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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)

MAJOR TRANSACTION

**SUPPLEMENTAL AGREEMENT IN RELATION TO PROPOSED ACQUISITION
OF ASSETS INVOLVING THE ISSUANCE OF CONSIDERATION SHARES
AND
PROPOSED ISSUANCE AND PLACING OF A SHARES
UNDER SPECIFIC MANDATE**

References are made to the announcement dated 29 December 2020 and the circular dated 19 January 2021 (the “**Circular**”) of the Company in relation to, among other things, a major transaction of the Company regarding (i) the Proposed Acquisition; and (ii) the Proposed Issuance and Placing of A Shares. Unless otherwise specified, capitalised terms used herein shall have the same meaning as ascribed to them in the Circular.

**SUMMARY OF THE PROPOSED ACQUISITION AND PROFIT GUARANTEE AND
COMPENSATION UNDERTAKING**

On 29 December 2020, the Company, the Vendors, Huang Xiaofeng and Tao Feng entered into an Asset Acquisition Agreement, pursuant to which, the Company agreed to acquire, and the Vendors agreed to sell 80% of equity interests in the Target Company. The consideration of the Proposed Acquisition amounted to RMB246,400,000 and shall be satisfied by cash and issuance of Consideration Shares by the Company at the completion of the Proposed Acquisition in which the cash consideration shall amount to RMB87,443,884,41, representing 35.48% of the total consideration and the shares consideration shall amount to RMB158,966,115.59 representing 64.52% of the total consideration.

On 29 December 2020, the Company also entered into a Performance Compensation Agreement with the Undertaking Parties, Huang Xiaofeng and Tao Feng, pursuant to which, the Undertaking Parties undertook to compensate the Company on a yearly basis for each of the years during the Profit Guarantee Periods should the Realised Profit fall short of the Guaranteed Profit for the corresponding year.

SUPPLEMENTAL ASSET ACQUISITION AGREEMENT

The Board announces that, on 3 September 2021, the Company, the Vendors, Huang Xiaofeng and Tao Feng entered into a supplemental agreement (the “**Supplemental Asset Acquisition Agreement**”) to the Asset Acquisition Agreement, pursuant to which, the parties thereto agreed to amend the Asset Acquisition Agreement as follows:

The Company shall settle the cash consideration of the Proposed Acquisition by two installments in the following manner:

- (1) 1st installment: The Company shall pay cash consideration in the amount of RMB67,433,884.41 to the Vendors within one month upon (i) the proceeds from the Proposed Issuance and Placing of A Shares have been raised in full; (ii) completion of the registration procedures for the transfer of the Target Assets to the Company; and (iii) completion of the procedures for the change of the registration of the directors, supervisors and senior managements of the Target Company at the State Administration for Industry and Commerce, whichever is the latest.

Specific details on the amount of cash consideration to be paid by the Company to each of the Vendors with respect to the 1st installment are set out in the table below.

Name of the Vendors	Amount of cash consideration to be paid by the Company in the 1st installment <i>(RMB'0,000)</i>
Li Hong (李紅)	2,431.215335
Zhao Qing (趙慶)	832.577207
Qingdao Eternal (青島艾特諾)	596.603722
Yang Ping (楊平)	995.510851
Wang Xiaohui (王曉暉)	514.201094
Xia Tao (夏濤)	371.092829
Wang Huadong (王華東)	371.092829
Qian Yuyan (錢雨嫣)	102.602611
Xiao Zhonghai (肖中海)	108.544602
Xiu Jun (修軍)	96.914591
Fu Dun (傅敦)	69.778440
Chen Zhengyan (陳政言)	69.579804

Name of the Vendors	Amount of cash consideration to be paid by the Company in the 1st installment <i>(RMB'0,000)</i>
Zhang Li (張利)	106.026368
Xu Binglei (徐炳雷)	68.916519
Yang Lunsheng (陽倫勝)	2.650039
Xin Lan (辛蘭)	2.650039
Ying Rucai (英入才)	2.650039
Li Wei (李威)	0.781521
Total	6,743.388441

- (2) 2nd installment: Within one month upon the satisfaction of all the corresponding compensation obligations (if any) in all the Profit Guarantee Periods under the Performance Compensation Agreement by the Undertaking Parties, the Company shall pay RMB20,000,000, being the outstanding balance of the cash consideration of the Proposed Acquisition, to the Undertaking Parties in the following manner:

