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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)

POSSIBLE MAJOR TRANSACTION
PROPOSED AMENDMENTS TO THE TERMS OF PUBLIC TENDER IN RELATION TO
DISPOSAL OF EQUITY INTERESTS IN SHANDONG TIANHAI

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Reference is made to the announcement of the Company dated 16 January 2019, the circular of the Company dated 15 February 2019 and the announcement of the Company dated 4 March 2019 in relation to the resolution passed at the first extraordinary general meeting of 2019.

On 7 March 2019, 51% equity interests in Shandong Tianhai was publicly quoted on CBEX for transfer. As at the date of this announcement, no bidders have participated in the public tender of 51% equity interests in Shandong Tianhai. Based on the above situation, in accordance with "Supervision and Management Measures for Enterprises State-owned Assets" (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) and "Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets" (Jing Guo Zi Fa [2017] No. 10), the Company intends to apply to CBEX for amending the conditions of listing to dispose of the 51% equity interests in Shandong Tianhai held by the Company through Beijing Tianhai by public tender, including but not limited to amendments of the minimum consideration and payment terms. Such amendment procedures are in compliance with relevant requirements by Beijing SASAC and CBEX.

The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the laws and regulations of the PRC concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through CBEX. According to the regulations of CBEX, the Potential Transferee is required to enter into the Equity Transaction Agreement with the Company.

IMPLICATIONS UNDER THE LISTING RULES

Using the Revised Minimum Consideration as the basis of calculation, one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Potential Disposal is more than 25% but less than 75%. Thus, the Potential Disposal (if materialised) constitutes a major transaction of the Company and is therefore subject to the requirements of reporting, announcement, and shareholders' approval at general meeting under Chapter 14 of the Listing Rules.

A circular containing, inter alia, details of (i) further information in respect of the Potential Disposal and the Equity Transaction Agreement; and (ii) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 12 August 2019.

Yong'an Heli holds 49% equity interests in Shandong Tianhai, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Yong'an Heli has not given up its pre-emptive right as an original shareholder of Shandong Tianhai. If Yong'an Heli finally obtains the qualification as the Potential Transferee of the Potential Disposal, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

The Transfer Price of the Potential Disposal is subject to the final bid price, it is expected that there will be an impact on the Company's profit and loss for the year 2019. The specific amount will be calculated and disclosed based on the results of the Potential Disposal.

As at the date of this announcement, the Potential Disposal has not yet been materialised, the Potential Transferee is still uncertain, no Equity Transaction Agreement has been signed by the Company, and no arrangement on contract performance has been made. Therefore, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

BACKGROUND

Reference is made to the announcement of the Company dated 16 January 2019, the circular of the Company dated 15 February 2019 and the announcement of the Company dated 4 March 2019 in relation to the resolution passed at the first extraordinary general meeting of 2019.

On 7 March 2019, 51% equity interests in Shandong Tianhai was publicly quoted on CBEX for transfer. As at the date of this announcement, no bidders have participated in the public tender of 51% equity interests in Shandong Tianhai. Based on the above situation, in accordance with "Supervision and Management Measures for Enterprises State-owned Assets" (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) and "Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned Assets" (Jing Guo Zi Fa [2017] No. 10), the Company intends to apply to CBEX for amending the conditions of listing to dispose of the 51% equity interests in Shandong Tianhai held by the Company through Beijing Tianhai by public tender, including but not limited to amendments of the minimum consideration and payment terms. Such amendment procedures are in compliance with relevant requirements by Beijing SASAC and CBEX.

The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the laws and regulations of the PRC concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through CBEX. According to the regulations of CBEX, the Potential Transferee is required to enter into the Equity Transaction Agreement with the Company.

THE PUBLIC TENDER

Qualification of the Potential Transferee

The Potential Transferee shall satisfy, among others, the following descriptions and qualifications:

1. the Potential Transferee must be a validly existing enterprise or a natural person; and
2. the Potential Transferee must have sound financial capability for payment.

