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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 49% OF SHARES OF BTIC AMERICA CORPORATION

On 6 April 2017, Tianhai Industrial, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors, pursuant to which the Vendors agreed to sell and Tianhai Industrial agreed to purchase 49% of the shares of BAC, an indirect non-wholly owned subsidiary of the Company, at an aggregate consideration of US\$3,430,000.

As at the date of this announcement, BAC is held as to 51% and 49% by Tianhai Industrial and the Vendors, respectively. Upon Completion, BAC will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor A holds 24.5% of the shares of BAC and Vendor B holds 24.5% of the shares of BAC. Accordingly, both Vendor A and Vendor B are the substantial shareholders of BAC and thus they are connected persons of the Company at the subsidiary level. As such, the transaction contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transaction contemplated under the Share Transfer Agreement is subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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THE SHARE TRANSFER AGREEMENT

Date: 6 April 2017

Parties:

Vendors: Vendor A and Vendor B

Purchaser: Tianhai Industrial

As at the date of this announcement, BAC is held as to 51%, 24.5% and 24.5% by Tianhai Industrial, Vendor A and Vendor B, respectively. Accordingly, each of Vendor A and Vendor B is a substantial shareholder of BAC and thus a connected person of the Company at the subsidiary level. Upon Completion, BAC will become an indirect wholly-owned subsidiary of the Company.

Subject matter:

Pursuant to the Share Transfer Agreement, Tianhai Industrial conditionally agreed to purchase and the Vendors conditionally agreed to sell 49% of the shares of BAC (among which each of the Vendors agreed to sell 24.5% of the shares of BAC), subject to the terms and conditions therein.

Consideration and payment terms:

The cash consideration in the sum of US\$3,430,000 will be paid in two installments (i) 20% of the consideration, being US\$686,000, shall be paid within 20 Business Days after the date of the Share Transfer Agreement; and (ii) 80% of the consideration, being US\$2,744,000, shall be paid within 20 Business Days after Vendor A and Vendor B have delivered each of their share certificates of BAC to the escrow agent.

Basis of Consideration:

The consideration of the Acquisition was arrived at after commercial and arm's length negotiations between Tianhai Industrial and the Vendors and was determined with reference to (i) the valuation of the entire equity interest in BAC at US\$7,000,000 as at the Benchmark Date by the Valuer using the income approach and (ii) the audit report of BAC for the year 2015 and eight months ended 31 August 2016 issued by ShineWing Certified Public Accountants LLP.

As the valuation on BAC referred to above was prepared using the income approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The following are the details of the principal assumptions upon which the Valuation was based:

1. the Valuation is based on the specific valuation purpose as stated in the valuation report as the prerequisite for basic assumption;
2. there is no unforeseeable material change in the macroeconomic situation after the Benchmark Date;
3. the business operations of BAC comply with the laws and there are no unforeseeable factors which will cause it unable to continue its operation;
4. the relevant basic information and financial information provided by BAC and Tianhai Industrial is true, accurate and complete;
5. the financial report and transaction data of the comparables are true and reliable;
6. the Valuation does not take into account the possible impact caused by pledge or guarantee on the value of equity interests or assets of BAC, nor the impact of change in national macro-economic policy or natural or force majeure events;
7. BAC achieving a net cash flow during the period from 1 September 2016 to 31 December 2021;
8. the Valuation is based on continuous operation as a prerequisite. Continuous operation means that production and business of BAC can continue to operate in its current situation and there is no material change in the foreseeable future;
9. since the type of Valuation is on market value, the Valuation does not take into account the impact of the economic behaviour involved in the Valuation on the operations of BAC;
10. the Valuation is based on current laws, regulations, tax policies and monetary policies in the United States and does not take into account unforeseeable material change after the Benchmark Date;
11. the Valuation is based on the due diligence of the future management team of BAC, such that it will continue to maintain the current mode of operation and management, its operation activities and the services provided complied with the industrial policy of the country, its business activities are in compliance with the laws and there is no material change in the foreseeable future;
12. the Valuation is based on the existing operating capacity of BAC as at the Benchmark Date, without taking into account changes in the management, business strategy and additional investment which will lead to expansion of operational capacity; and

13. the Valuation is a reasonable forecast based on the current market conditions without taking into account the unpredictable material changes and fluctuation of the market, e.g. political turmoil, economic crisis, hyperinflation and etc.