Name of the Undertaking Parties	Amount of cash consideration to be paid by the Company in the 2nd installment <i>(RMB'0,000)</i>
Li Hong (李紅)	1,086.043338
Zhao Qing (趙慶)	371.933562
Qingdao Eternal (青島艾特諾)	266.517991
Wang Xiaohui (王曉暉)	229.670805
Qian Yuyan (錢雨嫣)	45.834304
Total	2,000.000000

SUPPLEMENTAL PERFORMANCE COMPENSATION AGREEMENT

On 3 September 2021, the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng also entered into a supplemental agreement (the “**Supplemental Performance Compensation Agreement**”) to the Performance Compensation Agreement. The principal effects of the amendments are as follows:

In the event where the Realised Profit in a relevant year during the Profit Guarantee Periods falls short of the corresponding Guaranteed Profit, upon determining the amount of Profit Compensation for the year in terms of Compensation Shares and Cash Compensation, the Undertaking Parties, Huang Xiaofeng and Tao Feng shall, upon receipt of the written notification from the Company, settle and transfer the amount of Cash Compensation (where applicable) to the designated bank account of the Company.

Resolutions relating to Compensation Shares shall also be put forward for the consideration and approval of the Shareholders at the general meeting and class meetings for the Compensation Shares to be repurchased and cancelled by the Company at the price of RMB1/share. In the event where the resolutions on repurchase and cancellation of the Compensation Shares by the Company are not approved by the Shareholders at the general meeting and class meetings, the Undertaking Parties shall, within 60 days thereafter, transfer the Compensation Shares to the other Shareholders (save for the Undertaking Parties) whose names appear in the register of members of the Company as at the record date, as stipulated in the announcement of the Company in relation to the transfer of Compensation Shares, gratuitously on a pro-rata basis based on their shareholdings in the Company as at the then record date.

In addition to the Profit Compensation agreed in the Performance Compensation Agreement, the Undertaking Parties agreed to undertake a further cash compensation of RMB20,000,000 to the Company (the “**Additional Profit Compensation**”) if the Realised Profit of the Target Company in any year during the Profit Guarantee Periods falls short of the corresponding Guaranteed Profit.

Specific details on the Additional Profit Compensation to be borne by each Undertaking Parties are set out in the table below.

Name of the Undertaking Parties	Amount of Additional Profit Compensation to be borne by each Undertaking Parties (RMB'0,000)
Li Hong (李紅)	1,086.043338
Zhao Qing (趙慶)	371.933562
Qingdao Eternal (青島艾特諾)	266.517991
Wang Xiaohui (王曉暉)	229.670805
Qian Yuyan (錢雨嫣)	45.834304
Total	2,000.000000

Pursuant to the Supplemental Asset Acquisition Agreement, the Company shall pay the 2nd installment of cash consideration in the amount of RMB20,000,000 to the Undertaking Parties within one month upon the satisfaction of all the corresponding compensation obligations (if any) in all the Profit Guarantee Periods under the Performance Compensation Agreement by the Undertaking Parties. In the event where the obligation for the Additional Profit Compensation is triggered and is to be made by the Undertaking Parties to the Company pursuant to the Supplemental Performance Compensation Agreement, the amount of the Additional Profit Compensation can be offset in full against the 2nd installment of cash consideration under the Supplemental Asset Acquisition Agreement. Under such circumstances, the Company will be discharged of the payment obligation of the 2nd installment of cash consideration in the amount of RMB20,000,000 to the Undertaking Parties.

The Directors considered that due to changes in market conditions and passage of time, certain assumptions regarding the forecast of the Target Company have changed, the payment of consideration and the amount of profit guarantee have to be revised by taking a more conservative approach to negotiate with the counterparties and to bargain more favourable terms for the Proposed Acquisition and Profit Compensation. The Directors are of the view that it is necessary to enter into the Supplemental Asset Acquisition Agreement and the Supplemental Performance Compensation Agreement, which are arrived after arms' length negotiations among the Company and the parties thereto. The Directors (including the independent non-executive Directors) considered that the revised terms in respect of the Proposed Acquisition and the Profit Compensation are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

Save as aforesaid, all other terms and conditions of the Asset Acquisition Agreement and Performance Compensation Agreement shall remain unchanged and shall continue to be in full force and effect in all respects.

The completion of the Proposed Acquisition and the Proposed Issuance and Placing of A Shares are subject to the satisfaction and/or waiver of the relevant conditions precedent, and therefore, the Company may or may not proceed with completion of such transactions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Beijing, the PRC
3 September 2021

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.