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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
TRANSFER OF WU FANG QIAO ASSETS

THE AGREEMENT

On 21 September 2020, Beijing Tianhai, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Asset Company, pursuant to which, Beijing Tianhai will transfer the Wu Fang Qiao Assets to Asset Company at a transfer price of RMB410,195,000 (tax inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Asset Company is a wholly-owned subsidiary of Jingcheng Machinery Electric. Jingcheng Machinery Electric holds 245,735,052 Shares of the Company, representing approximately 50.67% of the total Shares and is a controlling shareholder of the Company. As such, Asset Company is a connected person of the Company and the Transfer constitutes a connected transaction of the Company under the Listing Rules. Accordingly, the Company is subject to requirements of reporting, announcement, circular, independent financial advice and approval from Independent Shareholders under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Transfer exceed 5% but are less than 25%, the Transfer also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

An independent Board committee will be established in compliance with the Listing Rules to consider the Transfer and advise the Independent Shareholders as to whether the terms of the Transfer are on normal commercial terms or better, the terms of the Agreement are fair and reasonable and the Transfer is in the interests of the Company and its Shareholders as a whole.

THE AGREEMENT

On 21 September 2020, Beijing Tianhai, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Asset Company in respect of the transfer of the Wu Fang Qiao Assets, the principal terms of which are set out below:

Date: 21 September 2020

Parties: (i) Beijing Tianhai, as the transferor

(ii) Asset Company, as the transferee

Conditions precedent to the effectiveness of the Agreement the Agreement shall come into effect on the date on which the Transfer is considered and approved at the general meeting of the Company and it is signed by the legal representatives or authorised representatives of the parties with the affixing of corporate seals.

Assets to be transferred: Wu Fang Qiao Assets, being the industrial land with an area of 87,541.76 sq.m. and buildings thereon with a total floor area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing. The land certificate number is Jing Chao Guo Yong (2005 Chu) No. 0242, with a term expiring on 28 October 2054. The buildings ownership certificates are X Jing Fang Quan Zheng Chao Zi No. 607418 and X Jing Fang Quan Zheng Chao Zi No. 727497.

Transfer price: The transfer price is RMB410,195,000 (tax inclusive).

The transfer price is based on the appraised value of the Wu Fang Qiao Assets by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) as at the base date for valuation (i.e. 30 April 2020), and has been filed to Jingcheng Machinery Electric.

Payment method: Within 10 days from the effective date of the Agreement, Asset Company shall pay 50% of the total transfer price (“**First Transfer Payment**”) to Beijing Tianhai in a lump sum of RMB205,097,500. The remaining 50% of the transfer price (“**Second Transfer Payment**”) of RMB205,097,500 shall be paid in a lump sum to the designated account of Beijing Tianhai by Asset Company after the completion of the delivery procedures of Wu Fang Qiao Assets by 31 December 2020.

Delivery: Beijing Tianhai and Asset Company shall transfer the Wu Fang Qiao Assets within 30 days from the effective date of the Agreement and complete the procedures for the registration of changes in respect of the Wu Fang Qiao Assets.

Asset Company shall be entitled to the rental income arising from the lease of the Wu Fang Qiao Assets during the period from the base date for valuation (i.e. 30 April 2020) to the date of completion of the procedures for the registration of changes in respect of the Wu Fang Qiao Assets.

OTHER INFORMATION IN RESPECT OF THE WU FANG QIAO ASSETS

At present, the Wu Fang Qiao Assets are leased to Jingcheng Haitong for the development of the Science, Technology, Cultural and Innovative Industry Park and there has not been invitation for business or leases. On 4 September 2018, Beijing Tianhai and Jingcheng Haitong entered into the Lease with a term of 18 years commencing on the effective date of the Lease.

According to requirements of PRC law, Jingcheng Haitong, as the lessee of the Wu Fang Qiao Assets, shall have the right of first refusal under the same terms. Beijing Tianhai has notified Jingcheng Haitong in writing of the Transfer. Jingcheng Haitong has expressly agreed to unconditionally and irrevocably waive the right of first refusal, and issued a written resolution of the general meeting (document number: Bei Hai Fa Gu (Jue) [2020] No. 1).