A letter from the Board and a letter from ShineWing Certified Public Accountants LLP are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

Condition Precedents:

1. Vendor A and Vendor B have provided Tianhai Industrial with documentation proofs and relevant approval documents for carrying out the Acquisition, including but not limited to:
 - a. applicable procedures required under the law of the United States;
 - b. internal decision-making procedures of Vendor A and Vendor B;
 - c. requirements by the administrative department and/or supervisory department of BAC (if required);
 - d. Vendor A and Vendor B have delivered each of their share certificates to the escrow agent.
2. Tianhai Industrial has provided to Vendor A and Vendor B with documentation proofs and relevant approval documents for carrying out the Acquisition, including but not limited to:
 - a. procedures as required under the law of the PRC;
 - b. internal decision-making procedures of Tianhai Industrial;
 - c. requirements by the administrative department and/or supervisory department of BAC (if required).
3. There shall be no legal restriction, prohibition or other prohibition which make any transactions under the Share Transfer Agreement invalid or may result in a decrease of BAC's assets which in turn affect the Valuation.
4. There shall be no pending action or legal proceeding or any other conduct, declaration or objection raised any government department or made by any government department, and there may be any cause of the occurrence of the foregoing possibility.

Completion

Completion will take place on the 5th Business Day after the fulfillment or waiver of the condition precedents of the Share Transfer Agreement or such other date as the parties to the Share Transfer Agreement may mutually agree.

Termination

This Agreement may be terminated when any of the following conditions occur:

1. in the event of a material breach by the non-terminating party and it fails to remedy such breach within 10 Business Days following notification thereof by the terminating party;
2. if the Completion does not occur by 30 June 2017 or any extended expiration date agreed by both parties, either party to the Share Transfer Agreement shall be entitled to terminate the Share Transfer Agreement; or
3. by mutual consent of the parties to the Share Transfer Agreement.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, Vendor A holds 24.5% of the shares of BAC and Vendor B holds 24.5% of the shares of BAC. Accordingly, both Vendor A and Vendor B are the substantial shareholders of BAC and thus they are connected persons of the Company at the subsidiary level. As such, the transaction contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transaction contemplated under the Share Transfer Agreement is subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

REASONS AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, BAC is held as to 51% and 49% by Tianhai Industrial and the Vendors, respectively. Upon Completion, BAC will become a wholly-owned subsidiary of Tianhai Industrial. Tianhai Industrial will gain full control of BAC, which will improve the management and operational efficiency of the Group in achieving its business strategy to expand its overseas sales network and to enhance the international competitiveness of the Group. The Acquisition also enables Tianhai Industrial to integrate existing sales channels and establish sales network in the United States. Tianhai Industrial will be able to obtain first-hand international market information to keep abreast of the dynamic changes in the international market for the timely adjustment of its export strategy. Hence, it is expected that the export sales, the market share and business scale of Tianhai Industrial will be improved.

Based on the above reasons and benefits, the Board (including the independent non-executive Directors) considers that the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

None of the Directors is considered to have a material interest in the Acquisition and therefore no Director was required to abstain from voting on the relevant resolutions for approving the Acquisition and the transactions contemplated thereunder.

GENERAL

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

Tianhai Industrial is principally engaged in the production of gas storage and transportation equipment.

BAC is a company established in the United States and a non-wholly owned subsidiary of Tianhai Industrial prior to Completion. BAC is principally engaged in the sale of high pressure gas cylinders, acetylene cylinders, cryogenic cylinders and other types of cylinders. The original acquisition cost of the 24.5% shares of BAC paid by Vendor A and Vendor B was US\$43,628 and US\$43,628 respectively.

The following is the financial information of BAC for the years ended 31 December 2015 (audited) and 31 December 2016 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)
Net profits before taxation	approximately RMB1,405,100	approximately RMB5,467,900
Net profits after taxation	approximately RMB996,998	approximately RMB3,881,800

As at 31 December 2016, the audited net asset value of BAC was approximately RMB40,339,200.

