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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)

**POTENTIAL DISPOSAL OF PROPERTY ASSETS OF
LANGFANG TIANHAI THROUGH PUBLIC TENDER**

POTENTIAL DISPOSAL OF PROPERTY ASSETS OF LANGFANG TIANHAI

The Board announces that Langfang Tianhai, a subsidiary of the Company, proposes to dispose of the Property Assets of Langfang Tianhai by means of transfer through the Public Tender. The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through the CBEX. According to the rules and regulations of the CBEX, the successful bidder is required to enter into an Asset Transaction Agreement with the Company.

The Minimum Consideration, being the initial bidding price for the Property Assets of Langfang Tianhai, is RMB175,123,000. The Minimum Consideration is based on the results of the Valuation Report. Shareholders should note that the Consideration will depend on the final bid price and in any event not less than the Minimum Consideration.

IMPLICATIONS UNDER THE LISTING RULES

Using the Minimum Consideration as the basis of calculation, the relevant percentage ratios calculated under the Listing Rules in respect of the Potential Disposal is more than 5% but less than 25%. Thus, the Potential Disposal may constitute a discloseable transaction of the Company and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. The Company expects that the Potential Disposal, if materialized, may constitute a notifiable transaction of the Company subject to approval of the Shareholders under Chapter 14 of the Listing Rules. The Board has resolved to convene an extraordinary general meeting for considering the resolution in relation to the Potential Disposal, a notice of extraordinary general meeting and a circular will be despatched to the Shareholders in due course.

The Company will make further announcement(s) in relation to the Potential Disposal as and when appropriate and in compliance with applicable requirements under the Listing Rules.

As the Potential Disposal may or may not materialize, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Board announces that Langfang Tianhai, a subsidiary of the Company, proposes to dispose of the Property Assets of Langfang Tianhai by means of transfer through the Public Tender. The Property Assets of Langfang Tianhai are buildings with gross floor area of 45,045.80 sq.m., located in the factory zone at No.18, Yaohua Road, Economic and Technological Development Zone, Langfang City, the PRC. The buildings are built in two phases. Construction of Phase I completed in the end of 2008 and August 2009, respectively. Phase I mainly comprises 1# main factory building, warehouses for finished products, air compression station, common chemical liquid rooms, circulating pump rooms, oil depots, gate keeper's room 1#, gate keeper's room 2#, loadometer room, office building, dining rooms, Phase I roads and Phase I external pipeline network, and among which, the loadometer room was demolished as of the base date for valuation. Construction of Phase II completed in June 2012. Phase II comprises 2# main factory building, Phase II roads and Phase II external pipeline network. Among which, 1# main factory building, 2# main factory building, warehouses for finished products, air compression station and common chemical liquid rooms were built using steel for building structure; office building, dining rooms, sewage disposal station, circulating pump rooms, oil depots, gate keeper's room 1#, gate keeper's room 2# and loadometer room were built using concrete and masonry for building structure. Production rooms in the buildings are 1# factory building and 2# factory building while others are production support services room. Water supply, electricity and heat supply are provided in the office building and factory buildings. Property ownership certificates are Lang Kai Zi No. 05020, No. 05021, No. 05022, and No. 05023 of Langfang's property ownership certificate as well as Lang Kai Zi No. H5741 of Langfang's property ownership certificate. As for land assets, the land use right area is 62,946.02 sq.m. with a land use right certificate of Lang Kai Guo Yong (2007) No. 119.

The Company is a State-controlled listed company and the disposal of its State-controlled assets is required to undergo the process of public tender through an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-controlled assets. The Potential Disposal will be carried out through the CBEX. According to the rules and regulations of the CBEX, the successful bidder is required to enter into an Asset Transaction Agreement with the Company.

THE PUBLIC TENDER

Qualifications of Potential Bidders

The potential bidders shall satisfy, including but not limited to, the following descriptions and qualifications:

1. a potential bidder must be a validly existing enterprise or a natural person; and
2. a potential bidder must have sound financial capability for payment.

Date and Procedures of the Public Tender

The Company intends to submit the tender notice to the CBEX before the end of September 2017 after the Shareholders have passed the relevant resolution at the extraordinary general meeting.

The Publication Period will be within 20 Working Days from the date of the tender notice. During the Publication Period, qualified bidders may indicate their intention to purchasing the Property Assets of Langfang Tianhai and register themselves as interested bidders. Upon the expiry of the Publication Period, the CBEX will notify the Company of the identity of the successful bidder.

Within 3 Working Days upon the notification of the successful bidder by the CBEX, the Company is required to enter into the Asset Transaction Agreement with such successful bidder.

As at the date of this announcement, material information of the Asset Transaction Agreement including the bidder, final Consideration, payment, delivery and transfer time have not been determined. The Company will enter into the Asset Transaction Agreement upon confirmation of the successful bidder and perform its relevant approval procedures and information disclosure obligations. As at the date of this announcement, no asset transfer agreement has been entered into between the Company and any other party in relation to the Potential Disposal.