After signing the Agreement, Beijing Tianhai, Jingcheng Haitong and Asset Company will separately sign an “Agreement on the Change of Party of the Lease”, so as to change the lessor of the Lease from Beijing Tianhai to Asset Company upon the transfer of the Wu Fang Qiao Assets. Subsequently, Asset Company will replace Beijing Tianhai as the lessor under the Lease and continue to perform the Lease and inherit all rights and obligations under the Lease while the rights and obligations of Beijing Tianhai under the Lease will be terminated immediately.

For the years ended 31 December 2018 and 2019, Beijing Tianhai’s net profit after tax arising from the lease of the Wu Fang Qiao Assets was RMB4,105,896.25 and RMB21,709,814.51 respectively (net profit before tax was RMB4,105,896.25 and RMB21,709,814.51 respectively).

The Wu Fang Qiao Assets are accounted for using the cost method in the Group’s financial statements. As of 30 June 2020, the unaudited original book value, the accumulated amortization, and the net book value amounted to RMB74,434,111.59, RMB46,919,280.93 and RMB27,514,830.66, respectively. The Wu Fang Qiao Assets are valued at RMB410,195,000 as at the base date for valuation (i.e. 30 April 2020), according to the results of the asset valuation report (Zhong Tong Hua Ping Bao Zi [2020] No. 050665) issued by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) on 4 September 2020. As at 31 August 2020, the Wu Fang Qiao Assets are valued at RMB405,100,000, according to the results of the valuation report issued by Asia-Pacific Consulting and Appraisal Limited on 16 September 2020.

REASONS FOR AND BENEFITS OF THE TRANSFER

The Transfer is a strategic adjustment made by Beijing Tianhai based on its own development. The cash flow generated from the transfer of the Wu Fang Qiao Assets can effectively support the sustainable and stable development of Beijing Tianhai’s principal business.

The Transfer is beneficial to the sustainable and stable development of Beijing Tianhai's three principal business segments, namely hydrogen energy, industrial gas and natural gas, during the 14th Five-Year Plan period.

First, it is necessary for the strategic hydrogen energy business segment of Beijing Tianhai to consolidate its leading position in technology, increase its investment, and facilitate rapid development. For the 14th Five-Year Plan period, Beijing Tianhai has clearly defined its strategic direction of "rational analysis of market demand, precise positioning of products, timely utilization of capital and resources of strategic partners, expansion of production scale, and capture of industry opportunities", and more capital support is required to seize development opportunities. In addition, the development of Beijing Tianhai's traditional industrial gas segment faces the strategic requirements of process optimization and enhancement of the level of computerisation and informatisation, which require more capital investment. Furthermore, the development of the natural gas segment requires the support of a stable cash flow as it is affected by factors such as high capital occupation, long investment return periods, and large market fluctuations. As a result, cash flow support will be acquired from the transfer of the Wu Fang Qiao Assets, which will strategically support the development of the three principal business segments.

The Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the independent Board committee to be included in the circular) consider that the terms of the Transfer are on normal commercial terms or better, the terms of the Agreement are fair and reasonable, and the Transfer is in the interests of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE TRANSFER AND THE USE OF PROCEEDS

Upon the completion of the Transfer, the Group expects to recognize a gain of approximately RMB382,680,169.34 (calculated based on the transfer price of RMB410,195,000 less the unaudited net book value of RMB27,514,830.66 of the Wu Fang Qiao Assets as at 30 June 2020) from the Transfer. The above financial impact is for illustrative purposes only, and the actual gain to be recognized in the Group's consolidated financial statements is subject to, among other things, actual costs and expenses in relation to the Transfer, the net book value of the Wu Fang Qiao Assets on the completion date of the Transfer and the review by the Company's auditors when the consolidated financial statements of the Group are finalised.

The net proceeds from the Transfer are intended to be used for general operating expenses of the Group to support the development of the three principal business segments described in the section "Reasons for and Benefits of the Transfer" above.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Asset Company is a wholly-owned subsidiary of Jingcheng Machinery Electric. Jingcheng Machinery Electric holds 245,735,052 Shares of the Company, representing approximately 50.67% of the total Shares and is a controlling shareholder of the Company. As such, Asset Company is a connected person of the Company and the Transfer constitutes a connected transaction of the Company under the Listing Rules. Accordingly, the Company is subject to requirements of reporting, announcement, circular, independent financial advice and approval from Independent Shareholders under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Transfer exceed 5% but are less than 25%, the Transfer also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

An independent Board committee will be established in compliance with the Listing Rules to consider the Transfer and advise the Independent Shareholders as to whether the terms of the Transfer are on normal commercial terms or better, the terms of the Agreement are fair and reasonable and the Transfer is in the interests of the Company and its Shareholders as a whole.

