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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)

DISCLOSEABLE TRANSACTION

CAPITAL INJECTION IN MINGHUI TIANHAI

THE CAPITAL INJECTION

On 16 May 2014, Minghui Tianhai (being a subsidiary of the Company), the Investor, Jingguofa Fund and Tianhai Industrial (being a wholly owned subsidiary of the Company) entered into the Capital Injection Agreement, pursuant to which the Investor has conditionally agreed to inject the sum of RMB200,000,000 in cash into Minghui Tianhai. Upon completion of the Capital Injection, the registered capital of Minghui Tianhai will be increased from RMB380,412,703 to RMB545,225,228. Minghui Tianhai will be owned by the Investor, Jingguofa Fund and Tianhai Industrial as to 30.23%, 31.26% and 38.51% respectively.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Capital Injection is subject to the reporting and announcement requirements under the Listing Rules.

THE CAPITAL INJECTION AGREEMENT

Date: 16 May 2014

Parties:

- (a) Minghui Tianhai, a subsidiary of the Company
- (b) the Investor
- (c) Tianhai Industrial, a wholly-owned subsidiary of the Company
- (d) Jingguofa Fund, an investor introduced on 9 December 2013

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Capital Injection:

Prior to the entering into the Capital Injection Agreement, Minghui Tianhai is owned by Tianhai Industrial and Jingguofa Fund as to 55.2% and 44.8%. Pursuant to the Capital Injection Agreement, the Investor has conditionally agreed to inject the sum of RMB200,000,000 in cash into Minghui Tianhai, of which RMB164,812,525 and RMB35,187,475 will be recognised as the registered capital and the capital reserve of Minghui Tianhai respectively. As at the date of this announcement, the total registered capital of Minghui Tianhai amounted to RMB380,412,703. Upon the completion of the Capital Injection, the registered capital of Minghui Tianhai will be increased to RMB545,225,228 of which RMB210,000,000 (representing approximately 38.51% of the equity interest in Minghui Tianhai) is contributed by Tianhai Industrial, RMB170,412,703 (representing approximately 31.26% of the equity interest in Minghui Tianhai) is contributed by Jingguofa Fund and RMB164,812,525 (representing approximately 30.23% of the equity interest in Minghui Tianhai) will be contributed by the Investor.

Minghui Tianhai will continue to be consolidated as a subsidiary in the audited consolidated financial statements of the Group after the completion of the Capital Injection.

The amount of the Capital Injection being RMB200,000,000 has been arrived after arm's length negotiations amongst the parties involved with reference to the fair value of Minghui Tianhai of RMB461,648,800 according to the valuation report (《北京明暉天海氣體儲運裝備銷售有限公司擬增資擴股項目資產評估報告書》(大正海地人評報字(2014)第84A號)) as at 16 April 2014 issued by an independent valuer, Golden Standard & Headman Appraisal and Advisory Co., Ltd.. The valuation project of Capital Injection of Minghui Tianhai has been approved by Beijing SASAC (Jing Guo Zi Chan Quan (2014) No. 71).

Conditions Precedent:

The Capital Injection is subject to the following conditions being satisfied and (where applicable) waived by the Investor in writing:

- (1) there are no valid prohibitions or similar orders that may forbid or restrict the Investor from completing the Capital Injection;
- (2) all parties have performed the internal resolution procedures and approval procedures of relevant authorities in respect of the Capital Injection (if necessary);
- (3) the asset valuation report of Minghui Tianhai up to 31 December 2013 has been approved by Beijing SASAC;
- (4) all parties have signed the appropriate transaction documents upon the completion of the Capital Injection;
- (5) the existing operation of Minghui Tianhai continues under the normal situation and the financial and business conditions, development prospects and operations of Minghui Tianhai have no material and adverse changes; and
- (6) the representations and warranties (including, without limitation, the contents made previously) made by Minghui Tianhai, Tianhai Industrial and Jingguofa Fund under the Capital Injection Agreement are true, accurate and not misleading.

If the conditions precedent of the Capital Injection have not been satisfied within three months from the date of the Capital Injection Agreement, any non-defaulting party is entitled to terminate the Capital Injection Agreement accordingly. If the relevant conditions are not satisfied due to the wilful default of any party, the non-defaulting party is entitled to require the defaulting party to be liable for the breach of the Capital Injection Agreement.

The Capital Injection will be made in cash within 5 business days after all the above conditions precedent have been satisfied and (where applicable) waived by the Investor.

Composition of the board of directors and supervisory committee of Minghui Tianhai

Upon the completion of the Capital Injection, the board of directors of Minghui Tianhai shall comprise of five directors of which the two directors shall be nominated by Tianhai Industrial, one director shall be nominated by the Investor, one director shall be nominated by Jingguofa Fund, and one director shall be the staff representative, being elected at a separate meeting held by the staff of Minghui Tianhai. The chairman of the board of directors of Minghui Tianhai shall be nominated by Tianhai Industrial.

