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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 limited company established in the People's Republic of China)

(Stock Code: 0187)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The announcement of Beijing Jingcheng Machinery Electric Company Limited (the “**Company**”) in relation to the Proposal for Non-Public Issuance of A Shares, which is published by the Company on the website of the Shanghai Stock Exchange, is reproduced herein for your reference.

This announcement was originally prepared in Chinese and the English version is for reference only. If there is any discrepancy between the English and Chinese version, the Chinese version shall prevail. Pursuant to the Implementation Rules for the Non-public Issue of Shares by Listed Companies (2017 Revision) (上市公司非公開發行股票實施細則 (2017年修訂)) promulgated by the CSRC, the Board shall prepare the Proposal for Non-public Issuance of A Shares for 2022 in accordance with the requirements set out in No. 25 Guideline on the Contents and Formats of Information Disclosure by the Companies – Advanced Proposal and Issuance Reports on the Non-public Issue of Shares by Listed Companies (公司信息披露內容與格式準則第25號—上市公司非公開發行股票預案和發行情況報告書) (“No. 25 Guideline”). The said Proposal is required to be approved by the Board and the Shareholders in accordance with the Administrative Measures for the Issuance of Securities by Listed Companies (上市公司證券發行管理辦法) promulgated by the CSRC.

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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)

PROPOSAL FOR NON-PUBLIC ISSUANCE OF A SHARES FOR 2022

COMPANY'S STATEMENT

1. The Company and all members of the Board guarantee that the contents of the Proposal are true, accurate and complete without false information, misleading statements or material omissions, and accept joint and several responsibilities for its truthfulness, accuracy and completeness.
2. The Proposal has been prepared in accordance with the requirements of the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies and the Standards concerning the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 25 – Proposal for Non-public Issuance of Shares by Listed Companies and Report on the Status of the Issuance.
3. Upon completion of the Non-public Issuance, any change in the operation and revenue shall be borne by the Company at its own and any investment risk arising from the Non-public Issuance shall be assumed by the investors. Investors should consult their own stockbrokers, lawyers, professional accountants or other professional advisers if in doubt.
4. The Proposal is the description of the Non-public Issuance by the Board of the Company, and any statement to the contrary shall be misrepresentation.
5. The matters mentioned in the Proposal do not represent the substantive judgment, confirmation, approval or verification of the approval authorities on the relevant matters relating to the Non-public Issuance, and the taking effect and completion of the relevant matters related to the Non-public Issuance mentioned in the Proposal are still subject to the approval or verification of the approval authorities.

SPECIAL NOTES

The terms or abbreviations mentioned in this section have the same meaning as those defined in the “Definitions” of the Proposal.

1. The matters related to the Non-public Issuance has been considered and approved at the nineteenth extraordinary meeting of the tenth session of Board of the Company, and are subject to the consent of the entity performing the duties of supervision and administration of state-owned assets, the consideration and approval at the general meeting and the class meeting of the Company, and the verification of the CSRC before implementation. After the completion of the Non-public Issuance, the listing application matter shall be submitted to the SSE and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
2. The target subscribers of the Non-public Issuance will not be more than 35 specific investors, including Jingcheng Machinery Electric, being the controlling shareholder and de facto controller of the Company. Besides Jingcheng Machinery Electric, other target subscribers include securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors which meet the requirements and conditions of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the laws and regulations. Among which, securities investment fund management companies, securities companies, qualified foreign institutional investors and RMB qualified foreign institutional investors which subscribe two or more of the products managed by them, shall each be taken as one single target subscriber; trust companies, as target subscribers, may only subscribe with their own funds. If the upper limit of the number of target subscribers of the Non-public Issuance of shares is adjusted by the laws, regulations, regulatory documents or supervisory authorities at the time of the issuance, the provisions thereof shall apply.

Other than Jingcheng Machinery Electric, other target subscribers shall be determined by the Board as authorized by the general meeting of the Company based on the book-building results and consultation with the sponsor (lead underwriter) of the Issuance after obtaining the approval documents for the Issuance from the CSRC and in accordance with the relevant regulations of the CSRC and the conditions stipulated in the Proposal.

All target subscribers shall subscribe for the A Shares of the Non-public Issuance by way of cash. If the regulatory authorities have other requirements on the qualification of shareholders of the target subscribers and the corresponding examination procedures, the provisions thereof shall apply.

