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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)

CONNECTED TRANSACTIONS
ENTERING INTO OF THE PROPERTY LEASING AGREEMENT AND
RELATED AGREEMENT

THE PROPERTY LEASING AGREEMENT AND RELATED AGREEMENT

On 19 January 2022, the Company, as the lessee, entered into the Property Leasing Agreement with Beiren Equipment, as the lessor, pursuant to which the Company will lease the Target Property for office use for a term of three years commencing from 1 May 2022 to 30 April 2025.

On the same date, the Company entered into the Entrusted Renovation Agreement with Beiren Equipment, pursuant to which Beiren Equipment will carry out the necessary renovation to the Target Property prior to the Company's occupation of the Target Property at a consideration tentatively set at RMB1,668,434.64.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jingcheng Machinery Electric owns 245,735,052 shares of the Company (representing approximately 50.67% of the total number of issued shares of the Company) and is a controlling shareholder of the Company and a connected person of the Company under the Listing Rules. As Jingcheng Machinery Electric holds 100% equity interest in Yichuang Technology and Yichuang Technology holds 100% equity interest in Beiren Equipment, as such, Jingcheng Machinery Electric is the beneficial owner of Beiren Equipment and Beiren Equipment is an associate of Jingcheng Machinery Electric and a connected person of the Company under the Listing Rules. Accordingly, the Property Leasing Agreement and the Entrusted Renovation Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the accounting standards applicable to the Group, the Group is required to recognise the lease of the Target Property as a right-of-use asset and therefore the Property Leasing Agreement will be treated as an acquisition of assets by the Group under the Listing Rules. As the highest applicable percentage ratio in respect of the value of the right-of-use asset calculated using the rental component under the Property Leasing Agreement and the Entrusted Renovation Agreement on an aggregated basis pursuant to the Listing Rules is above 0.1% but below 5%, the Company is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company expects that the final aggregate contract sum under the Entrusted Renovation Agreement will not cause the Property Leasing Agreement and Related Agreement to trigger the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 19 January 2022, the Company also entered into the "Property Services Management Agreement" with Beiren Equipment, pursuant to which Beiren Equipment will provide property management services for the Target Property during the period when the Company is occupying the Target Property as a tenant, for a period of three years commencing from 1 May 2022 and ending on 30 April 2025. As the highest applicable percentage ratio in respect of the maximum annual cap for the transactions contemplated under the "Property Services Management Agreement" pursuant to the Listing Rules is less than 0.1%, the Company is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the "Property Services Management Agreement".

I. INTRODUCTION

On 19 January 2022, the Company, as the lessee, entered into the Property Leasing Agreement with Beiren Equipment, as the lessor, pursuant to which the Company will lease the Target Property for office use for a term of three years commencing from 1 May 2022 to 30 April 2025.

On the same date, the Company entered into the Entrusted Renovation Agreement with Beiren Equipment, pursuant to which Beiren Equipment will carry out the necessary renovation to the Target Property prior to the Company's occupation of the Target Property at a consideration tentatively set at RMB1,668,434.64.

II. THE PROPERTY LEASING AGREEMENT

The principal terms of the Property Leasing Agreement are set out below:

Date : 19 January 2022

Parties	:	(i) The Company (as lessee); and (ii) Beiren Equipment (as lessor).
Target Property	:	5th floor, Block 1, No. 6 Rongchang East Street, Beijing Economic and Technological Development Zone (北京經濟技術開發區榮昌東街6號1幢5層), with a gross floor area of 1,102 square metres.
Lease term	:	From 1 May 2022 to 30 April 2025.
Subject matter	:	Beiren Equipment agreed to lease the Target Property owned by it to the Company for office use.
Rent	:	<p>The rent payable by the Company is RMB2.55 per square metre of gross floor area per day for the first year of the term of the lease, with an annual rental increase of 2% over the previous year from the second year onwards. The total annual rent payable by the Company during the lease term is as follows:</p> <p>From 1 May 2022 to 30 April 2023: RMB1,025,686.56 From 1 May 2023 to 30 April 2024: RMB1,045,797.96 From 1 May 2024 to 30 April 2025: RMB1,065,909.48</p> <p>The rental amounts under the Property Leasing Agreement were determined with reference to the market prices of the area at which the property is located and after arm's length negotiations between the parties, and will be funded by the Group in the ordinary and usual course of business using internal resources.</p>
Rental payment arrangement	:	<p>The Company shall make a prepayment of RMB1,025,686.56 equivalent to the first year's aggregate rental value to Beiren Equipment within seven working days after the signing of the Property Leasing Agreement. Such prepayment will be credited against the first year's rent from 1 May 2022 onwards.</p> <p>From 1 May 2023 onwards, the rent payable under the Property Leasing Agreement will adopt a billing cycle of six months and the Company shall pay the rent fifteen days prior to the commencement of each billing cycle.</p>

Security deposit : Upon the signing of the Property Leasing Agreement, the Company shall provide a security deposit of RMB85,473.88 (equivalent to the monthly rent for the first year) to Beiren Equipment seven working days prior to its occupation of the Target Property.