Consideration

The Minimum Consideration, being the initial bidding price for the Property Assets of Langfang Tianhai, is RMB175,123,000. The Minimum Consideration is based on the results of the Valuation Report issued by an independent valuer, China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司), in respect of the Property Assets of Langfang Tianhai using cost approach on 31 March 2017, being the base date for valuation. Such valuation results have not been approved by the SASAC and the final report will be subject to the approval of the SASAC. Shareholders should note that the Consideration will depend on the final bid price and in any event not less than the Minimum Consideration.

According to the transaction rules of the CBEX, in principle, the Consideration shall be paid in one instalment.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

The Potential Disposal is beneficial to the implementation of the Company's strategies for transformation, upgrade and development, activation of inventory and assets, as well as to the effective utilization of capitals, which helps increase revenue of the Company and facilitates the sustainable development of the Company.

The Directors are of the view that the transaction contemplated under the Potential Disposal will be on normal commercial terms which is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Minimum Consideration, being the initial bidding price for the Property Assets of Langfang Tianhai, is RMB175,123,000. The Minimum Consideration is based on the results of the Valuation Report. Shareholders should note that the Consideration will depend on the final bid price and in any event not less than the Minimum Consideration.

Using the Minimum Consideration as the basis of calculation, the relevant percentage ratios calculated under the Listing Rules in respect of the Potential Disposal is more than 5% but less than 25%. Thus, the Potential Disposal may constitute a discloseable transaction of the Company and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. The Company expects that the Potential Disposal, if materialized, may constitute a notifiable transaction of the Company subject to approval of the Shareholders under Chapter 14 of the Listing Rules. The Board has resolved to convene an extraordinary general meeting for considering the resolution in relation to the Potential Disposal, a notice of extraordinary general meeting and a circular will be despatched to the Shareholders in due course. The Company will make further announcement(s) in relation to the Potential Disposal as and when appropriate and in compliance with applicable requirements under the Listing Rules.

GENERAL

The Company

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

Langfang Tianhai

Major business scope of Langfang Tianhai: design and manufacture of B1 seamless gas cylinders (steel seamless gas cylinders only) and B3 special gas cylinders (compressed natural gas steel cylinders for vehicles and steel liner hoop-wrapped CNG cylinder for vehicles only) and sales of the Company's self-manufactured products (other than commodities and technologies being restricted or prohibited to operate, import or export by the State).

The unaudited net asset value of the Property Assets of Langfang Tianhai is RMB128,259,592.06 as at 31 March 2017.

Risk Disclosure

There still exists uncertainty in the transaction price of the Potential Disposal. Pursuant to relevant requirements of transfer of State-owned assets through public tender, the Company will adjust the tender price based on the actual situation and handle relevant subsequent matters.

As the Potential Disposal may or may not materialize, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Asset Transaction Agreement”	an asset transaction agreement (產權交易合同) to be entered into between the Company and the successful bidder of the Public Tender according to the rules and regulations of the CBEX
“Board”	the board of Directors
“CBEX”	北京產權交易所有限公司 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of the PRC
“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
“Consideration”	the purchase price of Property Assets of Langfang Tianhai
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Langfang Tianhai”	廊坊天海高壓容器有限公司 (Langfang Tianhai High Pressure Containers Co., Ltd.), a company incorporated in the PRC with limited liability and is 82.0842% owned by 北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.) (“Beijing Tianhai”), a wholly-owned subsidiary of the Company. After the base date for valuation, Mr. Wu Shouzong, a shareholder of Langfang Tianhai, transferred 4.87% equity interest in Langfang Tianhai to Beijing Tianhai at nil consideration and such equity transfer is currently under process. Upon completion of such equity transfer, Beijing Tianhai will hold 86.954% equity interest in Langfang Tianhai
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	the initial bidding price of approximately RMB175,123,000, which is the appraised value of Property Assets of Langfang Tianhai based on the Valuation Report
“Potential Disposal”	the potential disposal of Property Assets of Langfang Tianhai

“PRC” or “State”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property Assets of Langfang Tianhai”	the buildings with gross floor area of 45,045.80 sq.m. and a land use right area of 62,946.02 sq.m., located in the factory zone at No.18, Yaohua Road, Economic and Technological Development Zone, Langfang City, the PRC held by Langfang Tianhai
“Public Tender”	the public tender for the Potential Disposal through the CBEX
“Publication Period”	the publication period for the Public Tender during which qualified bidders may indicate their intention to purchasing the Property Assets of Langfang Tianhai and register as interested bidders
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the Beijing Municipality
“Shareholders”	the shareholders of the Company
“sq.m.”	square meters
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Valuation Report”	the asset valuation report of the proposed transfer of self-owned buildings and land use rights by Langfang Tianhai High Pressure Containers Co., Ltd. prepared by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) (Zhong Tong Hua Ping Bao Zi (2017) No. 345) in respect of the Property Assets of Langfang Tianhai on 31 March 2017, being the base date for valuation
“working day(s)”	a day other than Saturday, Sunday and statutory holiday in the PRC, on which commercial banks in the PRC are open for normal business
“%”	percent

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

Beijing, the PRC
21 July 2017

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Li Junjie, and Mr. Zhang Jiheng as executive Directors, Mr. Du Yuexi, Mr. Xia Zhonghua, Ms. Jin Chunyu and Ms. Li Chunzhi as non-executive Directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive Directors.