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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 AND CONNECTED TRANSACTION**  
**ACQUISITION OF SHARES AND CAPITAL REDUCTION OF**  
**BTIC AMERICA CORPORATION**

**THE ACQUISITION AND CAPITAL REDUCTION UNDER THE SHARE TRANSFER AGREEMENT**

On 4 December 2019, BAC, an indirect non wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors, pursuant to which BAC agreed to purchase and the Vendors agreed to sell a total of 520 shares of BAC (among which each of the Vendors agreed to sell 260 shares of BAC) at an aggregate consideration of US\$3,206,360.

As at the date of this announcement, BAC is held as to 51%, 24.5% and 24.5% by Beijing Tianhai, a wholly-owned subsidiary of the Company, Vendor A and Vendor B respectively. Upon Completion, the registered share capital of BAC will be reduced through the cancellation of the transferred shares under the Share Transfer Agreement. The equity interest of BAC will then be held as to 90%, 5% and 5% by Beijing Tianhai, Vendor A and Vendor B respectively.

**LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor A and Vendor B each holds 24.5% of the shares of BAC. Accordingly, both Vendor A and Vendor B are the substantial shareholders of BAC and thus connected persons of the Company at subsidiary level. As such, the transactions contemplated under the Share Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Share Transfer Agreement are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

On 4 December 2019, BAC entered into the Share Transfer Agreement with the Vendors, pursuant to which BAC agreed to purchase and the Vendors agreed to sell a total of 520 shares of BAC (among which each of the Vendors agreed to sell 260 shares of BAC) at an aggregate consideration of US\$3,206,360.

As at the date of this announcement, BAC is held as to 51%, 24.5% and 24.5% by Beijing Tianhai, Vendor A and Vendor B respectively. Upon Completion, the registered share capital of BAC will be reduced through the cancellation of the transferred shares under the Share Transfer Agreement. The equity interest of BAC will then be held as to 90%, 5% and 5% by Beijing Tianhai, Vendor A and Vendor B respectively.

## **THE SHARE TRANSFER AGREEMENT**

### **Date:**

4 December 2019

### **Parties:**

Vendors: Vendor A and Vendor B

Purchaser: BAC

### **Subject matter:**

Pursuant to the Share Transfer Agreement, BAC conditionally agreed to purchase and the Vendors conditionally agreed to sell a total of 520 shares of BAC (among which each of the Vendors agreed to sell 260 shares of BAC), subject to the terms and conditions therein.

Upon Completion, the registered share capital of BAC will be reduced through the cancellation of the transferred shares under the Share Transfer Agreement.

The equity-holding structures of BAC both before and after the Acquisition and Capital Reduction are illustrated below:

The equity-holding structure of BAC before the Acquisition and Capital Reduction is as follows:

BAC has a registered capital of US\$3,367,550, which is held as to 51% by Beijing Tianhai, the Chinese shareholder, and 49% by the foreign shareholders (among which Vendor A holds 24.5% and Vendor B holds 24.5%). BAC has a total of 1,200 shares in which Beijing Tianhai holds 612 shares and the foreign shareholders collectively hold 588 shares (among which Vendor A and Vendor B each holds 294 shares).

The equity-holding structure of BAC after the Acquisition and Capital Reduction is as follows:

BAC has a registered capital of US\$1,908,280, which is held as to 90% by Beijing Tianhai, the Chinese shareholder, and 10% by the foreign shareholders (among which Vendor A holds 5% and Vendor B holds 5%). BAC has a total of 680 shares in which Beijing Tianhai holds 612 shares and the foreign shareholders collectively hold 68 shares (among which Vendor A and Vendor B each holds 34 shares).

**Consideration and payment terms:**

The total consideration in the sum of US\$3,206,360 shall be paid in two installments by BAC as follows and by way of two equal halves to Vendor A and Vendor B respectively:

- (i) 50% of the consideration, being US\$1,603,180 (of which US\$801,590 shall be paid to each of the Vendors), shall be paid within one month from the date of the Share Transfer Agreement; and
- (ii) the remaining 50% of the consideration, being US\$1,603,180 (of which US\$801,590 shall be paid to each of the Vendors), shall be paid within one year from the date of the Share Transfer Agreement.

The interests incurred between the two installments shall be satisfied by BAC in the second installment.

**Basis of consideration:**

The consideration of the Acquisition was arrived at after commercial and arm's length negotiations between BAC and the Vendors and was determined with reference to (i) the valuation of the entire equity interests of BAC at approximately US\$7,399,300 as at the Benchmark Date by the valuer, Beijing China Enterprise Appraisals Co., Ltd, using the asset-based approach and (ii) the 2018 audit report of BAC issued by ShineWing Certified Public Accountants LLP.

**Profit distribution:**

BAC shall make profit distribution to the Vendors based on the net operating profits in its audited annual financial statements and in accordance with its dividend policy. For profits accrued from 1 January 2019 to the Completion, profit distribution shall be made with reference to the Vendors' equity interests in BAC before Completion; whereas the Vendors' equity interests in BAC after the Completion would be used for determining the amount of profits accrued from the Completion to 31 December 2019 distributable to them.