Upon the expiry of the lease term or the termination of the Property Leasing Agreement, Beiren Equipment shall return the security deposit to the Company within 30 working days after the Company pays all the fees payable and fulfills all other obligations, returns the Target Property to Beiren Equipment and confirmation by Beiren Equipment that its interests have not been infringed in any way.

Accounting Implications of the Property Leasing Agreement

The rent payable by the Group under the Property Leasing Agreement is capital in nature and will be recognised as a right-of-use asset of the Group on the commencement date of the lease term, i.e. 1 May 2022, and the amount recognised is RMB2,725,115.41.

Reasons for and benefits of entering into the Property Leasing Agreement

As the Company's business continues to grow, its existing office space can no longer meet the demands of an increase in business and staff. The Company leased the Target Property of a related party, Beiren Equipment, as office premises in order to meet the normal operating needs of the Company. The terms and pricing of the Property Leasing Agreement are fair and in line with the principle of fairness of the transaction, and the approval procedures are complied with in accordance with the relevant regulations, which is in the interests of the Company and the Shareholders as a whole.

III. THE ENTRUSTED RENOVATION AGREEMENT

The principal terms of the Entrusted Renovation Agreement are set out below:

Date : 19 January 2022

Parties : (i) The Company; and
(ii) Beiren Equipment.

Nature of the Transaction : Beiren Equipment agreed to carry out the necessary renovations to the Target Property prior to the Company's occupation of the Target Property.

Scope and content of the entrusted renovation works : Beiren Equipment will engage a qualified entity to carry out the design and construction works in accordance with the renovation requirements specified in the Entrusted Renovation Agreement and Beiren Equipment will carry out the acceptance check of the works.

Completion date of renovation works : 30 April 2022

Contract Costs : According to the project estimate attached to the Entrusted Renovation Agreement, the total construction costs and other costs such as design fees (calculated at 10% of the estimated construction costs) payable by the Company is RMB1,668,434.64.

The consideration under the Entrusted Renovation Agreement was determined after arm's length negotiations between the parties taking into account factors such as labour costs, material prices and construction techniques as a whole and with reference to the market prices of similar property renovations in the area at which the Target Property is located, and will be funded by the Group in the ordinary and usual course of business using internal resources.

Payment terms : The Company shall pay an advance payment of RMB1,668,434.64 to Beiren Equipment within seven working days after the Entrusted Renovation Agreement takes effect.

Upon completion and acceptance of the renovation works, the Company will examine and confirm the project settlement statement provided by Beiren Equipment and the final contract sum will be the sum of the construction settlement price and other fees such as design fees (calculated at 10% of the construction settlement price). The difference, if any, between the final contract sum and the Company's advance payment will be refunded or supplemented as appropriate.

Reasons for and benefits of entering into the Entrusted Renovation Agreement

The Entrusted Renovation Agreement entered into between the Company and Beiren Equipment is conducive to ensuring the quality and timely completion of the renovation works. The terms and pricing of the Entrusted Renovation Agreement are fair and in line with the principle of fairness of the transaction, and the approval procedures have been complied with in accordance with the relevant regulations, which is in the interests of the Company and the Shareholders as a whole.

