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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 ON EXTERNAL INVESTMENT IN  
ESTABLISHING JIANGSU TIANHAI**

**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.**

**Important Notice:**

- Name of the investment target: Jiangsu Tianhai Special Equipment Co., Ltd. (江蘇天海特種裝備有限公司) (tentative name) (hereinafter referred to as “Jiangsu Tianhai”).
- Amount and proportion of investment: The estimated total investment of the project is RMB95 million; Beijing Tianhai Industry Co., Ltd. (hereinafter referred to as “Beijing Tianhai”), a subsidiary of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the “Company”) intends to establish a factory with Nanjing Bibo Trade and Industry Co., Ltd. (南京畢博工貿實業有限公司) (hereinafter referred to as “Nanjing Bibo”) in Zhenjiang, Jiangsu Province. The registered capital of Jiangsu Tianhai is RMB80 million, of which Beijing Tianhai contribute RMB 28 million, holding 35% equity interests.
- The term of cooperation is 30 years, starting from the date when the business license of the target company is issued.
- Special risk warnings: The establishment of a subsidiary by Beijing Tianhai complies with the demands and strategic planning for the development of the Company; but it still faces with risks from uncertainties in respect of market, operations and management.

## **I. OVERVIEW OF EXTERNAL INVESTMENT**

### **1. General information of the external investment**

Beijing Tianhai plans to adjust the product layout, cooperate with Nanjing Bibo in establishing a factory in Zhenjiang, Jiangsu Province to produce welding cylinders and acetylene cylinders, move the production lines of welding cylinders and acetylene cylinders in the Mu Lin production base of Beijing Tianhai to the new factory, and input the patent technologies and the use rights of proprietary technologies of Beijing Tianhai for the equipment of welding cylinders and acetylene cylinders. Beijing Tianhai intends to reduce costs through the mechanism of privately owned enterprises. Currently, Beijing Tianhai procures steel from Baosteel and Wuhan Iron and Steel. After cooperation with Nanjing Bibo, the transportation cost of steel will be reduced. Nanjing Bibo intends to improve the grade of products and join hands in strength to improve the position in the industry. Beijing Tianhai has advantages in respect of brand, technologies and quality while Nanjing Bibo has advantages in respect of cost management, region, sales and procurement. Both parties complement each other's advantages, and integrate the resources.

### **2. Consideration of the Board**

The eighth session of the board of directors (the "Board") of the Company convened the fifth interim meeting, at which the proposal on investment in establishment of Jiangsu Tianhai Special Equipment Co., Ltd (tentative name) by Beijing Tianhai Industry Co., Ltd, a subsidiary of the Company and the construction project of production base for welding cylinders and acetylene cylinders was considered and approved. The matter above is within the examination and approval authority of the Board, and needs not to be submitted to the Company's general meeting for approval.

### **3. The external investment is not a connected transaction or material asset reorganization.**

## **II. GENERAL INVESTMENT OF THE PARTIES TO THE INVESTMENT AGREEMENT**

### **1. Beijing Tianhai Industry Co., Ltd.**

Legal representative: Hu Chuanzhong

Registered address: No.9 Tianying North Road, Chaoyang District, Beijing

Registered capital: USD 61,401,800

Business scope: production of gas cylinders, accumulator, pressure vessels and auxiliary equipment, attachments, extinguishers, products and accessories of fire extinguishing system, gas cylinders for medical equipment, cylinders for buoyant apparatuses, gas cylinders for diet processing machines and parts, gas cylinders for gas vehicles, winding cylinders and accessories, gas storage special containers, bundle devices, cryogenic gas cylinders and

accessories, LNG cylinders and accessories, aluminum cores, cylinders and accessories, new enhanced composite materials (carbon fiber, organic fiber and high strength glass fiber) and products, composite gas cylinders (natural gas storage cylinder for vehicles, gas storage cylinders for respirator and water treatment containers), testing equipment for composite cylinders; provision of installation, testing, debugging, maintenance, technical consultancy and technical services for self-produced products; sales of self-produced products; wholesales of cryogenic storage and transportation containers and provision of aftersales and maintenance services; import and export of commodities and technologies and acting as import and export agency.

## **2. Nanjing Bibo Trade and Industry Co., Ltd.**

Legal representative: Cao Qiuhua

Registered address: No. 76-5, Shuguang Li, Qinghuai District, Nanjing

Registered capital: RMB 10 million

Business scope: sales of mechanical equipment, electronic equipment, hardware and standards fittings, building materials, decoration materials, fire equipment and auxiliary products, general merchandise; labor service.