3. The price for the Non-public Issuance will be determined by way of book-building, and the Pricing Benchmark Date shall be the first day of the issuance period. The issue price shall not be lower than 80% of the average trading price of the Company's A Shares over the 20 trading days preceding the Pricing Benchmark Date (average trading price of the A Shares over the 20 trading days preceding the Pricing Benchmark Date = total transaction amount of A Shares over the 20 trading days preceding the Pricing Benchmark Date / the total trading volume of A Shares over the 20 trading days preceding the Pricing Benchmark Date) and not lower than the audited net asset value per share attributable to the ordinary shareholders of the Listed Company for the end of the latest period before the Issuance.

The final issue price shall be determined by the Board as authorized by the general meeting of the Company based on the consultation with the sponsor (lead underwriter) after obtaining the approval documents for the Non-public Issuance from securities regulatory departments such as the CSRC and in accordance with the requirements of the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies. If any ex-right and ex-dividend event in relation to A Shares of the Company such as dividend payment, bonus issue and capitalisation of capital reserves occurs during the period from the Pricing Benchmark Date to the date of Issuance under the Non-public Issuance, the issue price shall be adjusted accordingly.

Jingcheng Machinery Electric will not participate in the book-building process of the Non-public Issuance, but undertakes to accept the market bidding results and subscribe for the A Shares of the Non-public Issuance at the same price as the other investors. If no issue price for the Issuance can be arrived at by above book-building, Jingcheng Machinery Electric shall subscribe for A Shares of the Non-public Issuance at the lower end of the range of the issue price for this Issuance.

4. The number of A Shares of the Non-public Issuance is calculated based on the total amount of proceeds raised from the Non-public Issuance divided by the issue price determined by the book-building result, and shall not exceed 30% of total share capital of the Company before the Issuance. The maximum number of shares issued shall be subject to adjustment based on the then total share capital of the Company if there are any changes in the total share capital of the Company before the Non-public Issuance.

The amount of the shares intended to be subscribed by Jingcheng Machinery Electric in the Non-public Issuance is not less than RMB250 million, and the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance will be increased by no more than 2% as compared to the 12 months prior to the non-public issuance (i.e. the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance – the shareholding of Jingcheng Machinery Electric before the non-public issuance $\leq 2\%$). The final number of subscription shall be determined by an agreement to be signed between Jingcheng Machinery Electric and the Company after the issue price is determined.

The final number of A Shares to be issued in this Non-public Issuance will be determined by the Board based on consultation with the sponsor (lead underwriter) according to situations such as the maximum number of shares finally approved by the relevant regulatory authorities to be issued, the maximum gross proceeds to be raised, and the issue price, etc.

If there are any ex-right and ex-dividend matters of the Company's A Shares such as dividend distribution, bonus issue and capitalization of capital reserves during the period from the Pricing Benchmark Date to the issue date, the number of A Shares to be issued in the Non-public Issuance shall be adjusted accordingly.

5. The gross proceeds intended to be raised from the Non-public Issuance are expected to be not more than RMB1,172 million (inclusive) and are intended to be used for the following projects after deducting issuance costs:

Unit: RMB0'000

| No. | Project name | Total amount of investment | Proposed amount of raised proceeds to be utilized for investment |
|--------------|---|-------------------------------|---|
| 1 | Industrial development project for hydrogen energy frontier technology | 40,920.00 | 39,200.00 |
| 2 | Intelligent manufacturing industrial park project | 15,000.00 | 12,000.00 |
| 3 | Acquisition of 100% equity interest in Beiren Intelligent | 42,000.00 | 42,000.00 |
| 4 | Replenishment of working capital | 24,000.00 | 24,000.00 |
| Total | | 121,920.00 | 117,200.00 |

If the actual raised proceeds of the Non-public Issuance (net amount after deducting the issuance costs) cannot meet the funding needs of all the above projects, the capital shortfall will be self-financed by the Company. If the availability of the raised proceeds is not in line with the project implementation schedule, the Company may use other funds for investment first according to the actual situation and replace with the raised proceeds when they are available. Within the scope of the finalized fundraising investment projects (subject to the filing documents of the relevant authorities), the Board of the Company may make appropriate adjustments to the investment order and amount of raised proceeds to the above projects according to the actual needs of the projects.

One of the investment projects with proceeds raised from the Non-public Issuance of the Listed Company is the acquisition of 100% equity interest in Beiren Intelligent, and the Asset Acquisition will be implemented after receiving the approval of the Non-public Issuance by the CSRC. The Asset Acquisition is expected to meet the criteria of material asset reorganization, but according to the Asset Acquisition Framework Agreement by way of Cash Payment of the Asset Acquisition, the approval of the Non-public Issuance by the CSRC is set as a condition for taking effect of the Asset Acquisition Framework Agreement by way of Cash Payment, so the relevant provisions of the Administrative Measures for the Material Asset Reorganizations of Listed Companies are not applicable to the Asset Acquisition.

