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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)**

**CONTINUING CONNECTED TRANSACTION**  
**FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

The Group has been carrying on transactions pursuant to the 2014 Finance Lease Agreement which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions under the 2014 Finance Lease Agreement were disclosed in the announcement of the Company dated 3 March 2014. The 2014 Finance Lease Agreement has expired on 31 December 2014, and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under the 2014 Finance Lease Agreement from time to time in 2015.

On 11 August 2015, the Finance Lease Cooperation Framework Agreement was entered into between Tianhai Industrial and Jingcheng International Financial pursuant to which Tianhai Industrial would sell and Jingcheng International Financial would purchase the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers.

As at the date of this announcement, Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Jingcheng International Financial is 75% owned by Jingcheng Holding. Accordingly, Jingcheng International Financial is a connected person of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Finance Lease Cooperation Framework Agreement, on an annual basis exceed 0.1% but do not exceed 5%, the Finance Lease Cooperation Framework Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Group has been carrying on transactions pursuant to the 2014 Finance Lease Agreement which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions under the 2014 Finance Lease Agreement were disclosed in the announcement dated 3 March 2014. The 2014 Finance Lease Agreement has expired on 31 December 2014, and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under the 2014 Finance Lease Agreement from time to time in 2015.

## **FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT**

### **Date:**

11 August 2015

### **Parties:**

- (1) Tianhai Industrial as vendor
- (2) Jingcheng International Financial as purchaser

### **Subject matter:**

Jingcheng International Financial will purchase and Tianhai Industrial will sell the Products for the purpose of providing finance leases by Jingcheng International Financial to Sales Customers for a term of one year commenced on 1 January 2015 and expiring on 31 December 2015. Tianhai Industrial will refer potential Sales Customers to Jingcheng International Financial.

For each individual transaction under the Finance Lease Cooperation Framework Agreement, Tianhai Industrial and Sales Customers will enter into a written individual sale and purchase agreement (“**Individual SPA**”) and Jingcheng International Financial and Sales Customers will enter into a finance lease agreement (“**Finance Lease**”). Upon the entering into the Individual SPA and Finance Lease, Tianhai Industrial will provide after-sales services, repair and maintenance services of the Products to the Sales Customers. The after-sales service expenses of the Products which arise from the quality problems relating to the equipment within the quality assurance period will be borne by the Group, and the after-sales service expenses after the quality assurance period will be borne by Sales Customers. All the terms and conditions (including the purchase price, purchase quantity, product specification and requirements, interest rate and commission fees) are agreed separately between the Group and Sales Customers or Jingcheng International Financial and Sales Customers, depending on the needs and requirements of the Sales Customers. Jingcheng International Financial has entrusted the Group to negotiate all the terms and

conditions in respect of equipment with Sales Customers, and Jingcheng International Financial would negotiate with Sales Customers the terms and conditions in respect of the finance lease and the parties would sign a tripartite agreement.

### **Prices, annual cap and basis of determination**

#### **Historical amounts:**

The annual cap of the transactions between Tianhai Industrial and Jingcheng International Financial which is of a nature similar to the transactions under the 2014 Finance Lease Agreement in respect of the year ended 31 December 2014 was RMB29,000,000 and the historical amount was RMB12,828,900.

#### **Proposed annual cap and basis of determination for annual cap:**

Prices of the Products contemplated under the Finance Lease Cooperation Framework Agreement will be within the range of RMB300,000 – RMB4.5 million, among the other Products to be sold in 2015, the Group will mainly focus on selling LNG storage tanks, the prices of LNG storage tank will be within the range of RMB3 million – RMB4.5 million with the final prices of the Products being cost of the Products plus profit margin of 7%-21% as determined by Tianhai Industrial.

The annual cap of the continuing connected transactions contemplated under the Finance Lease Cooperation Framework Agreement for one year ending 31 December 2015 is estimated to be RMB29,000,000. From 1 January 2015 to the date of this announcement, there was no transaction under the Finance Lease Cooperation Framework Agreement, therefore there was no continuing connected transaction of the Company under the Listing Rules.

The above prices and annual cap are determined with reference to the volume of historical transactions of finance leases, the expected demand from local ship owners for LNG tanks after a detailed market research and customer's visits and the Group's production capacity in 2015, both parties formulated the annual cap of Finance Lease Cooperation Framework Agreement according to the national laws, regulations and requirements of financial policy. Pursuant to the operating conditions, financial conditions and risk criteria of both parties, the Products sold by the Group is integrated equipment, the prices of the Products varies depending on the needs and requirements of Sales Customers. Besides, since the agreements to be signed by Sales Customers and Jingcheng International Financial have different terms, which will lead to difference in tax rates and the prices thus will be different. i.e. "bargain per order" will be implemented.

