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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)**

**MAJOR TRANSACTION**

**SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO  
PROPOSED ACQUISITION OF ASSETS INVOLVING THE ISSUANCE OF  
CONSIDERATION SHARES  
AND  
PROPOSED ISSUANCE AND PLACING OF A SHARES  
UNDER SPECIFIC MANDATE**

References are made to the announcements dated 29 December 2020 and 3 September 2021, and the circular dated 19 January 2021 (the “**Circular**”) of the Company in relation to, among other things, a major transaction of the Company regarding (i) the Proposed Acquisition; and (ii) the Proposed Issuance and Placing of A Shares. Unless otherwise specified, capitalised terms used herein shall have the same meaning as ascribed to them in the Circular.

**SECOND SUPPLEMENTAL ASSET ACQUISITION AGREEMENT**

The Board announces that, on 23 November 2021, the Company, the Vendors, Huang Xiaofeng and Tao Feng entered into a further supplemental agreement (the “**Second Supplemental Asset Acquisition Agreement**”) to the Asset Acquisition Agreement and the supplemental asset acquisition agreement dated 3 September 2021 (the “**First Supplemental Asset Acquisition Agreement**”), pursuant to which, the parties thereto agreed to revise the Asset Acquisition Agreement and the First Supplemental Asset Acquisition Agreement as follows:

## Lock-up Period of the Consideration Shares

The Consideration Shares to be issued by the Company to Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan shall neither be transferred in any way within 12 months from the Issuance Completion Date nor pledged nor encumbered. Upon completion of the abovementioned 12-month lock-up period, Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan may unlock their respective Consideration Shares in the following manner:

- (i) 1st phase: upon completion of the 12-month lock-up period from the Issuance Completion Date and satisfaction of the compensation obligations for the year ending 31 December 2021 (if any) under the further supplemental agreement entered into among the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng dated 23 November 2021 (the “**Second Supplemental Performance Compensation Agreement**”) to the Performance Compensation Agreement and the supplemental performance compensation agreement dated 3 September 2021 (the “**First Supplemental Performance Compensation Agreement**”), the outstanding portion in 40% of their Consideration Shares after deducting the number of Compensation Shares used to compensate the Company for the year (if any) shall be unlocked;
- (ii) 2nd phase: upon satisfaction of the compensation obligations for the year ending 31 December 2022 (if any) under the Second Supplemental Performance Compensation Agreement, the outstanding portion in 20% of their Consideration Shares after deducting the number of Compensation Shares used to compensate the Company for the year (if any) shall be unlocked;
- (iii) 3rd phase: upon satisfaction of the compensation obligations for the year ending 31 December 2023 (if any) under the Second Supplemental Performance Compensation Agreement, the outstanding portion in 20% of their Consideration Shares after deducting the number of Compensation Shares used to compensate the Company for the year (if any) shall be unlocked;
- (iv) 4th phase: upon satisfaction of all the corresponding compensation obligations (if any) in all the years ending 31 December 2020, 2021, 2022, 2023 and 2024 under the Second Supplemental Performance Compensation Agreement, the remaining Consideration Shares that are yet to be unlocked shall be unlocked.

Li Hong, Zhao Qing, Qingdao Eternal, Wang Xiaohui and Qian Yuyan further undertook not to pledge or encumber the Consideration Shares that are still within the lock-up period or subject to lock-up arrangements from the expiration of the 12-month lock-up period until the Consideration Shares are unlocked by phases in accordance with the relevant unlocking arrangements.

## Profit Guarantee and Compensation Undertaking

Pursuant to the Valuation Report, the Performance Compensation Agreement and its supplemental agreements, the Undertaking Parties, Huang Xiaofeng and Tao Feng undertook to compensate the Company on a yearly basis for each of the years ending 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024 (the “**Revised Profit Guarantee Periods**”) should the Realised Profit in a relevant year fall short of the following revised guaranteed profits (the “**Revised**

**Guaranteed Profit(s)**”) for the corresponding year. The respective amount of Revised Guaranteed Profits is RMB27,500,000 for the year ending 31 December 2020; RMB38,000,000 for the year ending 31 December 2021; RMB41,000,000 for the year ending 31 December 2022; RMB43,000,000 for the year ending 31 December 2023; and RMB46,000,000 for the year ending 31 December 2024. Such compensation shall be made based on the differences between the Realised Profits and the Revised Guaranteed Profits. Specific compensation arrangements are subject to the terms of the Performance Compensation Agreement and its supplemental agreements.

Additionally, pursuant to the First Supplemental Asset Acquisition Agreement, the Company shall settle the cash consideration of the Proposed Acquisition by two installments. With respect to the 2nd installment, it is now agreed by the parties to the Second Supplemental Asset Acquisition Agreement that the Company shall only be required to pay RMB20,000,000, being the outstanding balance of the cash consideration of the Proposed Acquisition, to the Undertaking Parties within one month upon the satisfaction of all the corresponding compensation obligations (if any) in all the years ending 31 December 2020, 2021, 2022, 2023 and 2024 by the Undertaking Parties under the Second Supplemental Performance Compensation Agreement.