6. After completion of the Non-public Issuance, the A Shares of the Non-public Issuance subscribed by Jingcheng Machinery Electric shall not be transferred within 18 months from the last day of the Issuance. The shares of the Non-public Issuance subscribed by the remaining target subscribers shall not be transferred within 6 months from the last day of the Issuance.

During of the above lock-up period, any shares derived from the shares subscribed by target subscribers in the Issuance from events such as bonus issue and capitalization of capital reserves of the Listed Company shall also comply with the above lock-up arrangement. Upon expiry of the lock-up period, the relevant requirements of the CSRC and the SSE shall apply.

7. Jingcheng Machinery Electric, the Company's controlling shareholder and de facto controller, proposes to participate in the Non-public Issuance of the Company. The Non-public Issuance constitutes a connected transaction under the Listing Rules and a connected transaction under the Hong Kong Listing Rules. Part of the proceeds raised from the Non-public Issuance will be used for the acquisition of 100% equity interest in Beiren Intelligence, which is a wholly-owned subsidiary of Jingcheng Machinery Electric, the controlling shareholder of the Company. The Asset Acquisition constitutes a connected transaction under the Listing Rules and a notifiable transaction and connected transaction under the Hong Kong Listing Rules.

The Company will strictly comply with the laws and regulations, the Hong Kong Listing Rules and the internal regulations of the Company in performing the approval procedures of the connected transaction. When the Board of the Company voted on the Non-public Issuance, the connected directors have abstained from voting and the independent directors have expressed their opinions on the connected transaction. The connected shareholders will abstain from voting on the relevant resolutions when the relevant resolutions of the Non-public Issuance are submitted to the General Meeting of the Company for consideration and approval.

8. According to the relevant requirements of the Announcement on Further Implementation of Relevant Matters Concerning Cash Dividend Distribution of Listed Companies and Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies issued by the CSRC, for the details of the profit distribution and cash dividend distribution policy of the Company and its implementation for the past three years, please refer to "Section VI Profit Distribution Policy of the Company and Its Implementation".

9. Upon completion of the Non-public Issuance, all the shareholders of the Company will be entitled to share the undistributed profits rolled over prior to the Non-public Issuance pro rata to the shareholding proportion after the Issuance.
10. After the completion of the Non-public Issuance, there is a risk of dilution of the immediate returns to the original shareholders of the Company. Investors are reminded of the risk that the immediate returns of shareholders may be diluted as a result of the Non-public Issuance. The Company has formulated remedial measures for returns to cope with potential dilution of the immediate returns, and the controlling shareholder, directors and the senior management of the Company have undertaken that the remedial measures for returns of the Company can be effectively performed. For the relevant measures and undertakings, please refer to “Section VII Impact on the Immediate Returns of the Company Resulting from the Non-public Issuance and Remedial Measures for the Dilution of Immediate Return”.
11. The implementation of the proposal of Non-public Issuance will not lead to disqualification of the distribution of the Company’s shareholding for listing, and will not lead to a change in the controlling shareholder and the de facto controller of the Company.

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DEFINITIONS

In the Proposal, unless the context requires otherwise, the following terms shall have the following meanings:

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| Articles of Association | the Articles of Association of Beijing Jingcheng Machinery Electric Company Limited |
| Asset Acquisition Framework Agreement by way of Cash Payment | the Asset Acquisition Framework Agreement by way of Cash Payment entered into between the Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. |
| Beijing SASAC | Beijing State-owned Assets Supervision and Administration Commission |
| Beijing Tianhai | Beijing Tianhai Industry Co., Ltd.* (北京天海工業有限公司) |
| Beiren Intelligent, Target Company | Beiren Intelligent Equipment Technology Co., Ltd.* (北人智能裝備科技有限公司) |
| Board | the board of directors of Beijing Jingcheng Machinery Electric Company Limited |
| BYTQ | Qingdao BYTQ United Digital Intelligence Co., Ltd.* (青島北洋天青數聯智能有限公司) |
| The Company, Company, Listed Company, Jingcheng Mac, Issuer | Beijing Jingcheng Machinery Electric Company Limited |
| Company Law | the Company Law of the People's Republic of China |
| Controlling shareholder, de facto controller, Jingcheng Machinery Electric | Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司) |
| CSRC | the China Securities Regulatory Commission |
| General Meeting | the general meeting of Beijing Jingcheng Machinery Electric Company Limited (including the extraordinary general meeting, A Shares class meeting and H Shares class meeting) |
| Hong Kong Listing Rules | Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| Issuance, Non-public Issuance | the act of Jingcheng Mac for non-public issuance of A shares in 2022 |
| Kuancheng Tainhai | Kuancheng Tainhai Pressure Container Co., Ltd.* (寬城天海壓力容器有限公司) |