The following are the qualifications of the experts who have given their opinion in this announcement:

Name	Qualification
China Alliance Appraisal Co., Ltd.	Valuer
ShineWing Certified Public Accountants LLP	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of China Alliance Appraisal Co., Ltd. and ShineWing Certified Public Accountants LLP is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither China Alliance Appraisal Co., Ltd. nor ShineWing Certified Public Accountants LLP has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of China Alliance Appraisal Co., Ltd. and ShineWing Certified Public Accountants LLP has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

DEFINITIONS

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

“Acquisition”	the acquisition of 24.5% and 24.5% of the shares of BAC from Vendor A and Vendor B respectively, by Tianhai Industrial pursuant to the Share Transfer Agreement
“BAC”	天海美洲公司 (BTIC America Corporation), a company established in the United States and a non-wholly owned subsidiary of Tianhai Industrial prior to Completion
“Benchmark Date”	31 August 2016, the valuation date of BAC
“Board”	the board of Directors
“Business Day”	a day other than Saturday, Sunday or any on which banks located in the State of Texas, U.S.A. are authorized or obligated to close for business

“Company”	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Company Limited) (stock code: 0187), 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
“Completion”	the completion of the Acquisition
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“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
“Share Transfer Agreement”	the share transfer agreement dated 6 April 2017 entered into between Tianhai Industrial and the Vendors in relation to the Acquisition
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Tianhai Industrial”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“United States”	United States of America
“US\$”	United States dollar, the lawful currency of the United States

“Valuer”	China Alliance Appraisal Co., Ltd., a member of the China Appraisal Society, a professional qualified valuer in the PRC
“Valuation”	the valuation of the entire shareholders’ interest in BAC at US\$7,000,000 as at the Benchmark Date by the Valuer
“Vendor A”	Bill Zheng (鄭國祥), a resident of the United States, being the owner of 24.5% of the shares of BAC
“Vendor B”	Susan Guo (郭志紅), a resident of the United States, being the owner of 24.5% of the shares of BAC
“Vendors”	Vendor A and Vendor B
“%”	per cent

For and on behalf of the Board
Beijing Jingcheng Machinery Electric Company Limited
Luan Jie
Company Secretary

Beijing, the PRC
6 April 2017

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Chen Changge, Mr. Li Junjie and Mr. Du Yuexi as executive directors, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan 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.

APPENDIX I – LETTER FROM THE COMPANY’S REPORTING ACCOUNTANT

The following is the text of a report received from ShineWing Certified Public Accountants LLP, Certified Public Accountants, the PRC, the Company’s Reporting Accountant prepared for the purpose of incorporation in this announcement.



ACCOUNTANTS’ REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE 49% SHAREHOLDER’S INTEREST IN BTIC AMERICA CORPORATION (“BAC”)

TO THE DIRECTORS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED (the “Company”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by China Alliance Appraisal Co., Ltd. dated 16 January 2017 in respect of 100% shareholder’s interest in BAC (the “**Valuation**”). The Valuation is in connection with the proposed disclosable and connected transaction acquisition of 49% of shares of BAC, as set out in the Company’s announcement dated 6 April 2017 (the “**Announcement**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and

accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the BAC.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

ShineWing Certified Public Accountants LLP
Beijing, China
6 April 2017

APPENDIX II — LETTER FROM THE BOARD

6 April 2017

The Stock Exchange of Hong Kong Limited,
11th Floor, One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 49% OF SHARES OF BTIC AMERICA CORPORATION

We refer to the announcement of the Company dated 6 April 2017 (the “**Announcement**”) and the valuation of the market value of the entire shareholders’ interest in BTIC America Corporation (天海美洲公司), a company established in the United States of America, by China Alliance Appraisal Co., Ltd. (“**Valuer**”) as at 31 August 2016 (the “**Valuation**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

We understand that in accordance with Rule 14.61 of the Listing Rules, the income approach adopted by the Valuer has rendered the Valuation a profit forecast (“**Profit Forecast**”) under the Listing Rules.

We have reviewed and discussed with the Valuer the bases and assumptions of the Valuation. We have also considered the letter dated 6 April 2017 issued by ShineWing Certified Public Accountants LLP addressed to us in relation to the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based.

We hereby confirm that the Profit Forecast has been made after due and careful enquiry.

By Order of the Board
Beijing Jingcheng Machinery Electric Company Limited
Wang Jun
Chairman