatory requirements, such capital increase is considered not to be a suitable means to obtain the control over Jingcheng Haitong by Tianhai Industrial. After arm's length negotiations, Tianhai Industrial and Beijing Nengtong agreed to implement the change in control over Jingcheng Haitong by equity transfer.

THE ACQUISITION

On 28 April 2022, Tianhai Industrial entered into the SPA with Beijing Nengtong, pursuant to which Beijing Nengtong has agreed to sell, and Tianhai Industrial has agreed to purchase the Sale Equity Interest at the consideration of RMB461,732. The principal terms of the SPA are summarised as follows:

Date

28 April 2022

Parties

1. Purchaser: Tianhai Industrial (a subsidiary of the Company)
2. Vendor: Beijing Nengtong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beijing Nengtong and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person.

Sale Equity Interest to be acquired

The Sale Equity Interest represents 2% of the entire equity interest in Jingcheng Haitong.

Consideration and payment terms

The Appraised Value of 100% equity interest in Jingcheng Haitong as determined by the Independent Valuer was RMB23,086,600 and the parties determined the Consideration for the Acquisition to be RMB461,732 based on 2% of the Appraised Value. The Independent Valuer adopted the asset-based approach for the value of the entire equity interest in Jingcheng Haitong as at 31 December 2021. The asset-based approach determines the value of the valuation entity by assessing the value of the assets and liabilities on its balance sheet and other identifiable assets and liabilities off its balance sheet on a valuation reference date.

The Consideration shall be paid in the following manner:

1. Tianhai Industrial shall pay 50% of the consideration to a bank account designated by Beijing Nengtong within 10 business days after the date of the SPA.
2. Tianhai Industrial shall pay the remaining 50% of the consideration to a bank account designated by Beijing Nengtong within 5 business days after Completion.

The Consideration will be funded by the Company's internal resources.

Effectiveness of the SPA

The SPA shall become effective upon the fulfilment of the following conditions:

1. the respective legal representatives or authorised representatives of the parties having signed the SPA and having affixed their official stamp thereto; and
2. the passing of the ordinary resolution for approving the Acquisition at the general meeting of the Company, since the Acquisition is subject to approval by the general meeting of the Company under the SSE Listing Rules.

In accordance with Rule 6.1.3 of the SSE Listing Rules, if the audited net profit of Jingcheng Haitong in 2021 represents more than 50% of the absolute value of the audited net profit of the Company in 2021 and the absolute amount exceeds RMB5 million, the Acquisition should be submitted to the general meeting of the Company for consideration.

A circular containing (among other things) information on the Acquisition will be despatched to the Shareholders on or before 19 May 2022.

Completion

Completion is regarded as having taken place after the fulfilment of the following conditions:

- (a) having obtained the necessary approval (if required) from any governmental department or regulatory body for the transfer of the Sale Equity Interest;
- (b) the issue of the updated register of members to Tianhai Industrial by Jingcheng Haitong; and
- (c) the formal transfer of the Sale Equity Interest from Beijing Nengtong to Tianhai Industrial, and the appearance of Tianhai Industrial as a shareholder holding 51% equity interest in Jingcheng Haitong at its industrial and commercial registration information.

Beijing Nengtong undertakes to assist Jingcheng Haitong to complete the change of industrial and commercial registration procedures as stated in paragraph (c) above within 30 days after the SPA has become effective.

SUPPLEMENTAL AGREEMENT

On 28 April 2022, Tianhai Industrial entered into the Supplemental Agreement with Beijing Nengtong to amend certain provisions of the JV Agreement to give effect to the following major matters:

1. The number of members at the board of directors of Jingcheng Haitong remains unchanged. The number of directors which Tianhai Industrial is entitled to nominate shall be increased from 2 to 3, whereas the number of directors which Beijing Nengtong is entitled to nominate shall be reduced from 3 to 2.
2. Jingcheng Haitong shall within 30 days after Completion repay RMB3 million shareholder's loan together with interests to Tianhai Industrial.

INFORMATION ON JINGCHENG HAITONG

Jingcheng Haitong is a limited liability company incorporated in the PRC with registered capital RMB80 million. It is principally engaged in property management; economic and trade consultation; office space lease; motor vehicle public parking services (subject to the approval of the competent industrial and commercial authority).

Upon Completion, the Group's equity interest in Jingcheng Haitong will increase from 49% to 51% and Jingcheng Haitong will become a non-wholly owned subsidiary of the Company.

