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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 RECEIVED
FROM THE SUBSTANTIAL SHAREHOLDER**

The board of directors of the Company (the “Board”) 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 10 April 2014, Beijing Jingcheng Machinery Electric Company Limited (the “Company”) received from the substantial shareholder, Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Jingcheng Holding”) the first installment of the compensation for the loss from incoming assets and for not attaining the profit forecast amount of incoming assets in 2013.

According to the undertaking made by Jingcheng Holding, “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.” As at the date of this announcement, 50% of total compensation amount (i.e. RMB50,079,895.15) made by Jingcheng Holding was credited into the Company’s account.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

10 April 2014

As at the date of this announcement, the Board 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 non-executive directors.