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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 COMPENSATION RECEIVED
FROM THE SUBSTANTIAL SHAREHOLDER**

The board of directors of the Company (the "Board") 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.

On 1 September 2014, Beijing Jingcheng Machinery Electric Company Limited (the "Company") received from the substantial shareholder, Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding") the remaining compensation amount of RMB50,079,895.14 for the loss from incoming assets and for not attaining the profit forecast amount of incoming assets in 2013 ("Compensation Amount").

According to the undertaking made by Jingcheng Holding, "Jingcheng Holding will pay for 50% of total compensation amount in cash within 10 trading days from the publication of the 2013 annual report of the Company and pay the remaining 50% of the total amount after six months." According to the audited financial report of the Company for the year 2013, Jingcheng Holding's Compensation Amount should be RMB100,159,790.29. On 10 April 2014, the Company received the first installment of Compensation Amount from Jingcheng Holding in an amount of RMB50,079,895.15. For details, please refer to the Company's announcements "Announcement in relation to the compensation received from the substantial shareholder" published on the website of the Shanghai Stock Exchange and HKExnews website on 10 April 2014, and Shanghai Securities News and Securities Daily published on 11 April 2014

As at the date of this announcement, total Compensation Amount (i.e. RMB100,159,790.29) made by Jingcheng Holding was credited into the Company's account.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 1 September 2014

As at the date of this announcement, the Board comprises Mr. Hu Chuanzhong, Mr. Li Junjie, Mr. Wu Yanzhang, and Ms. Jiang Chi as executive directors, Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.