Upon the completion of the Capital Injection, the supervisory committee of Minghui Tianhai shall comprise of three supervisors of which each of Tianhai Industrial and Jingguofa Fund shall be entitled to nominate one supervisor and one supervisor shall be the staff representative, being elected at a separate meeting held by the staff of Minghui Tianhai. Minghui Tianhai shall have one general manager, which will be nominated by Tianhai Industrial and appointed by the board of directors of Minghui Tianhai.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

1. The Capital Injection will effectively improve the financial strength of Minghui Tianhai and will be conducive to streamline its various investment businesses, which in turn increase the overall profits of the Company.
2. The Capital Injection will help enhance the production of automotive liquefied gas bottle and cryogenic equipment (LNG industry) and expanding the scale of production, such that the Company will have continuous development.
3. The Capital Injection will be conducive for speeding up the investments in technology improvement and participating in the tense market competitions which will ensure to create the best value for the shareholders of the Company.
4. The Capital Injection is made for equity financing without involving the repayment of principal amounts and financial costs.

The Directors (including the independent non-executive Directors) consider that the Capital Injection Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE CAPITAL INJECTION AND INTENDED USE OF PROCEEDS

It is expected that no gain or loss will be accrued to the Group as a result of the Capital Injection. The Company intends to use the funds from Capital Injection as registered capital for Minghui Tianhai to enhance the development of Minghui Tianhai's businesses in relation to the equipment of storage and transportation of liquefied natural gas.

INFORMATION ON THE RELEVANT PARTIES

Information on the Company

The Company is principally engaged in the research and development, manufacture and sale of compressed gas cylinders, gas compressors and related equipment.

Information on Tianhai Industrial

Authorised scope of operation of Tianhai Industrial: production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, add-on components, fire extinguishers, fire extinguishing system products and components, gas cylinders for medical equipment, gas cylinders for life rescues, gas cylinders and components for food machineries, gas and wrapped cylinders and components for gas vehicles, gas storage special containers, bundled devices, cryogenic gas cylinders and components, LPG cylinders and components, aluminium cores, cylinders and components, new enhanced complex materials (complex materials such as carbon fibre, organic fibre and high strength glass fibre) and products, complex gas cylinders (natural gas storage cylinders for vehicles, gas storage cylinders for respirators, containers for water treatment), testing equipment for complex gas cylinders, production of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading); general logistics (validity of Road Transport Licenses until 7 May 2016).

General scope of operation: providing installation, adjustment, maintenance, technical consultancy and services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage and transportation; providing after-sales service and maintenance; design and sale of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; sale of machinery equipment and electrical equipment; equipment maintenance; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency; professional contractor.

Information on Minghui Tianhai

Minghui Tianhai was established in the PRC on 27 November 2012. As of the date of this announcement, the office buildings and plants of Minghui Tianhai have been completed and are in the phase of equipment installation and debugging. Its general scope of business is production and sales of cryogenic equipment, automotive liquefied gas bottle and mini tank.

Based on the audited financial statements of Minghui Tianhai, which were prepared in accordance with accounting principles generally accepted in the PRC, the net asset value and the profit before and after taxation for the periods ended 31 December 2012 and 31 December 2013 are set out in the following table:

	For the period ended 31 December 2013	For the year ended 31 December 2012
	<i>RMB (Yuan)</i>	<i>RMB (Yuan)</i>
	<i>(audited)</i>	<i>(audited)</i>
Net asset value	407,631,453.44	10,022,581.73
Profit before taxation	-2,391,128.29	30,108.98
Profit after taxation	-2,391,128.29	22,581.73

Information on the Investor

The Investor is principally engaged in the advertising media business, automobile service business and investment business.

Information on Jingguofa Fund

Jingguofa Fund was established on 29 December 2011, and its principal businesses include investment in non-securities operations, investment management and consultancy. Jingguofa Fund primarily invests in the eight strategic emerging industries which have been given priority to develop by Beijing, as well as state-owned enterprises with listing potential. Currently, its investment projects involve high-end manufacturing industry, medical industry, modern service industry and transportation industry.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Capital Injection is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meaning set out below:

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing SASAC”	State-owned Asset Supervision and Administration Commission of Beijing Municipal Government
“Board”	the board of Directors
“Capital Injection”	the capital injection of RMB200,000,000 into Minghui Tianhai to be made by the Investor in accordance with the terms of the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 16 May 2014 entered into amongst Minghui Tianhai, the Investor, Jingguofa Fund and Tianhai Industrial relating to the Capital Injection
“Company”	Beijing Jingcheng Machinery Electric Company Limited, (北京京城機電股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Investor”	Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities of the Stock Exchange
“Minghui Tianhai”	北京明暉天海氣體儲運裝備銷售有限公司, a limited liability company established in the PRC and a subsidiary of Tianhai Industrial
“Jingguofa Fund”	北京京國發股權投資基金(有限合夥), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Tianhai Industrial”

北京天海工業有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

“%”

per cent

For and on behalf of the Board

Beijing Jingcheng Machinery Electric Company Limited

Jiao RuiFang

Company Secretary

Beijing, the PRC, 16 May 2014

As at the date of this announcement, the Board comprises of 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.