EGM

The Company will convene an extraordinary general meeting, at which ordinary resolutions will be proposed for the approval of, among other things, the Agreement and the Transfer.

A circular containing, among other things, (i) further information about the Agreement; (ii) a letter from the independent Board committee to Independent Shareholders in respect the Agreement; (iii) a recommendation letter from the independent financial adviser to the independent Board committee and Independent Shareholders in respect of the Agreement; (iv) a property valuation report prepared in accordance with Chapter 5 of the Listing Rules; and (v) a notice convening the EGM is expected to be dispatched to Shareholders on or before 14 October 2020.

GENERAL INFORMATION

The Company's general scope of operation includes general logistics; professional contracting; 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; economic trade consulting; import and export of commodities and technology and acting as import and export agency.

Beijing Tianhai, an indirect wholly-owned subsidiary of the Company, is principally engaged in the production of gas storage and transportation equipment.

Asset Company, a wholly-owned subsidiary of Jingcheng Machinery Electric, is principally engaged in asset management; property management; investment management; investment; leasing of properties (public transport, industry and transportation, office); providing public car park services; technology development, technical training, technical services; economic information consultation (excluding projects involving administrative permissions); involving in, producing, acting as agent for and publishing advertisement; providing meeting services, exhibition and display services, office services; designing and maintaining machinery and equipment (excluding projects involving administrative permissions); selling machinery and equipment (excluding small vehicles), computers, daily necessities, hardware and electrical equipment, building materials, handicrafts and auto parts.

Jingcheng Machinery Electric is a state-owned enterprise. The authorized business scope of Jingcheng Machinery Electric includes labor dispatch; operation and management of state-owned assets within the authorized scope; investment and investment management; property development, sale of real estate; property leasing; property management; technology transfer, technical training, technical consultation, technical services; sale of mechanical and electrical equipment (excluding vehicles); technology development.

DEFINITIONS

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

“A Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the Shanghai Stock Exchange (stock code: 600860)
“Agreement”	the “Tangible Assets Transaction Contract” dated 21 September 2020 entered into between Beijing Tianhai and Asset Company, in respect of the transfer of the Wu Fang Qiao Assets
“Asset Company”	Beijing Jingcheng Machinery Electric Asset Management Co., Ltd (北京京城機電資產管理有限責任公司), a joint stock company incorporated in the PRC with limited liability, is a wholly-owned subsidiary of Jingcheng Machinery Electric
“Beijing Tianhai”	Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), a joint stock company incorporated in the PRC with limited liability, is an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company

“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 as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the Extraordinary General Meeting to be convened by the Company to consider and approve, among other things, the Agreement and the Transfer
“Group”	the Company and its subsidiaries
“Independent Shareholder(s)”	Shareholders other than those who have material interests and are required to abstain from voting at the EGM in accordance with the Listing Rules, and such Shareholders are not required to abstain from voting at the EGM in accordance with the Listing Rules
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HKD and listed on the Main Board of the Stock Exchange (stock code: 00187)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jingcheng Haitong”	Beijing Jingcheng Haitong Technology Culture Development Co., Ltd. (北京京城海通科技文化發展有限公司), a joint stock company incorporated in the PRC with limited liability
“Jingcheng Machinery Electric”	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司), a company incorporated in the PRC, holding 50.67% of total Shares of the Company
“Lease”	the “Lease of the Site and Plant at No. 9 Tianying North Road, Chaoyang District, Beijing between Beijing Tianhai Industry Co., Ltd. and Beijing Jingcheng Haitong Technology Culture Development Co., Ltd.” entered into between Beijing Tianhai and Jingcheng Haitong on 4 September 2018, pursuant to which, the Wu Fang Qiao Assets were leased to Jingcheng Haitong by Beijing Tianhai
“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, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s) of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer of the Wu Fang Qiao Assets contemplated under the Agreement
“Wu Fang Qiao Assets”	the industrial land with an area of 87,541.76 sq.m. and buildings thereon with a total floor area of 45,143.62 sq.m. located at No. 9 Tianying North Road, Chaoyang District, Beijing
“%”	per cent

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

Beijing, the PRC
21 September 2020

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 Mr. Xiong Jianhui, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.