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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 COMPENSATION MADE BY THE
SUBSTANTIAL SHAREHOLDER FOR THE LOSS OF INCOMING ASSETS AND
AMOUNT NOT ATTAINING PROFIT FORECASTS IN 2013**

The board of directors of the Company and all members of the board 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.

On 28 January 2014, Beijing Jingcheng Machinery Electric Company Limited (the “Company”) received the letter in relation to the compensation made to Beijing Jingcheng Machinery Electric Company Limited for not attaining the profit forecasts in 2013 from the substantial shareholder, Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Jingcheng Holding”).

The Company has carried out material asset reorganization since April 2012. Owing to factors such as the macro-economic condition, increasing price of natural gas and the anti-dumping and countervailing case in US, the Company, upon preliminary calculation, estimated that the profits of incoming assets in 2013 did not attain 50% of profits generated under the profit forecasts. As the substantial shareholder of the Company, Jingcheng Holding upholds the principles in maintaining the stability of capital market, protecting the interests of small and medium-sized investors and supporting the healthy and continuous development of listed companies. Jingcheng Holding is proactive in making compensation to the Company, even when it has no obligation for such profit compensation. The details of such compensation plan are as follows:

I. CALCULATION OF THE COMPENSATION AMOUNT:

Jingcheng Holding will make compensation to the Company in cash for 100% of the loss from incoming assets in 2013 and 100% of profit forecast amount of incoming assets in 2013.

- (1) The loss of incoming assets in 2013 is expected to be: between RMB -45,000,000 to RMB -50,000,000
- (2) The 100% of profit forecast amount of incoming asset in 2013 shall be:

RMB 54,065,600×100%=RMB 54,065,600

Therefore: The compensation amount made by the substantial shareholder, Jingcheng Holding, shall be between RMB 99,065,600 to RMB 104,065,600.

(The above data is based on preliminary calculation only. The specific amount is subject to the audited financial information on incoming assets in 2013.)

II. SCHEDULE FOR THE COMPENSATION:

Jingcheng Holding will pay for 50% of total compensation amount in cash within 10 trading days from the publication of the 2013 annual report of the Company and pay the remaining 50% of the total amount after six months.

The above data is based on preliminary calculation only. The concrete financial data is subject to the audited annual report of 2013 duly disclosed by the Company. Investors are advised to pay attention to the investment risks.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

28 January 2014

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Pingsheng, Mr. Hu Chuanzhong, Mr. Wu Yanzhang, Mr. Li Junjie and Ms. Jiang Chi as executive directors, Mr. Jiang Zili and Ms. Wu Dongbo as non-executive directors and Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as independent directors.