

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS PRODUCT SALE AND PURCHASE FRAMEWORK AGREEMENT

PRODUCT SALE AND PURCHASE FRAMEWORK AGREEMENT

On 16 August 2024, Beijing Tianhai, a wholly-owned subsidiary of the Company, entered into the Product Sale and Purchase Framework Agreement with Shanghai Sunwise, pursuant to which the Beijing Tianhai Group and the Shanghai Sunwise Group will purchase or sell hydrogen energy products from or to each other from time to time.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jingcheng Machinery Electric owns 245,735,052 A Shares of the Company (representing approximately 44.87% of total issued shares of the Company) and is the controlling shareholder of the Company and a connected person of the Company under the Listing Rules. As Jingcheng Machinery Electric holds all the equity interest in Jingcheng Industrial Investment, and, upon the completion of the Shanghai Sunwise Equity Transaction, Jingcheng Industrial Investment will hold not less than 34.58% equity interest in Shanghai Sunwise. Accordingly, Shanghai Sunwise will become an associate of Jingcheng Machinery Electric and a connected person of the Company. Therefore, such Transactions constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the proposed cap amounts for the Transactions pursuant to Rule 14.07 of the Listing Rules are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial adviser's opinion and shareholders' approval requirements.

INTRODUCTION

On 16 August 2024, Beijing Tianhai, a wholly-owned subsidiary of the Company, entered into the Product Sale and Purchase Framework Agreement with Shanghai Sunwise, pursuant to which Beijing Tianhai and Shanghai Sunwise will share resources in the hydrogen energy market and promote each other's products.

PRODUCT SALE AND PURCHASE FRAMEWORK AGREEMENT

The principal terms of the Product Sale and Purchase Framework Agreement are set out below:

- Date** : 16 August 2024
- Parties** : (1) Beijing Tianhai (a wholly-owned subsidiary of the Company)
(2) Shanghai Sunwise
- Term** : From the effective date of the Product Sale and Purchase Framework Agreement to 31 December 2024
- Subject matter** : The Beijing Tianhai Group and the Shanghai Sunwise Group shall purchase or sell hydrogen energy products (including gas cylinders and system integration products, valves and other components, station equipment and other products) from or to each other from time to time. Such products are manufactured by the Beijing Tianhai Group and the Shanghai Sunwise Group.
- Price and payment terms** : The prices of the hydrogen products to be supplied by the Beijing Tianhai Group and the Shanghai Sunwise Group will be determined in accordance with individual product sale and purchase agreement entered into by the parties. The parties will enter into separate sale and purchase agreement(s) based on specific project requirements, in which the specifications, quantities, prices, payment terms and delivery terms will be specified.

The Purchased Products

The fee payable by the Beijing Tianhai Group to the Shanghai Sunwise Group will be determined in accordance with normal commercial terms with reference to the open market price of the relevant products obtained from widely recognised market price websites in the PRC.

Payment for the purchase of hydrogen energy products by the Beijing Tianhai Group from the Shanghai Sunwise Group will be settled by bank telegraphic transfer or other means upon receipt of the relevant products by the Beijing Tianhai Group.

The Beijing Tianhai Group will pay the consideration by its own funds.

Before the Beijing Tianhai Group enters into individual product sale and purchase agreement pursuant to the Product Purchase and Sale Framework Agreement, it will review the price of the Purchased Products supplied by the Shanghai Sunwise Group to the Beijing Tianhai Group and compare the prices with the quotations obtained from other independent third party suppliers (if any) for comparable products of similar quantity and specifications for the same period of time. If the prices or terms of the products obtained by the Beijing Tianhai Group from the Shanghai Sunwise Group are less favourable than the quotations obtained from other independent third party suppliers (if any) for comparable products of similar quantity and specifications for the same period of time, the Beijing Tianhai Group has the right to refrain from entering into the relevant transaction. In the event that there is no other comparable independent third party supplier available in the market, the Beijing Tianhai Group will compare the terms offered by the Shanghai Sunwise Group to the Beijing Tianhai Group with the terms offered by the Shanghai Sunwise Group to independent third party customers (if any) to ensure that the terms offered by the Shanghai Sunwise Group to the Beijing Tianhai Group are no less favourable than those offered by it to independent third party customers.

The Sold Products

The pricing of the Sold Products by the Beijing Tianhai Group to the Shanghai Sunwise Group will be determined in accordance with normal commercial terms with reference to the open market prices of the relevant products obtained from widely recognised market price websites in the PRC.

Payment for the hydrogen energy products purchased by the Shanghai Sunwise Group from the Beijing Tianhai Group will be settled by bank telegraphic transfer or other means upon receipt of the relevant products by the Shanghai Sunwise Group.