According to the financial statements of Jingcheng Haitong prepared under PRC accounting standards for business enterprises, the audited net asset value of the Jingcheng Haitong as at 31 December 2021 was approximately RMB23,057,383.60 and its net profit before and after tax for the two years ended 31 December 2020 and 31 December 2021 are set out below:

	<i>Approximate amount (RMB)</i>	
	For the year ended 31 December 2020	For the year ended 31 December 2021
Net profit before tax	-25,715,580.86	21,132,236.19
Net profit after tax	-25,715,580.86	21,132,236.19

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon Completion, the Group's equity interest in Jingcheng Haitong will increase to 51%, achieving control over Jingcheng Haitong which will be consolidated into the scope of financial statements of the Group. The Acquisition will expand the business scope of the Group and will contribute revenue to the Group through receiving rental income at the industrial park managed by Jingcheng Haitong and its dividend income, thereby strengthening the basis for the Group to achieve profits.

The Board is of the view that the SPA, the Supplemental Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms, and the terms are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is below 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

Tianhai Industrial is a company incorporated in the PRC with limited liability and a subsidiary of the Company. It is principally engaged in production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, add-on components, fire extinguishers, fire extinguishing system products and components, gas cylinders for medical equipment, gas cylinders for life rescues, gas cylinders and components for food machineries, gas and wrapped cylinders and components for gas vehicles, gas storage special containers, bundled devices, cryogenic gas cylinders and components, LPG cylinders and components, aluminium cores, cylinders and components, new enhanced complex materials (complex materials such as carbon fibre, organic fibre and high strength glass fibre) and products, complex gas cylinders (natural gas storage cylinders for vehicles, gas storage cylinders for respirators, containers for water treatment), testing equipment for complex gas cylinders; providing installation, adjustment, maintenance, technical consultancy and services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage and transportation; providing after-sales service and maintenance; import and export of commodities and technology and acting as import and export

agency; renting of commercial premises.

The Company's business scope includes general freight; development, design, sales, installation, debugging and repair of cryogenic storage transport vessel, compressor (piston compressor, membrane compressor and nuclear membrane compressor) and accessories, machinery equipment and electrical equipment; technical consulting; technical service; economic trade consulting; goods import and export; technical import and export; and agency for import and export. The Company's controlling shareholder is Jingcheng Machinery Electric.

Jingcheng Machinery Electric is a state-owned enterprise incorporated in the PRC. Its business scope includes labour dispatch; operation and management of state-owned assets within authorized scope; investment and investment management; property development, sale of real estate; property leasing; property management; technology transfer, technical training, technical consultation, technical services; sale of mechanical and electrical equipment (excluding vehicles); technology development.

Beijing Nengtong is a company incorporated in the PRC with limited liability. Its business scope includes lease of audio-visual equipment, telecommunications equipment, medical equipment, amusement facilities, transport equipment, machinery and equipment, commercial service facilities; office lease; sale of hardware, conversion materials, computers and peripherals, machinery and equipment, electrical equipment, instrumentation, building materials, auto parts.

The Shareholders and potential investors of the Company should note that as the Acquisition is subject to the fulfilment of the conditions under the SPA, the Acquisition may or may not proceed. The Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“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)
“Acquisition”	the acquisition of the Sale Equity Interest by Tianhai Industrial from Beijing Nengtong pursuant to the SPA
“Appraised Value”	RMB23,086,600, being the value of the entire equity interest of Jingcheng Haitong as at 31 December 2021 as appraised by the Independent Valuer

“Beijing Nengtong”	北京能通租賃公司 (Beijing Nengtong Lease Company*), a company incorporated in the PRC with limited liability
“Board”	the board of Directors
“Company”	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Company Limited), a joint stock company incorporated in the PRC with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
“Completion”	the completion of the Acquisition pursuant to the terms of the SPA
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB461,732 for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Valuer”	北京中同華資產評估有限公司 (China Alliance Appraisal Co., Ltd.), an independent valuer appointed by the Company in respect of the Acquisition
“Jingcheng Haitong”	北京京城海通科技文化發展有限公司 (Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.*), a company incorporated in the PRC with limited liability
“Jingcheng Machinery Electric”	北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.*), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“JV Agreement”	the joint venture agreement relating to Jingcheng Haitong entered into between Tianhai Industrial and Beijing Nengtong on 21 August 2018

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	2% of the entire equity interest in Jingcheng Haitong
“Share(s)”	A Shares and H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“SPA”	the sale and purchase agreement dated 28 April 2022 entered into between Tianhai Industrial and Beijing Nengtong in respect of the Acquisition
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the JV Agreement dated 28 April 2022
“Tianhai Industrial”	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 subsidiary of the Company
“%”	per cent

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

Beijing, the PRC
28 April 2022

As at the date of this announcement, the Board of the Company comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, Mr. Wu Yanzhang, Mr Xia Zhonghua, Ms. Li Chunzhi and Mr. Man Huiyong as non-executive directors, and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.

* For identification purpose only