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

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0187)

**ANNOUNCEMENT IN RELATION TO THE SETTING UP OF THE DESIGNATED
ACCOUNT FOR RAISED FUNDS AND ENTERING INTO THE TRIPARTITE
CUSTODY AGREEMENT FOR THE DESIGNATED ACCOUNT FOR RAISED
FUNDS**

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.

References are made to the circular dated 19 January 2021 (the “**Circular**”) and the subsequent announcements and the circular dated 7 February 2022 issued by Beijing Jingcheng Machinery Electric Company Limited (the “**Company**”) in relation to, among others, the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds. Unless stated otherwise, capitalised terms used in this announcement shall have the same meaning as those defined in the Circular.

I. OVERVIEW OF THE RAISED FUNDS

As approved by the China Securities Regulatory Commission in the “Approval for the Asset Acquisition by way of Share Issuance and Raising of Supporting Funds by Beijing Jingcheng Machinery Electric Company Limited to Li Hong and Others” (Zheng Jian Xu Ke 2022 No.586), the Company was permitted to raise supporting funds by way of share issuance not exceeding RMB158,966,100.

A total of 10,784,674 ordinary shares (A shares) were issued at an issue price of RMB14.74 per share for this raising of supporting funds by way of non-public issuance, raising total fund proceeds of RMB158,966,094.76, net of sponsor underwriting fees (excluding tax) of RMB5,660,377.36, and the actual proceeds amount to RMB153,305,717.4. On 4 August 2022, the independent financial adviser (lead underwriter) CSC Financial Co., Ltd. has allocated the proceeds of raised funds of RMB153,305,717.4, net of sponsor underwriting fees (excluding tax), to the fund raising account, and this was verified and confirmed by the No. XYZH/2022BJAA31027 “Capital Verification Report” issued by ShineWing Certified Public Accountants (Special General Partnership).

II. ENTERING INTO OF THE CUSTODY AGREEMENT FOR RAISED FUNDS AND ESTABLISHING THE DESIGNATED ACCOUNT FOR THE RAISED FUNDS

For regulating the management and usage of the raised funds and duly safeguarding the interests of the investors, in accordance with the relevant provisions of “No.2 Regulatory Guidance for Listed Companies – Regulatory Requirements for Management and Use of Raised Funds of Listed Companies”, “Rules Governing the Listing of Stocks on the Shanghai Stock Exchange”, the “Guidelines of the Shanghai Stock Exchange for Self-discipline Supervision of Listed Companies No. 1 – Standardized Operations of Listed Companies on the Main Board” and the “Administrative Measures for Funds Raised” of the Company, the Company established a designated account for the raised fund, which was approved at the ninth meeting of the tenth session of the Board and the twenty-fifth meeting of the tenth session of the supervisory committee, and the Company, CSC Financial Co., Ltd., the independent financial adviser, and Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited entered into the “Tripartite Custody Agreement for the Designated Account for the Raised Fund”. The specific setting up of and the deposit of the designated account for funds raised from the relevant fund raising projects (the “**Designated Account**”) are as follows:

Account Name	Bank	Account	Balance as at 4	Name of the corresponding fund raising project
			August 2022 (Unit: Yuan Currency: RMB)	
Beijing Jingcheng Machinery Electric Company Limited	Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited	10262000000953077	153,305,717.4	Payment of transaction cash consideration, tax and intermediary fees, supplementary liquidity in respect of the Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds project

III. THE MAIN CONTENTS OF THE CUSTODY AGREEMENT FOR RAISED FUNDS

Party A: Beijing Jingcheng Machinery Electric Company Limited

Party B: Beijing Guanghai sub-branch of Hua Xia Bank Co., Limited

Party C: CSC Financial Co., Ltd.

In order to regulate the management of Party A’s fund-raising capital and protect the interests of investors, in accordance with the relevant laws and regulations, and the “Rules Governing the Listing of Stocks on the Shanghai Stock Exchange”, the “Guidelines of the Shanghai Stock Exchange for Self-discipline Supervision of Listed Companies No. 1 – Standardized Operations” and other regulatory documents, as well as the relevant requirements of Party A’s management system on raised funds, Parties A, B and C have reached the following agreement after negotiation:

1. Party A has set up the Designated Account with Party B with the account number 1026200000953077 and the balance of the Designated Account as at 4 August 2022 was RMB153.3057174 million. The Designated Account shall only be used for the deposit and use of the proceeds of project raised funds for the payment of the transaction cash consideration, taxes and brokerage fees, and the replenishment of liquidity by Party A for Asset Acquisition by way of Share Issuance and Cash Payment and Raising of Supporting Funds project, and shall not be used for other purposes.