Date and Procedures of the Public Tender

The Company intends to submit the amendments of the terms of public tender to CBEX before the end of September 2019 after the Shareholders have passed the relevant resolution at the extraordinary general meeting.

For the amendments to the terms of public tender, the Company is required to submit the Application for Disclosure of Tender Information (《產權轉讓信息披露申請書》) to CBEX. Terms in the Application for Disclosure of Tender Information and other terms in relation to the transfer are as follows:

1. The Potential Transferee shall pay a transaction deposit of RMB16.58 million to the designated account of CBEX within 3 working days after the qualification is confirmed (based on the time of receipt of such deposit). Upon the expiration of the information disclosure period, depending on the situation regarding solicitation of Potential Transferee, follow-up actions shall be conducted in accordance with the CBEX Operation Rules on Transfer of State-owned Assets (《北京產權交易所企業國有產權轉讓操作規則》), the CBEX Operation Rules on Registration of Intention for Transfer of State-owned Assets (《北京產權交易所企業國有產權轉讓登記受讓意向操作細則》), the CBEX Operation Rules on Transaction deposit for Transfer of State-owned Assets (《北京產權交易所企業國有產權轉讓交易保證金操作細則》), the CBEX Operation Rules on the Exercise of Pre-emptive Rights by Shareholders for Transfer of State-owned Assets (《北京產權交易所企業國有產權轉讓股東行使優先購買權操作細則》) and other relevant requirements.
2. If any of the following circumstances occurs (other than due to Beijing Tianhai), the transaction deposit paid by the Potential Transferee will be deducted:
 - (1) the Potential Transferee withdraws the transfer application unilaterally after paying the transaction deposit;
 - (2) two or more eligible Potential Transferees are solicited, yet they do not participate in the subsequent bidding process;

- (3) in the bidding process, the eligible minimum consideration is the base bidding price, the eligible Potential Transferees bid lower than the base bidding price;
 - (4) after being confirmed as the transferee, the Potential Transferee fails to enter into the Equity Transaction Agreement with Beijing Tianhai and fails to pay the remaining balance of the Transfer Price within the agreed time limit;
 - (5) the Potential Transferee has violated other trading rules and listing requirements.
3. The listing period is the due diligence period. If the Potential Transferee submits the transfer application and pays the transaction deposit, it is considered to have carefully read and fully recognized the information disclosure of Shandong Tianhai, and willingly accepted all the contents of the tender notice based on such contents and its independent judgment.
4. The Potential Transferee shall undertake in writing that:
- (1) it has fully understood and willingly accepted all the contents of the tender notice and the current status of Shandong Tianhai, and is willing to fully implement the transaction procedures. It fully acknowledges the transaction documents involved in the Potential Disposal, including but not limited to the auditor's report, the asset valuation report and the disclosures in such reports, and waives the right for accountability and claim against Beijing Tianhai and the trading institution and the broker members of the parties due to any risk arising from any part of the transaction process of the Potential Disposal for its own reasons;
 - (2) after being confirmed as the transferee, if the transferee is not a connected person of the Company, the Equity Transaction Agreement shall be entered into with Beijing Tianhai within 5 working days after being confirmed as the transferee; if the transferee is a connected person of the Company, the Equity Transaction Agreement shall be entered into with the transferor in accordance with the CBEX Operation Rules on Transfer of State-owned Assets as well as Chapter 14A of the Listing Rules;
 - (3) within 3 working days from the effective date of the Equity Transaction Agreement, the transaction consideration shall be remitted into the designated account of CBEX in the form of monetary funds;
 - (4) the transferee is mainly responsible for handling the registration procedures for the equity transfer in Shandong Tianhai, and Beijing Tianhai shall provide necessary assistance and cooperation. Along with the business registration of this equity transfer, Shandong Tianhai shall change its company name which shall not include the word "Tianhai". Shandong Tianhai shall not produce products with the trademarks licensed by Beijing Tianhai or the word "Tianhai".