Before the Beijing Tianhai Group enters into individual product sale and purchase agreement with the Shanghai Sunwise Group pursuant to the Product Purchase and Sale Framework Agreement, it will review the prices and terms of the products provided by the Beijing Tianhai Group to the Shanghai Sunwise Group and compare them with the price lists of similar products provided by the Beijing Tianhai Group to independent third party customers in Beijing Tianhai Group's transaction database to ensure that the prices and other terms of the sale of the products by the Beijing Tianhai Group to the Shanghai Sunwise Group are not less favourable than those offered by the Beijing Tianhai Group to independent third party customers.

Proposed cap amounts : The proposed cap amounts for the period from the effective date of the Product Sale and Purchase Framework Agreement to 31 December 2024 are RMB50,000,000.

Basis of the proposed cap amounts : The proposed cap amounts are determined after taking into account the following:

1. the business plan of the Beijing Tianhai Group and the estimated quantity and scale of products such as system integration products, valves and other components, station equipment and other products that the Beijing Tianhai Group is required to purchase from the Shanghai Sunwise Group;
2. the estimated quantity and scale of gas cylinders and other products that the Shanghai Sunwise Group is required to purchase from the Beijing Tianhai Group based on the latest demand plan issued by the Shanghai Sunwise Group to the Beijing Tianhai Group;
3. the historical transaction data between the Beijing Tianhai Group and the Shanghai Sunwise Group (2023: approximately RMB22.8 million) and the expectation that there will be significant increase in cooperation opportunities between the Beijing Tianhai Group and the Shanghai Sunwise Group upon the completion of the Shanghai Sunwise Equity Transaction; and
4. the estimated market price of hydrogen energy products.

Validity of the agreement : The Product Sale and Purchase Framework Agreement will become effective upon completion of the Shanghai Sunwise Equity Transaction. The effective date is expected to be September 2024, subject to the date of completion of business registration.

REASONS AND BENEFITS OF ENTERING INTO THE PRODUCT SALE AND PURCHASE FRAMEWORK AGREEMENT

As one of the earliest batch of companies in the PRC to engage in the hydrogen energy equipment business, the Shanghai Sunwise Group has a strong capability to independently develop and industrialise key technologies in the industrial chain of the hydrogen energy sector, and possesses an advantage in research and development and technological reserve to provide hydrogen energy products and services to domestic customers in various aspects such as transportation, decentralised energy and nuclear power, etc., and has gradually achieved domestic production. The Group will further strengthen its upstream and downstream industrial chain synergies to improve its strategic layout in the field of hydrogen energy and create an advantageous effect across the entire industrial chain. At the same time, the Beijing Tianhai Group and the Shanghai Sunwise Group will be entitled to enjoy the right of preferential prices for bulk purchasing from each other.

The products to be purchased by the Beijing Tianhai Group from the Shanghai Sunwise Group pursuant to the Product Sale and Purchase Framework Agreement mainly include system integration products, valves and other components, station equipment and other products. The products to be sold by the Beijing Tianhai Group to the Shanghai Sunwise Group pursuant to Product Sale and Purchase Framework Agreement mainly include gas cylinders and other products. The Shanghai Sunwise Group has technological and product advantages in products such as system integration products, valves and other components, station equipment and other products. Therefore, the purchase of system integration products, valves and other components, station equipment and other products by the Beijing Tianhai Group from the Shanghai Sunwise Group is conducive to the enhancement of the sales of the products of the Beijing Tianhai Group. The Shanghai Sunwise Group does not produce gas cylinders, and thus the sale of gas cylinders and other products by the Beijing Tianhai Group to the Shanghai Sunwise Group pursuant to the Product Sale and Purchase Framework Agreement is a normal business practice of the Beijing Tianhai Group. Accordingly, the purchase of products from the Shanghai Sunwise Group by the Beijing Tianhai Group and the sale of products to the Shanghai Sunwise Group under the Product Sale and Purchase Framework Agreement is conducive to the business development of both parties.

OPINION OF THE BOARD

The Transactions are conducted in the ordinary and usual course of business of the Group, and the Transactions are negotiated on an arm's length basis. The entering into of the Sale and Purchase Framework Agreement and the Transactions are in line with the business strategies of the Group, and it will be beneficial to the future development of the Group and enable the Group to fully utilise its strengths and achieve better operating results. With the internal control measures disclosed below, the terms of the Transactions are on normal commercial terms, in line with prevailing market terms and are no less favourable to the Group than the terms available to or from independent third parties. In view of the reasons and benefits set out above, the Board (including the independent non-executive Directors) considers that the Transactions are conducted in the ordinary course of business of the Group on normal commercial terms or better terms, the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Transactions. Having considered that Mr. Li Junjie, Mr. Wu Yanzhang, Mr. Zhou Yongjun, Mr. Cheng Lei, Mr. Man Huiyong 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. Li Junjie, Mr. Wu Yanzhang, Mr. Zhou Yongjun, Mr. Cheng Lei, Mr. Man Huiyong and Ms. Li Chunzhi have abstained from voting on the Board resolution in relation to the approval of the Product Sale and Purchase Framework Agreement and the Transactions.