**Condition precedents:**

1. The person in charge or the legal representative or the authorized representative of BAC, Vendor A and Vendor B have duly executed the Share Transfer Agreement.
2. Vendor A and Vendor B have provided BAC with documentation proofs and relevant approval documents for carrying out the Acquisition, including but not limited to:
  - a. applicable procedures required under the laws of the United States;
  - b. internal decision-making procedures of Vendor A and Vendor B; and
  - c. requirements by the administrative department and/or supervisory department of BAC (if required).
3. BAC has provided to Vendor A and Vendor B with documentation proofs and relevant approval documents for carrying out the Acquisition, including but not limited to:
  - a. procedures as required under the laws of the PRC;
  - b. internal decision-making procedures of BAC; and
  - c. requirements by the administrative department and/or supervisory department of BAC (if required).

**Completion:**

The Completion shall take place no later than one month from the date of the Share Transfer Agreement subject to the fulfillment or waiver (if applicable) of the condition precedents. At the Completion, the Vendors shall return the share certificates representing the 520 shares of BAC to BAC in which those shares will be cancelled and returned to authorised and unissued shares of BAC.

**Termination:**

If the condition precedents cannot be fulfilled or waived (if applicable) before 31 December 2019 or by the expiration of an extension period mutually agreed by BAC and the Vendors and that the Completion does not take place, the Share Transfer Agreement can be terminated and neither BAC nor the Vendors shall be liable for breach of contract.

**LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor A and Vendor B each holds 24.5% of the shares of BAC. Accordingly, both Vendor A and Vendor B are the substantial shareholders of BAC and thus connected persons of the Company at subsidiary level. As such, the transactions contemplated under the Share Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Share Transfer Agreement are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

**REASONS AND BENEFITS OF THE ACQUISITION**

As at the date of this announcement, BAC is held as to 51% and 49% by Beijing Tianhai and the Vendors respectively. Through reduction of registered share capital of BAC by purchasing and thereby cancelling a total of 520 shares of BAC from the Vendors, BAC will be held as to 90% and 10% by Beijing Tianhai and the Vendors respectively upon Completion. The Company, through Beijing Tianhai, will gain a higher degree of control and secure a dominant position in the operation over BAC. It will help improve the management and operational efficiency of the Group in achieving its business strategy to expand its overseas sales network and to enhance the international competitiveness of the Group.

In addition, with the Vendors continue to hold an aggregate of 10% of the shares in BAC, BAC will remain as a PRC-United States equity joint venture company and will be able to continue to enjoy a more favorable treatment by the relevant authorities in the United States than a company which is wholly-owned by a PRC entity.

Based on the above reasons and benefits, the Board (including the independent non-executive Directors) considers that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

None of the Directors is considered to have a material interest in the Share Transfer Agreement and therefore no Director is required to abstain from voting on the relevant resolutions for approving the Share Transfer Agreement and the transactions contemplated thereunder.

## **GENERAL**

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

Beijing Tianhai is principally engaged in the production of gas storage and transportation equipment.

BAC is a company established in the United States and a non wholly-owned subsidiary of Beijing Tianhai. BAC is principally engaged in the sale of high pressure gas cylinders, acetylene cylinders, cryogenic cylinders and other types of cylinders. The original acquisition cost of the 24.5% shares of BAC paid by Vendor A and Vendor B was US\$43,628 and US\$43,628 respectively.

The following is the financial information of BAC for the years ended 31 December 2017 (audited) and 31 December 2018 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

<b>For the year ended 31 December</b>		
	<b>2017 (audited)</b>	<b>2018 (audited)</b>
<b>Net profits before taxation</b>	approximately RMB4,214,100	approximately RMB9,982,600
<b>Net profits after taxation</b>	approximately RMB2,749,600	approximately RMB7,751,900

As at 31 December 2018, the audited net asset value of BAC was approximately RMB50,664,200.

Vendor A and Vendor B are both natural persons.

## DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the 520 shares of BAC by BAC pursuant to the Share Transfer Agreement
“BAC”	天海美洲公司 (BTIC America Corporation), a company established in the United States and a non wholly-owned subsidiary of Beijing Tianhai
“Beijing Tianhai”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a limited liability company incorporated in PRC and a wholly-owned subsidiary of the Company
“Benchmark Date”	31 December 2018, the valuation date of BAC
“Board”	the board of Directors
“Capital Reduction”	the capital reduction of the registered share capital of BAC by an amount of US\$1,459,270 from US\$3,367,550 to US\$1,908,280 pursuant to the Share Transfer Agreement
“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
“Completion”	the completion of the Acquisition and Capital Reduction
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement dated 4 December 2019 entered into between BAC, Vendor A and Vendor B in relation to the Acquisition and Capital Reduction
“Share(s)”	A shares and H shares of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“United States”	United States of America
“US\$”	United States dollar, the lawful currency of the United States
“Vendor A”	Bill Zheng (鄭國祥), a resident of the United States, being the owner of 294 ordinary shares (24.5% of the shares) of BAC prior to the Completion
“Vendor B”	Susan Guo (郭志紅), a resident of the United States, being the owner of 294 ordinary shares (24.5% of the shares) of BAC prior to the Completion
“Vendors”	collectively, Vendor A and Vendor B
“%”	percent

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

Beijing, the PRC  
4 December 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. Wu Yanzhang, 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.*