The Products involved in the connected transactions last year were mainly LNG gas cylinders and gas stations, the unit price of such products ranged from RMB0.3 million to RMB2 million. The amount of transactions for LNG storage tanks last year was RMB173,265,059, such transactions did not involve finance lease arrangement and were carried out independent of the 2014 Finance Lease Agreement. As the PRC government policy encouraged the use of clean energy, the Directors expect the demand for LNG storage tanks will increase, and the price will range from RMB3 million to RMB4.5 million, representing a significant increase as compared with the price in the previous year. In 2015, the Company is optimistic about the development of LNG storage tank. The Group is currently in negotiation with

a number of shipyards for potential cooperation, based on an invitation sent by certain PRC energy company to the Group to discuss on the potential cooperation to help Sales Customer transform oil-powered vessels into LNG-powered vessels and the Group's existing production capacity, it is expected that more than 90 LNG storage tanks can be sold in 2015. Since Sales Customers do not have sufficient financial resources to purchase the Products, the Company would recommend the Sales Customers to Jingcheng International Financial to arrange finance lease under the Finance Lease Cooperation Framework Agreement, Sales Customers are then able to obtain funding under the arrangement of the Finance Lease Cooperation Framework Agreement for purchase of the Products, in order to boost sales of the products and considering that the Finance Lease Cooperation Framework Agreement can avoid the loss of customers due to funding problem. During the course of communication process with potential customers, some of them may select to cooperate with other finance leasing companies due to various factors, it is expected that the number of LNG storage tanks using Jingcheng International Financial to launch business to be 4 to 8 in 2015, after careful judgment by the Group, it is expected that the amount for the transactions under the Finance Lease Cooperation Framework Agreement in 2015 will be RMB29,000,000.

### **Payment terms of the Products**

After the conditions are fulfilled under the Individual SPA and Finance Lease, Jingcheng International Financial shall pay 95% of purchase price as stipulated in the Individual SPA to Tianhai Industrial within 5 working days from the date of delivery of the Products by bank wire. Jingcheng International Financial shall pay the remaining 5% of such purchase price to Tianhai Industrial within 5 working days from the date of termination of the Finance Lease by bank wire. The term of Finance Lease generally will not exceed 3 years. If Sales Customers cannot fulfill the payment terms of the Finance Lease to Jingcheng International Financial, Jingcheng International Financial will bear all the losses, all the subsequent matters relating to payment will be dealt by Jingcheng International Financial in its sole discretion, and have no impact on the Group.

The Products pricing process of the Company is as follows: the sales associates will obtain the latest market information and submit an integrated price quotation application to the sales representative for review. The technical department, quality department, production department, supply department and other relevant departments will verify the pricing data for the Products. And the representative of the Finance Department will gather cost information of the Products and initially approve the prices. The marketing representative will determine the Products prices according to the market conditions and the state of affairs of the competitors. Upon the approval from the marketing manager, the Products prices will then pass to the general manager for approval based on the Company's strategic development. As the Products sold by the Company is integrated equipment, the prices for the transactions of the agreements vary depending on the needs and requirements of the Sales Customers and the terms of the agreements signed by the Sales Customers and Jingcheng International Financial. Therefore, "bargain per order" will be implemented for the formulation of the agreements according to the operating conditions, financial conditions and risk criteria. And the final prices of the Products being cost of the Products plus profit margin of 7%-21% as determined by Tianhai Industrial. So far as the Board is aware, it is a market practice to adopt this pricing method, and same pricing basis is applied to all customers of the Company, including the Sales Customers who are independent third parties customers. Therefore, the Board considers that the pricing terms under the Finance Lease Cooperation Framework Agreement are

on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The product pricing process is divided into application, review, collection of pricing data, pricing data verification, pricing and approval, etc. There is staff involved in each approval process and signatures are required accordingly. The Company's legal department will review and ensure the individual agreements and transactions contemplated thereunder comply with the relevant laws and regulations, including but not limited to, the annual cap requirement under the Listing Rules.

### **Reasons for and benefits of entering into the Finance Lease Cooperation Framework Agreement**

Some of the Group's customers are unable to make full payment for the Products to the Group due to funding problems, in order to settle the Group's account receivables, Tianhai Industrial is responsible for recommending lease sales customers to Jingcheng International Financial, after Jingcheng International Financial has reviewed whether it complies with the conditions of the Finance Lease, the parties would sign a tripartite agreement, such arrangement not only expands the product sales and business development of the Group, but also enlarges the market share of the products and enhances the efficiency of working capital, thereby fosters the long-term and sustainable development of the Group.

