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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)

**ANNOUNCEMENT IN RELATION TO THE EXPECTED LOSS IN
THE RESULTS OF 2013 AND DELISTING RISK WARNING**

The board of directors of the Company and all members of the board warrant that this announcement does not contain any false information, misleading statement or material omission and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein contained.

I. Forecasts on the financial results for the current period

1. Financial period: 1 January 2013 to 31 December 2013
2. Forecasts on financial results: Upon the preliminary calculation of the Company's financial department, the Company is expected to record loss in operating results and realize net profit attributable to the shareholders of the Company of RMB-105,000,000 to RMB-110,000,000 (among which the net profit of outgoing assets was approximately RMB-60,000,000 and the net profit of incoming assets was RMB-45,000,000 to RMB-50,000,000) in 2013. The Company estimated that the profits of incoming assets in 2013 did not attain 50% of the profit forecast figures under the material asset reorganization.
3. Such forecasts on the financial results have not been audited by a certified public accountant.

II. Financial results for the corresponding period of last year

1. Net profit attributable to the shareholders of the Company: RMB-168,358,026.72
2. Earnings per share: RMB-0.40

III. The major reasons for the loss in financial results of the current period

- (1) Reasons for the loss in outgoing assets under the material asset reorganization for the period from January to October

The material asset reorganization project of Beijing Jingcheng Machinery Electric Company Limited (the “Company”) has been unconditionally approved by the Review Committee for Merger, Acquisition and Reorganisation of Listed Companies of the China Securities Regulatory Commission (the “CSRC”) on 21 January 2013 and received the approval from the CSRC on 26 September 2013. On 31 October 2013, the Company entered into an asset delivery agreement with Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Jingcheng Holding”) and Beiren Group Corporation. As the printing business of the Company, an outgoing asset, was affected by the internet and the multi-media, the business operation has always been suffering from loss. Such delay in material asset reorganization resulted in the loss in outgoing asset from January to October to be included in the consolidated statement of the Company in 2013.

- (2) Reasons for the loss in incoming assets under the material asset reorganization for the period from January to December

1. The smaller price difference of oil and natural gas affects the profitability of natural gas cylinder products

In 2013, the oil price experienced numerous adjustments and did not go up as expected. As the reform of natural gas price in China progressed gradually, the natural gas price is on an apparent rising trend. As the difference in price between oil and natural gas became smaller, the promotion and application of natural gas automobile lost its economic support and slowed down substantially. Consequently, the main products of Beijing Tianhai Industry Co., Ltd. (“Tianhai Industrial”) did not reach the expected sales target.

2. The fluctuation of downstream industries affects the profitability of traditional industrial gas cylinder products

In 2013, due to the decline in industries which are the main users of industrial gas, such as smelting, shipbuilding and construction, the market demand for industrial gas is on a declining trend. This resulted in an overcapacity of industrial steel seamless gas cylinders and increasing competition in the market of traditional industrial steel seamless gas cylinders. Consequently, Tianhai Industrial’s traditional gas cylinder business recorded a decrease in financial results.

3. Effects of the fluctuation in the profits of Jingcheng Compressor

With the weak economic growth in 2013, as the volume of production of Beijing Jingcheng Compressor Co., Ltd.'s ("Jingcheng Compressor") newly introduced series of products such as 2D10 and 4M10 piston compressors is relatively low, the cost is relatively high and the overall gross profit margin of Jingcheng Compressor was greatly reduced. Its investee company, Beijing Fusheng Machine Co., Ltd. also faced similar operational difficulties. Its net profit in 2013 dropped significantly which had a large impact on the investment revenue and net profit of Jingcheng Compressor.

4. Effects of the implementation of anti-dumping and countervailing of the United States

According to the final judgment by the United States International Trade Commission on the anti-dumping and countervailing investigation of high pressure steel cylinders made in China in May 2012, a 15.81% anti-dumping duty and a 6.62% countervailing duty will be imposed on part of Tianhai Industrial's steel seamless gas cylinders products with DOT standard exported to the United States. Although Tianhai Industrial implemented a series of measure, for example, changing production to products with UNISO standard, it takes time for customers in the United States to accept such changes. There has been no large-scale sales of the new products as yet and products exported to North America did not reach the expected number.

5. Tianhai Industrial could not sell the college student apartment as scheduled

As the transaction of the sale of college student apartment reviewed and approved in the Board meeting on 31 October 2013 was subject to the requirement that the related shareholders' meeting shall be held 45 days after an A+H-share company issued a notice, the shareholders' meeting regarding such transaction was not held until 16 December. Due to time constraint, the changes of relevant title documents were not completed in 2013. Therefore, the revenue from such sale of college student apartment could not be recognized in 2013 as planned.

IV. Others

- (1) The above data is based on preliminary calculation only. The concrete financial data is subject to the audited annual report of 2013 duly disclosed by the Company. Investors are advised to pay attention to the investment risks.
- (2) According to the relevant requirements under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, if the Company suffered from loss in 2013, the Company will have incurred losses for two consecutive years and the A shares of the Company will be subject to delisting risk warning upon the disclosure of the 2013 annual report. Investors are advised to pay attention to the investment risks.

- (3) Beijing Jingcheng Machinery Electric Holding Co., Ltd., the substantial shareholder of the Company, upholding the principles in maintaining the stability of capital markets, protecting the interests of small and medium-sized investors and supporting the healthy and continuous development of listed companies, proactively decided to make corresponding compensation to the Company (For more details, please refer to the announcement 2014-004 in relation to the compensation made by the substantial shareholder for the loss of incoming assets and amount not attaining profit forecasts in 2013).

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

28 January 2014

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Pingsheng, Mr. Hu Chuanzhong, Mr. Wu Yanzhang, Mr. Li Junjie and Ms. Jiang Chi as executive directors, Mr. Jiang Zili and Ms. Wu Dongbo as non-executive directors and Mr. Zhang Shuangru, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as independent directors.