## **III. GENERAL INFORMATION OF THE INVESTMENT TARGET**

1. Intended name of the company: Jiangsu Tianhai Special Equipment Co., Ltd. (tentative name)
2. Intended registered capital: RMB 80 million
3. Intended registered address: besides Yulong Highway, Jianbi Street, Jingkou District, Zhenjiang City, Jiangsu Province
4. Intended business scope: research and development, design, manufacture, sales of and technical consultancy service for metal pressure containers, metal packing containers and fire equipment.
5. Intended methods of capital contribution: Beijing Tianhai contributes with a total capital of RMB28 million, including the investment of the equipment of welding cylinders and acetylene cylinders with a value of RMB9,855,800 (with reference to the appraisal value of RMB9,855,800 set out in the Project Asset Appraisal Report on Investment of Mechanical Equipment of Beijing Tianhai Industry Co., Ltd. Fang Ping Bao Zi No. 2015011 issued by Beijing Fangxin Assets Appraisal Co. Ltd. (北京方信資產評估有限公司)) and the patent of welding cylinders and acetylene cylinders and use rights of proprietary technologies with a price of RMB18,144,200 (with reference to the Project Asset Appraisal Report on Intangible Assets of Beijing Tianhai Industry Co., Ltd. for External Investment Fang Ping Bao Zi No. 2015010 issued by Beijing Fangxin Assets Appraisal Co., Ltd.), accounting for 35% of the equity interests; Nanjing Bibo contributes RMB 52 million in cash, accounting for 65% of the equity interests.

6. Personnel arrangement of the board of directors and the management: The board of directors of Jiangsu Tianhai consists of 5 directors. Beijing Tianhai nominates 2 directors while Nanjing Bibo nominates 3 directors; Jiangsu Tianhai has no supervisory committee, and has 2 supervisors, who shall be nominated by Beijing Tianhai and Nanjing Bibo each. Jiangsu Tianhai has one general manager, who shall be nominated by Nanjing Bibo; one principal in charge of administration and personnel, to be nominated by Nanjing Bibo; one financial controller, to be nominated by Beijing Tianhai; one principal in charge of technology and quality, to be nominated by Beijing Tianhai.

The information above shall be subject to the final review and approval of the competent authority.

#### **IV. MAIN CONTENTS OF THE EXTERNAL INVESTMENT CONTRACT**

##### **1. Term of capital contribution:**

Beijing Tianhai shall, within 15 days after the target company acquires the equipment of welding cylinders and acetylene cylinders, complete the technical delivery according to the agreement; Beijing Tianhai shall, within 60 days after the target company obtained the domestic and international product certification for welding cylinders and the international product certification for acetylene cylinders, transport relevant equipment to the place where the target company is located according to the agreement.

Nanjing Bibo shall, within 20 days after the target company opens its basic corporate account, contribute and transfer RMB 20 million to the designated account; Nanjing Bibo shall contribute and transfer RMB 10 million to the designated account before the end of October 2015; Nanjing Bibo shall contribute and transfer RMB 10 million to the designated account before the end June 2016; and Nanjing Bibo contribute and transfer RMB 12 million to the designated account before the end of December 2016 and complete all capital contributions.

2. The term of cooperation is 30 years, starting from the date when the business license of the target company is issued. After the agreement takes effects, both parties shall completely, duly and timely fulfill their obligations, agreements and commitments according to the agreement.

#### **V. EFFECTS OF THE EXTERNAL INVESTMENT ON THE LISTED COMPANY**

The newly established company may utilize the advantages of Beijing Tianhai in respect of brand, technology and quality as well as those of Nanjing Bibo in respect of cost management, region, sales and procurement. Both parties complement each other's advantages, and integrate the resources.

The newly established company may further expand the market share of the Company, constantly improve the strategic layout of the Company and comply with the demands and long-term planning of the Company for development.

## VI. RISK ANALYSIS ON EXTERNAL INVESTMENT

The establishment of the new company complies with the demands and strategic planning for the development of the Company; while it still faces with risks from uncertainties in respect of market, operations and management. The Company will improve the corporate governance structure of the new company, enhance the construction and operation of the internal cooperation mechanism, explicitly determine the operation strategies of the new company, and establish a perfect internal control system and an effective supervisory mechanism to constantly satisfy the business requirements and the market changes and actively prevent and respond to the risks above.

## VII. DOCUMENTS FOR FILING

1. The resolution of the fifth interim meeting of the eighth session of the Board of the Company
2. The contract or letter of intent of external investment

*The board of directors of*  
**Beijing Jingcheng Machinery Electric Company Limited**

Beijing, the PRC, 2 April 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.*