The Directors (including the independent non-executive Directors) consider that transactions under the Finance Lease Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and both the relevant transactions and the annual cap as set out above are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors had material interest in respect of the Finance Lease Cooperation Framework Agreement. However, in view of good corporate governance practices, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan being directors nominated by Jingcheng Holding, had abstained from voting in the relevant Board resolutions approving the Finance Lease Cooperation Framework Agreement.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Jingcheng Holding is a controlling shareholder of the Company holding approximately 42.80% interest in the Company. Jingcheng International Financial is 75% owned by Jingcheng Holding. Accordingly, Jingcheng International Financial is a connected person of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Finance Lease Cooperation Framework Agreement, on an annual basis exceed 0.1% but do not exceed 5%, the Finance Lease Cooperation Framework Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## GENERAL

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

Jingcheng International Financial is principally engaged in financial leasing, leasing, purchase of leased property from domestic and overseas sellers, treatment of residual value of leased property and maintenance of leased property; consultation and warranty on leasing transactions.

Authorised scope of operation of Tianhai Industrial: production of gas cylinders, accumulator shells, pressure vessels and auxiliary equipments, 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, aluminum cores, 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, production of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading); general logistics (road transport licenses valid until 7 May 2016).

General scope of operation of Tianhai Industrial: providing installation, adjustment, maintenance, technical consultancy and services of self-production products; sales of self-production products; wholesale of cryogenic containers for storage and transportation; providing after-sales service and maintenance; design and sale of compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; sale of machinery equipment and electrical equipment; equipment maintenance; technical consultancy and technical services; import and export of commodities and technology and acting as import and export agency; professional contractor.

Jingcheng Holding is an enterprise in the equipment manufacturing industry. Its main business segments include digitally-controlled machine tool segment, gas storage and transportation segment, printing machinery segment, environmental protection business segment, engineering machinery segment, thermal power generation segment, new energy segment, switch business segment, wire and cable segment, electrical and mechanical business segment, logistics business segment and lease financing business.

## DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following terms shall have the meaning set out below:–

|   |  |
|---|--|
| “2014 Finance Lease Agreement”                  | the agreement dated 3 March 2014 entered into between Tianhai Industrial and Jingcheng International Financial for a term from 1 January 2014 to 31 December 2014 in relation to finance leasing, details of which are disclosed in the announcement of the Company dated 3 March 2014 |
| “Board”   | the board of Directors   |
| “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                                   |
| “connected person(s)”                           | has the meaning as ascribed to it under the Listing Rules  |
| “controlling shareholder”                       | has the meaning as ascribed to it under the Listing Rules  |
| “Directors”                                     | the directors of the Company   |
| “Finance Lease Cooperation Framework Agreement” | the agreement (融資租賃雙方合作框架協議) entered into between Tianhai Industrial and Jingcheng International Financial dated 11 August 2015, particulars of which are set out in the section headed “Finance Lease Cooperation Framework Agreement”  |
| “Group”   | the Company and its subsidiaries   |
| “Jingcheng Holding”                             | 北京京城機電控股有限責任公司 (Beijing Jingcheng Machinery Electric Holding Co., Ltd.), a company incorporated in the PRC and holding 42.80% interests in the Company   |
| “Jingcheng International Financial”             | 北京京城國際融資租賃有限公司 (Beijing Jingcheng International Financial Leasing Co., Ltd.), a company incorporated in the PRC and is 75% owned by Jingcheng Holding  |
| “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 and Taiwan  |
| “Products”                                      | traditional industrial gas cylinders, CNG gas cylinders, LNG gas cylinders, LNG storage tanks, gas stations and other products   |

|                      |   |
|----------------------|---|
| “RMB”                | Renminbi, the lawful currency of the PRC  |
| “Sales Customers”    | customers referred to Jingcheng International Financial from Tianhai Industrial pursuant to the Finance Lease Cooperation Framework Agreement |
| “Stock Exchange”     | The Stock Exchange of Hong Kong Limited   |
| “Tianhai Industrial” | 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a limited liability company established in the PRC and is 100% owned by the Company          |
| “%”                  | per cent  |

For and on behalf of the Board  
**Beijing Jingcheng Machinery Electric Company Limited**  
**Jiang Chi**  
*Company Secretary*

Beijing, the PRC, 11 August 2015

*As at the date of this announcement, the board of directors of the Company comprises Mr. Hu Chuanzhong, Mr. Li Junjie, Ms. Liu Zhe and Ms. Jiang Chi as executive directors, Mr. Zhou Yongjun, Ms. Jin Chunyu and Mr. Fu Hongquan as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.*

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*