The publication period will be opened for 20 working days from the date of disclosure by CBEX on the amendments of the terms of public tender. During the publication period, bidders qualified to be the Potential Transferee may indicate their interest in purchasing the 51% equity interests in Shandong Tianhai and register themselves as bidders. Upon the expiry of the publication period, CBEX will notify the Company the identity of the Potential Transferee.

Within 3 working days upon notification of the Potential Transferee by CBEX, Beijing Tianhai is required to enter into the Equity Transaction Agreement with the Potential Transferee.

As at the date of this announcement, material information of the Equity Transaction Agreement including the Potential Transferee, Transfer Price, payment method, delivery and transfer time, etc. have not been determined. The Company will enter into the Equity Transaction Agreement upon confirmation of the Potential Transferee and perform its relevant approval procedures and information disclosure obligations. As at the date of this announcement, no equity transfer agreement has been entered into between the Company and any other party in relation to the Potential Disposal.

Consideration

The original minimum consideration was RMB61,409,200, which was based on 51% equity interests of the total estimated value of Shandong Tianhai, being RMB120,410,500, as per the Valuation Report. Yet as at the date of this announcement, no bidders have participated in the public tender of 51% equity interests in Shandong Tianhai. Based on the above situation, the Company intends to apply to CBEX for amending the condition, of listing with the Revised Minimum Consideration of RMB55,268,300, being approximately 90% of the Original Minimum Consideration.

Shareholders should note that the Transfer Price will depend on the final bid price, but will in any event be no less than the Revised Minimum Consideration.

The Equity Transaction Agreement

The Company will enter the Equity Transaction Agreement after the Potential Transferee is determined. The principal terms of the Equity Transaction Agreement are set out as below:

Equity transfer:	The Company shall transfer its 51% equity interests in Shandong Tianhai through Beijing Tianhai to the Potential Transferee, and its capital contribution of RMB58,420,500 in respect of the 51% equity interests in Shandong Tianhai has been settled in full.
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Shandong Tianhai has not engaged in any forms of guarantee, including but not limited to pledging of the relevant assets and equity, or any limitations or obligations that will hinder the Potential Disposal or the exercise of any shareholder's rights. Shandong Tianhai has not been the subject of any seizure or any injunctive measures by the competent authorities.

Mode of transfer:	Through public tender to be quoted on CBEX, the bidder who wins the bidding will be the Potential Transferee.
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Transfer Price and payment method:	The Potential Transferee shall pay the Company the Transfer Price subject to the final bid price through public tender, which shall not be lower than the listing price.
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The Potential Transferee shall pay for the transaction deposit as requested by the Company and CBEX, which shall form part of the consideration.

The Transfer Price shall be denominated in RMB. If the Transfer Price is paid in foreign currency by the Potential Transferee, the amount of the foreign currency paid by the Potential Transferee will be determined by the average price of the buying price and the selling price of RMB and such foreign currency as the exchange rate as announced by the People's Bank of China one day before the Potential Transferee pays the Transfer Price. If the Potential Transferee fails to pay the Transfer Price when due, the exchange rate risks for the period from the due date of payment of the Transfer Price to the overdue payment date shall be assumed by the Potential Transferee.

Pursuant to Previous Disclosures, the original installment payment terms were as follows:

The Potential Transferee shall pay the Transfer Price to the Company:

- (1) The Potential Transferee shall remit 70% of the Transfer Price into the settlement account designated by CBEX within 3 days upon the Agreement becoming effective.
- (2) The Potential Transferee shall pay the Company the balance of the Transfer Price together with the interests incurred for the period from the effective date of the Agreement until the date of actual payment calculated at the prevailing bank loan interest rate for the same period, with full settlement of such balance of the Transfer Price and corresponding interests to the Company within 6 months upon effectiveness of the Agreement. Details relating to the balance of the Transfer Price stated in this clause, and the legal means for the provision of guarantee such as equity pledge by the Potential Transferee or joint and several guarantee to be provided by third party (if any) will be set out in the guarantee agreement and/or equity pledge agreement between the parties.