INTERNAL CONTROL MEASURES

In accordance with the procurement policy of the Group's procurement department, the Group has maintained a register of qualified suppliers (including independent suppliers and suppliers who are connected persons of the Group). In order to ensure that the Group is provided with the most favourable pricing, the procurement department of the Company reviews two to three qualified suppliers from whom the Group purchases commodities on a monthly basis. Although the Group purchases commodities from the Shanghai Sunwise Group, the Company will also consider products manufactured by other suppliers. The most important criteria for the Company in selecting suppliers are (i) pricing terms; (ii) transportation costs; (iii) quality; and (iv) previous business relationships. The Company generally purchases commodities from suppliers who provide quotations that enable the Company to achieve the highest cost-effectiveness. The Beijing Tianhai Group will strictly enforce the Company's procurement management measures. Based on the demand plan issued by the Beijing Tianhai Group to the Shanghai Sunwise Group, the business personnel of the Beijing Tianhai Group will prepare individual agreements to be entered with the Shanghai Sunwise Group. The persons in charge of the procurement department and the marketing department of the Beijing Tianhai Group will assess the quantity and pricing of the products to be purchased from the Shanghai Sunwise Group in accordance with the demand plan and the pricing policy, respectively. The legal department of the Company will review and ensure that the individual agreements and the transactions contemplated thereunder are in compliance with the relevant laws and regulations, including but not limited to the annual cap requirement under the Listing Rules.

In accordance with the sales system of the Group's sales department, the Group has maintained a register of sales customers (including independent customers and customers who are connected persons of the Group). Although the Group sells commodities to the Shanghai Sunwise Group, the Company will also consider selling products to other customers. The most important criteria for the Company in selecting customers are (i) pricing terms; (ii) payment terms; (iii) delivery terms; (iv) warranty terms and previous business relationship. The Company generally sells commodities to customers who enable the Company to achieve better product margins. The Beijing Tianhai Group will strictly enforce the Company's sales management measures. Based on the demand plan issued by Shanghai Sunwise Group to the Beijing Tianhai Group, the business personnel of the Beijing Tianhai Group will prepare individual agreements to be entered with the Shanghai Sunwise Group. The persons in charge of the sales department and the marketing department of the Beijing Tianhai Group will set the selling price to the Shanghai Sunwise Group based on the quantity and market price of the products to be purchased by the Shanghai Sunwise Group. The legal department of the Company will review and ensure that the individual agreements and the transactions contemplated thereunder are in compliance with the relevant laws and regulations, including but not limited to the annual cap requirement under the Listing Rules.

The Board is of the view that given the implementation of such internal control measures, the pricing provided to the Company is in the interests of the Company and the shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jingcheng Machinery Electric owns 245,735,052 A Shares of the Company (representing approximately 44.87% of total issued shares of the Company) and is the controlling shareholder of the Company and a connected person of the Company under the Listing Rules. As Jingcheng Machinery Electric holds all the equity interest in Jingcheng Industrial Investment, and, upon the completion of the Shanghai Sunwise Equity Transaction, Jingcheng Industrial Investment will hold not less than 34.58% equity interest in Shanghai Sunwise. Accordingly, Shanghai Sunwise will become an associate of Jingcheng Machinery Electric and a connected person of the Company. Therefore, such Transactions constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the proposed cap amounts for the Transactions pursuant to Rule 14.07 of the Listing Rules are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from the circular, independent financial adviser's opinion and shareholders' approval requirements.

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 and trade consultation; import and export of commodities and technology and acting as import and export agency. As at the date of this announcement, the controlling shareholder of the Company is Jingcheng Machinery Electric.

Information on Beijing Tianhai

Beijing Tianhai is principally engaged in production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipment, add-on components, fire extinguishers, fire extinguishing system products and components, gas cylinders for medical equipment, gas cylinders for life rescues, gas cylinders and components for food machineries, gas and wrapped cylinders and components for gas vehicles, gas storage special containers, bundled devices, cryogenic gas cylinders and components, LPG cylinders and components, aluminium cores, aluminium cylinders and components, new enhanced complex materials (complex materials such as carbon fibre, organic fibre and high strength glass fibre) and products, complex gas cylinders (natural gas storage cylinders for vehicles, gas storage cylinders for respirators, containers for water treatment), testing equipment for complex gas cylinders; providing installation, adjustment, maintenance, technical consultancy and technical services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage

and transportation; providing after-sales service and maintenance; import and export of commodities and technology and acting as import and export agency; renting of commercial premises. As at the date of this announcement, Beijing Tianhai is a wholly-owned subsidiary of the Company.

