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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)

**SPECIFIC COMMENTS OF THE BOARD IN RESPECT OF THE SPECIFIC EFFECT
AND EXPLANATION IN RESPECT OF ACCOUNTING STANDARDS OF BUSINESS
ENTERPRISES NO. 9 —EMPLOYEE COMPENSATION ON THE COMPANY WHICH
COULD NOT BE DISCLOSED IN THE “THIRD QUARTERLY REPORT OF THE
COMPANY FOR THE YEAR 2014” FOR THE TIME BEING**

In the “Third Quarterly Report of the Company for the year 2014” and “Resolution in respect of the implementation of new or revised Accounting Standards of Business Enterprise by the Ministry of Finance”, a qualitative analysis and explanation on the effects of Accounting Standards of Business Enterprises No. 9 —Employee Compensation to the Company was made: since defined benefit plan required quantitative measure, some subsidiaries of the Company have to appoint professional institutions to perform actuarial work, and no quantitative adjustment data could be provided for the time being. Therefore, specific effects in respect of the post-employment benefits to the amount at the beginning of the period of the Company and financial statements for the current period could not be disclosed in the third quarterly report of the Company for the year 2014 for the time being. But after preliminary estimation, it was expected that such retrospective adjustment data has no material effects on the financial conditions and operating results of the Company for the current period.

The second extraordinary general meeting of the eighth session of the board of directors the Company seriously considered and approved the report and resolution mentioned above, and concluded after analysis that: the Company should implement relevant regulations of the Ministry of Finance in a practical and standardized way, and should work on the information disclosure in a timely manner. But given the large number of employees of the Company, many variable factors, and the defined benefit plan required quantitative measure of professional institutions, therefore, “specific amounts affected and explanation in respect of Accounting Standards of Business Enterprises No. 9 —Employee Compensation on the Company could not be disclosed for the time being” are in line with the Company’s objective circumstances. Based on this, the board of directors of the Company agreed the relevant analysis and explanation of the “Third quarterly report of the Company for the year 2014”, and relevant departments and enterprises under the Company were required to strictly comply with the regulations and internal

control, maintain in close contact with the accounting firm of annual audit to carry out relevant work smoothly and orderly, to ensure supplemental disclosure to be made in the “Annual Report of the Company for the year 2014” in a timely manner.

The Board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 30 October 2014

As at the date of this announcement, the board of directors of the Company 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 Mr. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.