The Company intends to revise installment payment terms as follows:

The Potential Transferee shall pay the Transfer Price to the Company:

- (1) The Potential Transferee shall remit 50% of the Transfer Price (including the transaction deposit of RMB16.58 million) into the settlement account designated by CBEX within 3 days upon the Agreement becoming effective.

- (2) The Potential Transferee shall pay the Company the balance of the Transfer Price together with the interests incurred for the period from the effective date of the Agreement until the date of actual payment calculated at the prevailing bank loan interest rate for the same period, with full settlement of such balance of the Transfer Price and corresponding interests to the Company within 1 year upon effectiveness of the Agreement. Details relating to the balance of the Transfer Price stated in this clause, and the legal means for the provision of guarantee such as equity pledge by the Potential Transferee or joint and several guarantee to be provided by third party (if any) will be set out in the mortgage agreement and/or equity pledge agreement between the parties.

Completion:

1. The Company and the Potential Transferee shall perform or assist to perform the obligation regarding the reporting to relevant vetting authorities and cooperate to handle any reasonable requests and enquires made by such vetting authorities, on a best effort basis, for the purpose of obtaining the approval from such vetting authorities for the Agreement and the Potential Disposal contemplated thereunder.
2. Within 15 days upon the Potential Transferee paying the first installment of the Transfer Price and providing a legal guarantee agreed by Beijing Tianhai in accordance with the Equity Transfer Agreement, and the Potential Disposal obtaining the transaction certificate issued by CBEX, the Company shall procure Shandong Tianhai to complete change to register members, the equity transfer registration procedures with relevant authority, change of company name and the Potential Transferee shall provide necessary assistance and cooperation. The completion of the Potential Disposal shall take place on the date upon the completion of change to register of members of Shandong Tianhai and aforementioned registration procedures with relevant authority.
3. Within 15 days upon the completion of the Potential Disposal, both parties shall determine the specific date, place and subject matters to be completed in relation to the Potential Disposal. Pursuant to the “Assets and Information List” of Shandong Tianhai required under the Agreement, the assets and list, ownership certificate, approval documents, financial statements, filing information, chops and seals, construction plans and technical information of Shandong Tianhai shall be transferred by the Company to and verified by the Potential Transferee.

4. The Company shall take responsibilities for the information in terms of completeness and truthfulness of the abovementioned information and whether it is consistent with the information provided by Shandong Tianhai, and bear all legal liabilities arisen from concealment and misrepresentation of facts.
5. The Company shall transfer the assets, power of control and management of Shandong Tianhai to the Potential Transferee within the above agreed period and Shandong Tianhai will be managed and controlled by the Potential Transferee.
6. Where the original Shandong Tianhai is cancelled by the Potential Transferee and its assets are consolidated into its corporate or associated entities under its control, the Company shall assist in completing the registration and transfer procedures for obtaining relevant certificates and approvals.
7. The Company entered into the Trademark License Agreement with Shandong Tianhai on 28 May 2014 in respect of the Company's authorisation to Shandong Tianhai to use the agreed trademark. In respect of the Company's termination of the authorisation for Shandong Tianhai's use of such trademark, the Company and Shandong Tianhai shall enter into the Termination Agreement on the date of signing the Equity Transaction Agreement to terminate the Trademark License Agreement. The principal terms of the Termination Agreement are as follows:
 - (1) The Trademark License Agreement is terminated from the effective date of the Equity Transaction Agreement in relation to the Company's transfer of its 51% equity interest in Shandong Tianhai. Save as otherwise stipulated in the Termination Agreement, Shandong Tianhai shall not use any trademark which the Company authorised Shandong Tianhai to use under the Trademark License Agreement in any form from the date of termination of the Trademark License Agreement.
 - (2) From the effective date of the Equity Transaction Agreement, Shandong Tianhai shall not produce products with the word "Tianhai" or the "JP" trademark. Except for the inventory produced before the effective date of the Equity Transaction Agreement, Shandong Tianhai shall not use the word "Tianhai" or the "JP" trademark on its products, packaging or containers or for publicity and promotion. Shandong Tianhai shall complete the formalities for the change of name of the target company along with the registration of the equity transfer business registration in accordance with the Equity Transaction Agreement.