Information on Jingcheng Industrial Investment

Jingcheng Industrial Investment is a company incorporated in the PRC with limited liability. The business scope of Jingcheng Industrial Investment includes projects investment; investment management; assets management; corporate management; corporate management consulting (except intermediary). As at the date of this announcement, Jingcheng Industrial Investment is a wholly-owned subsidiary of Jingcheng Machinery Electric.

Information on Shanghai Sunwise

Shanghai Sunwise is principally engaged in the provision of technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; manufacturing of specialised equipment (excluding manufacturing of permitted professional equipment); manufacturing of instruments and meters; manufacturing of experimental analytical instruments; manufacturing of gas compression machines; manufacturing of general valves and plugs (excluding manufacturing of specialised equipment); manufacturing of pneumatic power machines and components; manufacturing of gas and liquid separation and purification equipment; sales of electronic components and electromechanical components; sales of electrical equipment; retail of hardware products; import and export of commodities and technology; advertising production; advertising design and agency; advertising distribution; and leasing of non-residential properties.

To the best knowledge of the Company, as at the date of this announcement, Mr. Gao Dingyun (高頂雲) is the single largest shareholder of Shanghai Sunwise and directly and indirectly controls approximately 30.53% of the equity interest in Shanghai Sunwise. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Sunwise and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

To the best knowledge of the Company, upon completion of the Shanghai Sunwise Equity Transaction, Jingcheng Industrial Investment will hold not less than 34.58% equity interest in Shanghai Sunwise.

Information on Jingcheng Machinery Electric

As at the date of this announcement, Jingcheng Machinery Electric holds 245,735,052 A Shares of the Company (representing approximately 44.87% of the total issued shares of the Company) and is the controlling shareholder of the Company. Jingcheng Machinery Electric is a state-owned enterprise incorporated in the PRC. The licensed scope of operation of Jingcheng Machinery Electric 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. The ultimate beneficial owner of Jingcheng Machinery Electric is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

DEFINITIONS

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

“A Shares”	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”	has the meaning as ascribed to it under the Listing Rules
“Beijing Tianhai”	Beijing Tianhai Industry Co., Ltd.* (北京天海工業有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Beijing Tianhai Group”	Beijing Tianhai and its subsidiaries
“Board”	the board of Directors
“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”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“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 Hong Kong dollars and listed on the Main Board of the Stock Exchange (stock code: 00187)
“Jingcheng Industrial Investment”	Beijing Jingcheng Machinery Electric Industrial Investment Co., Ltd.* (北京京城機電產業投資有限公司), a company established in the PRC and a wholly-owned subsidiary of Jingcheng Machinery Electric
“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 established 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
“Product Sale and Purchase Framework Agreement”	the product sale and purchase framework agreement dated 16 August 2024 entered into between Beijing Tianhai and Shanghai Sunwise
“Purchased Products”	the products to be purchased by Beijing Tianhai Group from Shanghai Sunwise Group pursuant to the Product Sale and Purchase Framework Agreement, mainly including system integration products, valves and other components, station equipment and other products
“RMB”	Renminbi, the lawful currency of the PRC
“Sold Products”	the products to be sold by Beijing Tianhai Group to Shanghai Sunwise Group pursuant to the Product Sale and Purchase Framework Agreement, mainly including gas cylinders
“Shanghai Sunwise”	Shanghai Sunwise Energy Systems Co., Ltd.* (上海舜華新能源系統有限公司), a company established in the PRC
“Shanghai Sunwise Group”	Shanghai Sunwise and its subsidiaries and associates (as the case may be)

“Shanghai Sunwise Equity Transaction”	the proposed transaction to acquire not less than 34.58% equity interest in Shanghai Sunwise by Jingcheng Industrial Investment by way of equity transfer and capital injection, the details of which are disclosed in the circular of the Company dated 31 May 2024
“Shares”	the shares of the Company, including A Shares and H Shares unless otherwise specified
“Shareholder(s)”	the shareholders of the Company
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Product Sale and Purchase Framework Agreement
“%”	per cent

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
16 August 2024

As at the date of this announcement, the Board comprises Mr. Zhang Jiheng as executive director, Mr. Li Junjie, Mr. Wu Yanzhang, Mr. Zhou Yongjun, Mr. Cheng Lei, Mr. Man Huiyong and Ms. Li Chunzhi as non-executive directors, and Ms. Chen Junping, Mr. Zhao Xuguang, Mr. Liu Jingtai and Mr. Luan Dalong as independent non-executive directors.

* *For identification purposes only*