Within the Designated Account, Party A may deposit part of the funds in the Designated Account in the form of certificates of deposit or other reasonable deposits methods according to actual needs. Party A shall inform Party C of the specific amount of funds deposited in the form of certificates of deposit or other reasonable deposits methods, the method of deposit, the period of deposit, etc. in a timely manner. The funds deposited by way of the above-mentioned certificates of deposit or other reasonable deposits methods shall not be pledged and shall not be transferable. Party A shall not withdraw funds directly from the above-mentioned certificates of deposit or other reasonable deposits methods.

2. Party A and Party B shall jointly comply with the laws, regulations and rules including, the “Negotiable Instruments Law of the People’s Republic of China” (《中華人民共和國票據法》), the “Measures for Payment and Settlement” (《支付結算辦法》) and the “Administrative Measures for Renminbi Bank Settlement Accounts” (《人民幣銀行結算賬戶管理辦法》).
3. Party C, being the sponsor/financial adviser of Party A, shall designate sponsor representative(s)/organiser or other personnel to monitor the use of raised funds by Party A pursuant to the related provisions.

Party C undertakes to fulfil the sponsor’s duties and carry out continuous supervision in respect of the Party A’s management of the raised funds pursuant to the “Measures for the Administration of the Sponsorship of Securities Offering and Listing” (《證券發行上市保薦業務管理辦法》), the “Guidelines of the Shanghai Stock Exchange for Self-discipline Supervision of Listed Companies No. 1 – Standardized Operations” (《上海證券交易所上市公司自律監管指引第1號—規範運作》) as well as the management system on raised funds formulated by Party A.

Party C may exercise its supervisory power through on-site inspections and written inquiries etc. Party A and Party B shall cooperate with Party C during the inspections and inquiries. Party C shall conduct on-site inspection on the deposit and use of the raised funds by Party A at least once every half year.

4. As authorized by Party A, He Chengda and Hou Shun, being the sponsor representatives/organizers designated by Party C, may visit Party B anytime to inquire and copy information in relation to the Designated Account of Party A. Party B shall provide them with the information in relation to the Designated Account as required in a timely, accurate and complete manner.

The sponsor representative(s)/organizer(s) shall present his/her legal identity proof when inquiring Party B on the information in relation to the Designated Account of Party A. Other personnel designated by Party C shall present his/her legal identity proof and unit referral letter when inquiring Party B on the information in relation to the Designated Account of Party A.

5. Party B shall issue true, accurate and complete account statements of the Designated Account to Party A and forward a copy to Party C on a monthly basis (prior to the 5th day of each month).
6. Where Party A, once or accumulatively within 12 months, withdraws an amount of more than RMB50 million from the Designated Account and such amount reaches 20% of the net raised funds (total raised funds deducted by the issuance expenses) (the “**Net Raised Funds**”), Party A shall notify Party C by way of facsimile and/or mail and provide a list of withdrawals of the Designated Account in a timely manner.
7. Party C shall have the right to replace the designated sponsor representative(s)/organizer(s) pursuant to relevant provisions. Where Party C replaces the sponsor representative(s)/organizer(s), it shall notify Party A and Party B in writing with the relevant supporting documents, and notify Party A and Party B in writing the contact details of the sponsor representative(s)/organizer(s) after the replacement. The replacement of sponsor representative(s)/organizer(s) shall not affect the validity of the agreement. The authority of Party A over the sponsor representative(s)/organizer(s) of Party C as stipulated in Clause 4 of the agreement shall be succeeded by the sponsor representative(s)/organizer(s) after the replacement.
8. Where Party B fails to issue the account statements to Party A on three consecutive occasions or fails to cooperate with Party C during its inspections on the Designated Account, Party A may, on its own initiative or unilaterally terminate the agreement and sign out of the Designated Account at the request of Party C.

9. If Party C is aware of any failure of Party A and Party B in the performance of the agreement, it shall report in writing to the Shanghai Stock Exchange in a timely manner after becoming aware of the relevant facts.
10. Any party to the agreement who is in breach of the agreement shall assume the liability for the breach of agreement to the non-defaulting party and be liable to compensate the non-defaulting party for all the losses suffered therefrom.
11. The agreement shall be effective from the date on which the legal representatives or its authorized representatives of Party A, Party B and Party C have signed and affixed their respective official seal or dedicated contract seal, and shall lapse upon the complete withdrawal of the funds from and the closing of the Designated Account in accordance with the laws or upon agreement of the three parties to terminate this agreement and on the date of cancellation of the account.
12. This agreement shall be in six copies, one for each of Party A, Party B and Party C, and one for filing with each of the Shanghai Stock Exchange and the Beijing Supervision Bureau of China Securities Regulatory Commission, with the remainder to be retained by Party A as back up.

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

Beijing, the PRC
11 August 2022

As at the date of this announcement, the Board 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.