- (3) During the period from the effective date of the Termination Agreement to four months after the effective date of the Equity Transaction Agreement, Shandong Tianhai shall arrange its orders to gradually reduce the JP brand orders, and sell out all inventory with the word “Tianhai” or the “JP” trademark checked and confirmed by both parties within such period, so as to ensure that the products with the word “Tianhai” or the “JP” trademark are no longer sold by Shandong Tianhai after four months from the effective date of the Equity Transaction Agreement.
 - (4) The signing of the Termination Agreement shall not be considered as a waiver of the Company’s right to claim Shandong Tianhai’s liability for breach of contract under the Trademark License Agreement.
 - (5) In the event of a breach of the Termination Agreement by Shandong Tianhai which continues to produce and sell products with the word “Tianhai” or the “JP” trademark or continues to use the subject trademark and/or “Tianhai” for publicity or marks the word “Tianhai” on its products, Shandong Tianhai shall pay the liquidated damage of RMB5 million to the Company and indemnify the Company for the actual losses suffered as a result.
 - (6) The Termination Agreement shall take effect on the date of signature and affixing of the official seal by the legal representatives of both parties or their authorized representatives.
8. The Potential Transferee shall procure Shandong Tianhai to complete the registration procedures for change of the name of Shandong Tianhai within 15 working days upon the completion date of the Potential Disposal and the wordings of “Tianhai” shall not be included in the new name of Shandong Tianhai. For the avoidance of doubt, if the Potential Transferee has not paid the first installment of the Transfer Price in accordance with the Equity Transaction Agreement, the procedures for change of name of Shandong Tianhai shall be handled within 3 days from the deadline of the payment date of the first installment of the Transfer Price.

Obligations of fees payment
for the Potential Disposal:

Fees incurred in the Potential Disposal contemplated under the Agreement shall be borne by the Company and the Potential Transferee respectively in accordance with the relevant requirements.

Liability for breach of contract:

1. Upon the Agreement being effective, any party who proposes to terminate the Agreement without any reason shall pay 30% of the Transfer Price to the other party as one-off liquidated damages in accordance with the Agreement and shall be liable for any losses suffered by the other party.
2. Where the Potential Transferee fails to pay the Transfer Price within the agreed period under the Agreement, the Potential Transferee shall pay the Company the liquidated damages for late payment. Such liquidated damages shall be calculated according to the 0.05% of the Transfer Price payable within the overdue period. In case the overdue payment exceeds 30 days, the Company shall be entitled to terminate the Agreement and require the Potential Transferee to pay 10% of the Transfer Price as liquidated damages according to the Agreement and compensate for any losses suffered by the Company therein.
3. Where the Company fails to transfer Shandong Tianhai according to the Agreement, the Company shall pay liquidated damages to the Potential Transferee. Such liquidated damages shall be calculated at 0.05% of the Transfer Price payable for each day overdue. In case the overdue period exceeds 30 days, the Potential Transferee shall be entitled to terminate the Agreement and require the Company to pay the Potential Transferee 10% of the Transfer Price as liquidated damages and the losses to the Potential Transferee.
4. If there is any undisclosed or omitted matters regarding the assets and liabilities of Shandong Tianhai which may cause material and adverse impacts to Shandong Tianhai or the price of the Potential Disposal, the Potential Transferee shall be entitled to terminate the Agreement and require the Company to pay 10% of the Transfer Price as liquidated damages and the losses to the Potential Transferee to bear the liability for breach of contract according to the Agreement. If the Potential Transferee does not terminate the Agreement, it shall be entitled to ask the Company for compensation regarding relevant matters. The compensation amount shall be equal to the relevant portion of the losses incurred by the above undisclosed or omitted assets and liabilities of Shandong Tianhai.

