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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)**

**INSIDE INFORMATION**  
**PROTENTIAL CONNECTED TRANSACTION**  
**PROPOSED TRANSFER OF PROPERTY ASSETS**

**The board of directors and all members of the board of directors of the Company 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 NOTICES:**

- Summary of the connected transaction: Beijing Tianhai Industry Co., Ltd. (“**Beijing Tianhai**”), an indirect wholly-owned subsidiary of the Company, intends to transfer an industrial land with an area of 87,541.76 sq.m. and buildings with a construction area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing (the “**Property Assets**”). Setting the base date for valuation tentatively on 30 April 2020, the estimated valuation of the Property Assets is between RMB400 million and RMB430 million.

- Connected relationship: Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“**Jingcheng Machinery Electric**”) holds 50.67% equity interest in the Company and is a controlling shareholder of the Company. The Company indirectly holds 100% equity interest in Beijing Tianhai. For this transaction, it is preliminarily proposed that a subsidiary of Jingcheng Machinery Electric would be the transferee. According to the relevant rules of the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules, the transaction will constitute a connected transaction.
- The transaction does not constitute a significant asset restructuring.
- The transfer of Property Assets matter is still in the planning stage, pending resolutions of the board of directors of the Company and consideration and approval at the general meeting of the Company. There exists a risk of disapproval. There are certain uncertainties in the transfer of Property Assets matter and the specific timing of the transfer.

## **I. OVERVIEW OF CONNECTED TRANSACTION FOR THE TRANSFER OF PROPERTY ASSETS**

Beijing Tianhai, an indirect wholly-owned subsidiary of the Company, intends to transfer an industrial land with an area of 87,541.76 sq.m. and buildings with a construction area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing.

At present, it is preliminarily proposed that a subsidiary of Beijing Jingcheng Machinery Electric, the Company’s controlling shareholder, will be the transferee of the aforementioned transfer of Property Assets. However, no agreement regarding the matter has yet been entered into, and there are still uncertainties. The Company intends to convene a board meeting in the near future to consider the matter.

The connected transaction for the transfer of Property Assets does not constitute a significant asset restructuring as stipulated in Administrative Measures on Significant Asset Restructuring of Listed Companies.

## **II. BASIC INFORMATION OF THE CONNECTED PARTY**

### **(I) Connected relationship**

Jingcheng Machinery Electric holds 50.67% equity interest in the Company and is a controlling shareholder of the Company. The Company indirectly holds 100% equity interest in Beijing Tianhai. For this transaction, it is preliminarily proposed that a subsidiary of Jingcheng Machinery Electric would be the transferee. According to the relevant rules of the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules, the transaction will constitute a connected transaction.

### **(II) Basic information of the counterparty**

At present, it is preliminarily proposed that a subsidiary of Jingcheng Machinery Electric will be the transferee of the aforementioned transfer of Property Assets. However, no agreement regarding the matter has yet been entered into, and there are still uncertainties.

### III. BASIC INFORMATION OF THE SUBJECT MATTER OF THE CONNECTED TRANSACTION

#### (I) Subject matter of the transaction

The Property Assets involved in the proposed transfer are an industrial land with an area of 87,541.76 sq.m. and buildings with a construction area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing. The land certificate number is Jing Chao Guo Yong (2005) No. 0242, with a term expiring on 28 October 2054. The buildings ownership certificates are X Jing Fang Quan Zheng Chao Zi No. 607418 and X Jing Fang Quan Zheng Chao Zi No. 727497.

The property right of the Property Assets is clear and is free from mortgages or third-party rights. It is also free of withholding, freezing, seizure or execution of compulsory actions by the national judiciary and administrative authorities, or litigations or arbitrations related to disputes over the right of the Property Assets.

Currently, the Property Assets are leased to Beijing Jingcheng Haitong Technology and Culture Development Co., Ltd., a holding subsidiary of Beijing Tianhai for the development of the Science, Technology, Cultural and Innovative Industry Park. There has not been invitation for business or leases.

#### (II) Valuation of the subject matter of the transaction

The subject of valuation is the market value of the Property Assets. The scope of valuation is the Property Assets. Setting the base date of valuation tentatively on 30 April 2020, the estimated valuation of the Property Assets is between RMB400 million and RMB430 million.

The book value of the Property Assets in the financial statements for the preceding year and the prior reporting period:

*Currency: RMB*  
*Unit: Yuan*

| Date       | Name  | Original value | Accumulated depreciation/<br>amortization | Net value     | Whether it is audited or not |
|------------|-------|----------------|---|---------------|------------------------------|
| 2019.12.31 | House | 65,425,484.59  | 44,519,346.52                             | 20,906,138.07 | Yes                          |
|            | Land  | 9,008,627.00   | 1,996,910.44                              | 7,011,716.56  |                              |
| 2020.6.30  | House | 65,425,484.59  | 44,832,284.22                             | 20,593,200.37 | No                           |
|            | Land  | 9,008,627.00   | 2,086,996.71                              | 6,921,630.29  |                              |

#### **IV. GENERAL PRINCIPLE AND METHOD OF PRICING OF CONNECTED TRANSACTION**

The transaction price is based on the valuation results after the filing to the competent state-owned assets regulatory authority.

#### **V. PRINCIPAL TERMS OF THE CONNECTED TRANSACTION AND THE PERFORMANCE ARRANGEMENT**

As of the date of this announcement, the parties involved in the transaction have not signed a transaction agreement, and the Company will make further announcement after the signing of the agreement.

#### **VI. THE REASONS FOR THE CONNECTED TRANSACTION AND THE IMPACT ON LISTED COMPANY**

##### **1. Analysis of the impact on the Company's operation:**

The Property Assets intended to be transferred are leased assets for the development of the Science, Technology, Cultural and Innovative Industry Park, which is not closely related to the production and operation activities of the main business of the Company. The Property Assets will no longer generate rental income after the transfer. However, the income and cash flow would be generated, which will play a positive role in promoting the development of the Company's main business and will not have a significant impact on the Company's production and operation.

##### **2. Analysis of the impact on the Company's financial status:**

The Company will perform accounting treatment in accordance with the "Accounting Standards for Business Enterprises". Since no formal agreement has been entered into for the time being, the transfer price of the Property Assets is yet to be determined. Therefore, the specific accounting treatment and the impact on financial status will be announced in detail after the entering into of the agreement on the transfer of the Property Assets.

#### **VII. PROCEDURES TO BE IMPLEMENTED IN CONNECTED TRANSACTIONS**

The Company will perform corresponding approval procedures in accordance with the "Securities Law of the People's Republic of China", "Administrative Measures for Information Disclosure of Listed Companies", "Listing Rules of the Shanghai Stock Exchange", "Articles of Association of the Company" and the Hong Kong Listing Rules and other relevant regulations and subsequent actual progress.

## VIII. RISK WARNING

The transfer of Property Assets matter is still in the planning stage, pending resolutions of the board of directors of the Company and consideration and approval at the general meeting of the Company. There exists a risk of disapproval. There are certain uncertainties in the transfer of Property Assets matter and the specific timing of the transfer.

In light to the above risk factors, the Company will perform its information disclosure obligations in a timely manner based on the progress. Investors are kindly requested to pay attention to the relevant information published by the Company on the designated information disclosure media on the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>, the “Shanghai Securities News” and the Hong Kong Stock Exchange’s HKEXnews website at <http://www.hkexnews.hk>, and pay attention to investment risks.

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

Beijing, the PRC  
8 September 2020

*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. Wu Yanzhang, Mr. Xia Zhonghua and Ms. Li Chunzhi as non-executive directors and Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.*