### **Excess profit reward**

In the event where the Realised Profit exceeds the corresponding Revised Guaranteed Profit in each of the years during the Revised Profit Guarantee Periods, 30%, 40%, 50% and 50% of the Realised Profit in excess the Revised Guaranteed Profit for the years ending 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024 respectively shall be given to the then core management members of the Target Company by the Company as reward incentives. The specific list of reward personnel, amount of reward and distribution scheme to be proposed by the general manager of the Target Company shall only be implemented after obtaining the approvals of the Company and the board of directors of the Target Company. The amount of reward is all tax-inclusive. The Company shall, upon the issuance of 2024 special audit or review results of the Target Company, and after withholding and paying the income tax in compliance with the laws, fully pay the amount of reward by way of a one-off payment in accordance with the reward proposal drawn up by the Company and the Vendors.

The amount of the reward shall not in any event exceed 20% of the consideration of the Proposed Acquisition. In the event where the aforesaid reward exceeds 20% of the consideration of the Proposed Acquisition, 20% of the consideration of the Proposed Acquisition shall adopted as the total amount of the reward.

## **SECOND SUPPLEMENTAL PERFORMANCE COMPENSATION AGREEMENT**

On 23 November 2021, in view of the revision made in the Second Supplemental Asset Acquisition Agreement, the Company, the Undertaking Parties, Huang Xiaofeng and Tao Feng also entered into the Second Supplemental Performance Compensation Agreement, pursuant to which, the parties thereto agreed to revise the Performance Compensation Agreement and the First Supplemental Performance Compensation Agreement and to reflect the corresponding consequential changes as follows:

## Profit Guarantee

The Undertaking Parties undertook to compensate the Company on a yearly basis for each of the years during the Revised Profit Guarantee Periods should the Realised Profit in a relevant year fall short of the Revised Guaranteed Profit for the corresponding year. The Company will be compensated for the differences between the Realised Profits and the Revised Guaranteed Profits upon the completion of the Proposed Acquisition.

The forecasted net profits of the Target Company for the years from 2020 to 2024 as set out in the Valuation Report were used as reference with regard to profit compensation by the Undertaking Parties in which the Undertaking Parties undertook that the Realised Profits of the Target Company for the years from 2020 to 2024 shall be no less than forecasted net profits as set out in the Valuation Report. Pursuant to the Valuation Report, the respective forecasted net profit of the Target Company is RMB27,475,800 for the year ending 31 December 2020; RMB37,991,600 for the year ending 31 December 2021; RMB40,829,700 for the year ending 31 December 2022; RMB42,916,800 for the year ending 31 December 2023; and RMB45,511,000 for the year ending 31 December 2024. Under these premises, the Undertaking Parties undertook that the Revised Guaranteed Profits during the Revised Profit Guarantee Periods shall not be lower than RMB27,500,000 for the year ending 31 December 2020; RMB38,000,000 for the year ending 31 December 2021; RMB41,000,000 for the year ending 31 December 2022; RMB43,000,000 for the year ending 31 December 2023; and RMB46,000,000 for the year ending 31 December 2024.

The formula in determining the amount of the profit compensation for the Revised Profit Guarantee Periods is revised accordingly as follows:

$$\begin{array}{l} \text{Amount of profit} \\ \text{compensation for the relevant} \\ \text{year during the Revised Profit} \\ \text{Guarantee Periods} \end{array} = \frac{\begin{array}{l} \text{(The amount of the corresponding} \\ \text{Revised Guaranteed Profit in the} \\ \text{relevant year – the Realised Profit} \\ \text{in the corresponding year)} \end{array}}{\begin{array}{l} \text{The sum of the Revised} \\ \text{Guaranteed Profits over the} \\ \text{Revised Profit Guarantee Periods} \end{array}} \times \begin{array}{l} \text{The transaction price of the} \\ \text{Proposed Acquisition} \end{array}$$

The Consideration Shares received by the Undertaking Parties pursuant to the Asset Acquisition Agreement and its supplemental agreements shall be subject to the lock-up arrangements and be unlocked by phases. The Undertaking Parties further undertook not to pledge or encumber the Consideration Shares that are still within the lock-up period or subject to lock-up arrangements from the expiration of the 12-month lock-up period until the Consideration Shares are unlocked by phases in accordance with the relevant unlocking arrangements.

The Directors considered that due to changes in market conditions and passage of time, certain assumptions regarding the forecast of the Target Company have changed, the arrangement in respect of the lock-up period of the Consideration Shares, the payment of consideration, the amount of profit guarantee, and the particulars in relation to the excess profit reward have to be revised to negotiate with the counterparties and to bargain for more favourable terms for the Proposed Acquisition and profit compensation. The Directors are of the view that it is necessary to enter into the Second Supplemental Asset Acquisition Agreement and the Second Supplemental Performance Compensation Agreement, which are arrived after arms' length negotiations among the Company and the parties thereto. The Directors (including the independent non-executive Directors) considered that the revised terms in respect of the Proposed Acquisition and the profit compensation are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

Save as aforesaid, all other terms and conditions of the Asset Acquisition Agreement, First Supplemental Asset Acquisition Agreement, Performance Compensation Agreement and First Supplemental Performance Compensation Agreement shall remain unchanged and shall continue to be in full force and effect in all respects.

**The completion of the Proposed Acquisition is subject to the satisfaction and/or waiver of the relevant conditions precedent, and therefore, the Company may or may not proceed with completion of such transactions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Beijing, the PRC  
23 November 2021

*As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Li Junjie and Mr. Zhang Jiheng as executive directors, 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.*