5. Where Shandong Tianhai fails to enter into relevant agreement(s) under the Agreement with the Company within the period that the Company requested or Shandong Tianhai fails to complete the registration procedures for change of corporate name within the agreed period under the Agreement, the Potential Transferee shall pay 0.05% of the Transfer Price to the Company as liquidated damages for every overdue day and compensate the Company for all losses incurred thereof. If the completion of the Potential Disposal is postponed due to the Company, the registration procedures for the change of name of Shandong Tianhai shall be postponed accordingly.

Effective date of the
Agreement:

The Agreement shall take effect upon the date of signature and sealing by legal representatives or authorised representatives of the Company and the Potential Transferee.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL AND THE USE OF PROCEEDS

The reasons for the Potential Disposal is to lower the operating cost of the Company, to optimize its asset structure and resources allocation, and to focus more on its core business, so as to improve the quality of the assets of the Company and increase the profitability of the Company.

The main products produced by Shandong Tianhai are 219-type seamless industrial gas cylinders, which are the low-end products of the Company. In recent years, due to increasingly fierce market competition, there is a relatively large fluctuation in products profitability, and operational risks have increased significantly. According to the Group's "13th Five-Year Strategic Plan", it intends to optimise and adjust its product structure, to concentrate profitable resources, to develop products with high profitability potential, and to reduce the scale of 219-type seamless industrial gas cylinders in order to achieve the development from producing low-end products to mid-end and high-end products.

According to "Opinions on Implementing the Supervision and Management Measures for Enterprises State-owned assets" (Jing Guo Zi Fa [2017] No. 10) and Article 18 of the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (Order No. 32 of the Ministry of Finance), "Where no intended transferee is solicited at the expiry of the information disclosure period, the period can be extended or the information regarding reduction of the base price of the transfer, or change of the conditions on the transfer, may be disclosed again. Where the information is disclosed again upon the reduction of the base price of the transfer or change of the conditions on the transfer, the disclosure period shall not be less than 20 working days. When the new base price of the transfer is lower than 90% of the appraisal result, consent in writing is required by the entity approving the transfer." Having considered that as of the date of this announcement, no Potential Transferee was solicited for the Potential Disposal, the Board revised the minimum consideration to RMB55,268,300, which was not lower than 90% of the appraisal result, according to the above requirement and with an aim to facilitate the completion of the Potential Disposal. The proposed amendments to the terms of public tender in relation to disposal of 51% equity interests in Shandong Tianhai are in compliance with relevant laws and regulations of the PRC.

The Directors consider the transaction contemplated under the Potential Disposal will be on normal commercial terms, which is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Upon completion of the Potential Disposal, Shandong Tianhai will no longer be a subsidiary of the Company. The financial results of Shandong Tianhai will no longer be consolidated into the accounts of the Company.

The Transfer Price of the Potential Disposal is subject to the final bid price, it is expected that there will have an impact on the Company's profit and loss for the year 2019. The specific amount will be calculated and disclosed based on the results of the Potential Disposal.

The Company intends to use the proceeds for its production and operation. Specifically, the Company intends to use all the proceeds to purchase raw materials such as steel, steel piece and carbon fiber for the production of gas cylinders.

GENERAL

Information on the Company

The authorised scope of operation of the Company includes general logistics and professional contractor.

The Company's general operation projects include developing, designing, selling, installing, adjusting and maintaining cryogenic containers, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency.

Information on Shandong Tianhai

Shandong Tianhai is a company established under the laws of the PRC with limited liability on 12 June 2014. The Company holds 51% equity interests in Shandong Tianhai through Beijing Tianhai, and Yong'an Heli holds 49% equity interests in Shandong Tianhai. The business scope of Shandong Tianhai includes: production of seamless gas cylinders (steel seamless gas cylinders only) and welding gas cylinders; sales of industrial gas cylinders and their accessories (for projects requiring approval according to law, the operating activities can be commenced upon approval of the relevant departments).

