

*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)**

**DISCLOSEABLE TRANSACTION**

**FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 12 February 2015, Tianhai Industrial and Langfang Tianhai, both subsidiaries of the Company as the joint lessees entered into the Finance Lease Agreement with Zhongzhixin as the lessor, pursuant to which Tianhai Industrial and Langfang Tianhai have agreed to sell the Equipment to Zhongzhixin at a total consideration of RMB100,000,000 and Zhongzhixin has agreed to lease back the Equipment to Tianhai Industrial and Langfang Tianhai for a term of 3 years.

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, Zhongzhixin and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement are more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**THE FINANCE LEASE AGREEMENT**

**Date:**

12 February 2015

**Parties:**

Lessor: Zhongzhixin

Joint Lessees: Tianhai Industrial and Langfang Tianhai

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, Zhongzhixin and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

**Subject matter:**

The Equipment comprises major equipment such as 2500T hydraulic press, 400T stretcher and tempering line. The finance amount of RMB100,000,000 was determined after arm's length negotiation between Tianhai Industrial, Langfang Tianhai and Zhongzhixin with reference to the lease principal amount and the lease interest.

The original value and net value of the Equipment as at 31 December 2014 were RMB182,131,598.22 and RMB103,015,119.59, respectively.

**Finance lease arrangement:**

Pursuant to Finance Lease Agreement, Tianhai Industrial and Langfang Tianhai have agreed to sell the Equipment to Zhongzhixin at a total consideration of RMB100,000,000. Zhongzhixin will pay such total consideration to the bank account designated by Tianhai Industrial and Langfang Tianhai within 5 business days after the following conditions are fulfilled:

- (1) Zhongzhixin received from Tianhai Industrial and Langfang Tianhai the ownership certificate for the Equipment;
- (2) Zhongzhixin received the letter for acceptance of lease signed by Tianhai Industrial and Langfang Tianhai;
- (3) Zhongzhixin received the payment notice, the schedule for lease payment and handling charge from Tianhai Industrial and Langfang Tianhai;
- (4) Zhongzhixin received a copy of the original purchase commercial invoice for the Equipment and the list items in respect of the Equipment from Tianhai Industrial and Langfang Tianhai;
- (5) All necessary approval, registration and other procedures required for the transfer of the Equipment have been obtained/completed by Tianhai Industrial and Langfang Tianhai; and
- (6) Zhongzhixin received other relevant legal documents as required to be produced by Tianhai Industrial and Langfang Tianhai.

Zhongzhixin has agreed to lease back the Equipment to Tianhai Industrial and Langfang Tianhai for a term of 3 years commencing from 12 February 2015 at a total lease consideration of RMB120,426,472.33 (including total rental fee of RMB118,296,472.33 and handling charge of leasing of RMB2,130,000), the total rental fee and handling charge of leasing will be paid by Tianhai Industrial and Langfang Tianhai to Zhong Zhixin in 12 installments on a quarterly basis. The total rental fee to be paid by Tianhai Industrial

and Langfang Tianhai to Zhongzhixin is calculated based on the lease principal amount and the lease interest. The lease interest rate is the benchmark rates for the same term offered by the People's Bank of China for RMB loans of 3 years as increased by 7%, which is 6.42% at the time of execution of the Finance Lease Agreement. In the event that the benchmark interest rate of People's Bank of China for loans adjusts, Zhongzhixin will make the adjustments to the above lease interest rate in the same direction and degree.

The terms of the Finance Lease Agreement including the lease payment and the interest rate are determined after arm's length negotiation between the parties with reference to the prevailing market rates for finance lease for similar assets.

### **Ownership of the Equipment**

During the lease period, the ownership of the Equipment will belong to Zhongzhixin. After Tianhai Industrial and Langfang Tianhai have fully paid the entire amount of the lease cost and interest payment and all agreed payments in accordance to the Finance Lease Agreement, the legal ownership of the Equipment will be transferred to Langfang Tianhai at a nominal price of RMB1.

### **Reasons for and Benefits of entering into the Finance Lease Agreement**

By entering into the Finance Lease Agreement, the financing channels will be expanded, the asset-liability structure will be optimized and the assets will be liquidized.

There will not be any gain or loss accrued to the Group in its consolidated financial statements pursuant to the sale of the Equipment under the Finance Lease Agreement.

The Directors consider that the terms under the Finance Lease Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Finance Lease Agreement are more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## GENERAL

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

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 (validity of Road Transport Licenses until 7 May 2016).

General scope of operation: 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.

Langfang Tianhai is principally engaged in design and manufacture of B1 seamless cylinders (only steel seamless cylinders) and B3 special gas cylinders (only compressed natural gas cylinder for vehicle use), sales of self-produced products of the Company (other than commodities and technologies whose dealing, import or export is restricted or prohibited to operate by the government of the PRC).

Zhongzhixin is principally engaged in finance leasing business; leasing business; purchasing of leased assets at domestic and overseas market; disposal of residual value and maintenance of leased assets; provision of consultation and guarantees for lease transactions.

## DEFINITIONS

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

|                           |  |
|---------------------------|--|
| “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 Exchange |
| “Directors”               | the directors of the Company   |
| “Equipment”               | major equipment such as 2500T hydraulic press, 400T stretcher and tempering line. The Equipment is located in No.18, Yao Hua Road, Langfang Economic and Technological Development Zone, Beijing, the PRC  |
| “Finance Lease Agreement” | the finance lease agreement (融資租賃合同) entered into between Tianhai Industrial and Langfang Tianhai as joint lessees and Zhongzhixin as lessor dated 12 February 2015  |
| “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 Cylinder Co., Ltd.), a company established in the PRC and an indirectly wholly-owned subsidiary of the Company  |
| “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  |
| “RMB”                     | Renminbi, the lawful currency of the PRC   |
| “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 |
| “Zhongzhixin”        | 中智信融資租賃有限公司 (Zhongzhixin Finance Leasing Co., Ltd.), a company established in the PRC with limited liability                         |
| “%”                  | per cent   |

For and on behalf of the Board  
**Beijing Jingcheng Machinery Electric Company Limited**  
**Jiang Chi**  
*Company Secretary*

Beijing, the PRC, 12 February 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.*