

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**MAJOR TRANSACTION AND
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.

The Group has also carried on transactions in relation to the provision of finance leasing from time to time which constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and individual agreements have been entered into in respect of such transactions. It is expected that the Group will continue to enter into transactions of a similar nature from time to time in 2015.

On 15 January 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 47.78% 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 are more than 25% but less than 75%, the Finance Lease Cooperation Framework Agreement constitutes (i) a major transaction of the Company and is subject to the notification, announcement and shareholders' approval at general meeting requirements under Chapter 14 of the Listing Rules; and (ii) a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, inter alia, details of (i) further information on the Finance Lease Cooperation Framework Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement; and (iv) a notice convening the EGM is expected to be despatched to the shareholders of the Company on or about 5 February 2015.

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.

The Group has also carried on transactions in relation to the provision of finance leasing from time to time which constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and individual agreements have been entered into in respect of such transactions. It is expected that the Group will continue to enter into transactions of a similar nature from time to time in 2015.

FINANCE LEASE COOPERATION FRAMEWORK AGREEMENT

Date:

15 January 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 commencing 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 shall enter into a written individual sale and purchase agreement (“**Individual SPA**”) and Jingcheng International Financial and Sales Customers shall 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.

Prices, annual caps and basis of determination**Historical amounts:**

The historical amount 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 RMB12,828,900.

Proposed annual caps and basis of determination for annual caps:

Prices of the Products contemplated under the Finance Lease Cooperation Framework Agreement will be within the range of RMB300,000 – RMB4.5 million with the final prices of the Products being determined with reference to the then current market price which will be agreed upon by Tianhai Industrial, Jingcheng International Financial and, if applicable, the Sales Customers.

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 RMB360,000,000.

The above prices and annual caps are determined with reference to the volume of historical transactions of finance leases and after a detailed market research and customer’s visits, both parties formulated the annual caps of Finance Lease 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 “bargain per order” was implemented. 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 RMB360,000,000.

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.

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

Tianhai Industrial commenced the leasing business with finance lease company which 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 (excluding the independent non-executive Directors whose views will be based on the advice of the independent financial adviser) 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. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua, being directors nominated by Jingcheng Holding, had both 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 47.78% 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 are more than 25% but less than 75%, the Finance Lease Cooperation Framework Agreement constitutes (i) a major transaction of the Company and is subject to the notification, announcement and shareholders' approval at general meeting requirements under Chapter 14 of the Listing Rules; and (ii) a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, details of (i) further information on the Finance Lease Cooperation Framework Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Finance Lease Cooperation Framework Agreement; and (iv) a notice convening the EGM is expected to be despatched to the shareholders of the Company on or about 5 February 2015.

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 Exchanges
“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
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, inter alia, approving the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder
“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 15 January 2015, particulars of which are set out in the section headed “Finance Lease Cooperation Framework Agreement”
“Group”	the Company and its subsidiaries

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong which has been established by the Company to advise the Independent Shareholders on the Finance Lease Cooperation Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	shareholders of the Company who are not required to abstain from voting at the EGM to be convened for the purposes of approving the Finance Lease Cooperation Framework Agreement under the Listing Rules
“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 47.78% 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 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, 15 January 2015

As at the date of this announcement, the board of directors of the Company comprises Mr. Hu Chuanzhong, Mr. Li Junjie 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.

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.