IV. OPINION OF THE BOARD

In view of the above reasons and benefits, the Board (including the independent non-executive Directors) is of the view that the Property Leasing Agreement and the Entrusted Renovation Agreement are conducted on normal commercial terms or better in the ordinary course of business of the Group, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the Property Leasing Agreement and the Entrusted Renovation Agreement. Having considered that Mr. Wang Jun, the Chairman of the Board, and Mr. Wu Yanzhang, Mr. Xia Zhonghua and Ms. Li Chunzhi, the non-executive Directors, were nominated by Jingcheng Machinery Electric and serve as senior management of Jingcheng Machinery Electric and/or its subsidiaries (other than the Group), Mr. Wang Jun, Mr. Wu Yanzhang, Mr. Xia Zhonghua and Ms. Li Chunzhi have abstained from voting on the board resolutions in relation to the approval of the Property Leasing Agreement and the Entrusted Renovation Agreement.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jingcheng Machinery Electric owns 245,735,052 shares of the Company (representing approximately 50.67% of the total number of issued shares of the Company) and is a controlling shareholder of the Company and a connected person of the Company under the Listing Rules. As Jingcheng Machinery Electric holds 100% equity interest in Yichuang Technology and Yichuang Technology holds 100% equity interest in Beiren Equipment, as such, Jingcheng Machinery Electric is the beneficial owner of Beiren Equipment and Beiren Equipment is an associate of Jingcheng Machinery Electric and a connected person of the Company under the Listing Rules. Accordingly, the Property Leasing Agreement and the Entrusted Renovation Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the accounting standards applicable to the Group, the Group is required to recognise the lease of the Target Property as a right-of-use asset and therefore the Property Leasing Agreement will be treated as an acquisition of assets by the Group under the Listing Rules. As the highest applicable percentage ratio in respect of the value of the right-of-use asset calculated using the rental component under the Property Leasing Agreement and the Entrusted Renovation Agreement on an aggregated basis pursuant to the Listing Rules is above 0.1% but below 5%, the Company is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company expects that the final aggregate contract sum under the Entrusted Renovation Agreement will not cause the Property Leasing Agreement and Related Agreement to trigger the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. If this is not the case, the Company will comply with the applicable Listing Rules requirements in respect of the Property Leasing Agreement and Related Agreement.

On 19 January 2022, the Company also entered into the “Property Services Management Agreement” with Beiren Equipment, pursuant to which Beiren Equipment will provide property management services for the Target Property during the period when the Company is occupying the Target Property as a tenant, for a period of three years commencing from 1 May 2022 and ending on 30 April 2025. As the highest applicable percentage ratio in respect of the maximum annual cap for the transactions contemplated under the “Property Services Management Agreement” pursuant to the Listing Rules is less than 0.1%, the Company is fully exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the “Property Services Management Agreement”.

VI. INFORMATION ON THE PARTIES

Information on the Company

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.

Information on Beiren Equipment

Beiren Equipment is a state-owned enterprise incorporated in the PRC and is principally engaged in the production of printing machinery, forging equipment, packaging machinery and spare parts for the aforesaid machineries and equipment; catering services; sale of food; sale of machinery and equipment, hardware and electrical appliances, paper products, chemical products (excluding Class I chemicals of toxic nature and dangerous chemicals), rubber products, daily necessities, arts and crafts; technology development, technology consultation, technology transfer, technical services, technical training; import and export of goods, import and export agency, technology import and export; installation and repair of equipment (excluding administrative permitted items); rental of industrial plants; undertaking exhibition and display activities; conference services; property management; catering management; exhibition stand design services; computer graphic design and production; graphic design; environmental art design; design, production, agency and publishing advertisements; leasing of performance equipment; stage design; celebration event planning; motor vehicle parking lots operation and management services; professional contracting; office services.

Information on Jingcheng Machinery Electric

Jingcheng Machinery Electric is a state-owned enterprise incorporated in the PRC and is principally engaged in the licensed scope of operation of Jingcheng Machinery Electric, which includes labour dispatch; operation and management of state-owned assets within 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.

VII. 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 SSE (stock code: 600860)
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Beiren Equipment”	Beijing Beiren Printing Equipment Co., Ltd. (北京北人印刷設備有限公司), a state-owned enterprise incorporated in the PRC
“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 SSE
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the board of directors of the Company
“Entrusted Renovation Agreement”	the Entrusted Renovation Agreement dated 19 January 2022 entered into between the Company and Beiren Equipment
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 HK\$ and listed on the Main Board of the Stock Exchange (stock code: 00187)
“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 state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company
“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
“Property Leasing Agreement”	the Property Leasing Agreement dated 19 January 2022 entered into between the Company as the lessee and Beiren Equipment as the lessor
“Property Leasing Agreement and Related Agreement”	collectively, the Property Leasing Agreement and the Entrusted Renovation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s) of the Company
“Shareholders”	the holders of the Shares
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Property”	the property set out in “ <i>Target Property</i> ” under the section headed “ <i>II. THE PROPERTY LEASING AGREEMENT</i> ” in this announcement
“working day”	a statutory working day in the PRC

“Yichuang Technology”

Beijing Yichuang Technology and Culture Company Limited (北京亦創科技文化有限公司), a state-owned enterprise incorporated in the PRC

“%”

per cent

For and on behalf of the Board

Beijing Jingcheng Machinery Electric Company Limited

Luan Jie

Company Secretary

Beijing, the PRC

19 January 2022

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.