In accordance with the generally accepted accounting principles in the PRC, the major financial indicators of Shandong Tianhai were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	<i>RMB</i>	<i>RMB</i>
Profit before tax	4,911,285.14	-8,509,054.79
Profit after tax	4,911,285.14	-8,509,054.79

As at 30 April 2018, Shandong Tianhai was valued at RMB120,410,500 based on the Valuation Report.

IMPLICATIONS UNDER THE LISTING RULES

Using the Minimum Consideration as the basis of calculation, one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Potential Disposal is more than 25% but less than 75%. Thus, the Potential Disposal (if materialised) constitutes a major transaction of the Company and is therefore subject to the requirements of reporting, announcement, and shareholders' approval at general meeting under Chapter 14 of the Listing Rules.

A circular containing, inter alia, details of (i) further information in respect of the Potential Disposal and the Equity Transaction Agreement; and (ii) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 12 August 2019.

Yong'an Heli holds 49% equity interests in Shandong Tianhai, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Yong'an Heli has not given up its preemptive right as an original shareholder of Shandong Tianhai. If Yong'an Heli finally obtains the qualification as the Potential Transferee of the Potential Disposal, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

An announcement containing the results of the public tender will be made by the Company as soon as practicable after the public tender is completed.

As at the date of this announcement, the Potential Disposal has not yet been materialised, the Potential Transferee is still uncertain, no Equity Transaction Agreement has been signed by the Company, and no arrangement on contract performance has been made. Therefore, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless defined otherwise, the terms used shall have the following meanings:

“Beijing SASAC”	Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission
“Beijing Tianhai”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a company incorporated in the PRC with limited liability, which is 100% owned by the Company
“Board”	the board of Directors of the Company
“CBEX”	北京產權交易所有限公司 (China Beijing Equity Exchange Co., Ltd.), an institution authorised by the State-owned Assets Supervision and Administration Commission for transaction of assets and equity of State-owned enterprises under the central government of the PRC

“Company”	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 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 as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transaction Agreement” or “Agreement”	the equity transaction agreement to be entered into between the Company and the Potential Transferee in relation of the Potential Disposal
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Minimum Consideration”	the original listing price of 51% equity interests in Shandong Tianhai, being 51% of RMB120,410,500, which was based on the valuation of Shandong Tianhai estimated in the Valuation Report
“Potential Disposal”	the proposed disposal of 51% equity interests in Shandong Tianhai by the Company through CBEX
“Potential Transferee”	the bidder who won the bidding for the Potential Disposal through public tender
“PRC” or “State”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Disclosures”	announcement of the Company dated 16 January 2019 and the circular of the Company dated 15 February 2019
“Revised Minimum Consideration”	the revised listing price of 51% equity interests in Shandong Tianhai, being RMB55,268,300
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Tianhai”	山東天海高壓容器有限公司 (Shandong Tianhai High Pressure Containers Co.,Ltd.), a company incorporated in the PRC with limited liability, which the Company indirectly owns 51% equity interests
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Trademark License Agreement”	the trademark license agreement dated 28 May 2014 entered into between the Company and Shandong Tianhai
“Transfer Price”	the final bid price of the 51% equity interests in Shandong Tianhai
“Valuation Report”	the “Asset Valuation Report in relation to the Value of the Entire Shareholders’ Interest of Shandong Tianhai High Pressure Containers Co., Ltd. Proposed to be Transferred by Beijing Tianhai Industry Co., Ltd.” (Zhong Qi Hua Ping Bao Zi (2018) No. 4028) issued by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.) in respect of the entire equity interests (net assets) of Shandong Tianhai for valuation purpose as at 30 April 2018, being the base date for valuation
“Yong’an Heli”	山東永安合力鋼瓶股份有限公司 (Shandong Yong’an Heli Steel Cylinder Co., Ltd.), a company incorporated in the PRC with limited liability, which owns 49% equity interests in Shandong Tianhai
“%”	percent

On behalf of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
22 July 2019

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. Xia Zhonghua and Ms. Li Chunzhi as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.