| | |
|---------------------------------|--|
| Listing Rules | the Rules Governing the Listing of Stocks on Shanghai Stock Exchange |
| Pricing Benchmark Date | the first day of the issuance period |
| Proposal | the proposal of Beijing Jingcheng Machinery Electric Company Limited for Non-public Issuance of A Shares in 2022 |
| Reporting Period | 2019, 2020, 2021 and January to September 2022 |
| RMB, RMB0'000, RMB00,000,000 | Renminbi, Renminbi 10,000, Renminbi 100,000,000, if not specifically stated |
| Shaanxi Beiren | Shaanxi Beiren Printing Machinery Co., Ltd.* (陝西北人印刷機械有限責任公司) |
| Share Subscription Agreement | the Conditional Share Subscription Agreement entered into between Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. on the Non-Public Issuance of Shares of Beijing Jingcheng Machinery Electric Company Limited |
| Securities Law | the Securities Law of the People's Republic of China |
| SSE | the Shanghai Stock Exchange |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Tianhai Cryogenic | Beijing Tianhai Cryogenic Equipment Co., Ltd.* (北京天海低溫設備有限公司) |
| Tianhai Hydrogen Energy | Beijing Tianhai Hydrogen Energy Equipment Co., Ltd.* (北京天海氫能裝備有限公司) |
| Transaction, Assets Acquisition | the acquisition of 100% equity interest in Beiren Intelligent by Jingcheng Mac by way of cash after fundraising through the Non-public Issuance of shares |
| Transitional Period | the period from the base date of assets valuation (exclusive of that date) to the equity delivery date (inclusive of that date) |
| Type III Cylinders | metal tank full-winding compound gas cylinder (金屬內膽全纏繞複合氣瓶), mainly used for vehicle fuel storage, for filling natural gas or hydrogen |
| Type IV Cylinders | plastic tank full-winding compound gas cylinder (塑料內膽全纏繞複合氣瓶), mainly used for vehicle fuel storage, for filling natural gas or hydrogen |

In the Proposal, there may be discrepancies between certain total figures and the arithmetic sum of respective figures due to rounding adjustments.

* For identification purposes only.

SECTION I SUMMARY OF THE NON-PUBLIC ISSUANCE PROPOSAL

I. BASIC INFORMATION OF THE ISSUER

| | |
|--|---|
| Registered Chinese name | 北京京城機電股份有限公司 |
| Registered English name | Beijing Jingcheng Machinery Electric Co. Ltd. |
| Registered capital | RMB542,265,988 |
| Legal representative | Wang Jun (王軍) |
| Date of establishment | 13 July 1993 |
| Date of the A Shares listing | 6 May 1994 |
| Abbreviation of A shares | 京城股份 |
| Stock code of A shares | 600860 |
| Abbreviation of H Shares | Jingcheng Mac |
| Stock code of H Shares | 00187 |
| Company address | Room 901, No. 59 Mansion, Dongsanhuan Road Central, Chaoyang District, Beijing (北京市朝陽區東三環中路59號樓901室) |
| Stock exchange for listing of A shares | The SSE |
| Stock exchange for listing of H shares | The Stock Exchange of Hong Kong Limited |
| Business scope | General freight; professional contracting; development, design, sales, installation, debugging and repair of cryogenic storage transport vessel, compressor (piston compressor, membrane compressor and nuclear membrane compressor) and accessories, machinery equipment and electrical equipment; technical consulting; technical service; economic trade consulting; goods import and export; technology import and export; and agency for import and export. (The market entity independently selects operation projects and carries out operating activities in accordance with laws; for projects subject to approval according to the law, the operating activities shall only be carried out within the approved scope upon the approval of the relevant authorities; the enterprise shall not engage in operating activities prohibited or restricted by industrial policies of the state and municipality.) |

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE

(I) Background of the Non-public Issuance

1. *Rapid growth of the hydrogen energy industry amid global energy shortage*

Given uncertainties of global monetary tightening, heightened inflation, war and the pandemic, global supply of energy has been tightened and the pressure of an energy crisis is mounting. With new and fundamental industrial developments, climate governance is starting a new chapter across the globe. The deep integration of new energy with information technology and accelerated construction of a modern energy system have become important underpinnings to secure energy sources, achieve the dual carbon targets on schedule and quality economic and social development for China.

Against this backdrop, nations are actively developing new types of clean and economic energy to make themselves more self-sustained in energy supply. As a secondary energy source boasting advantages such as abundance, efficiency, cleanliness and renewableness, hydrogen is one of the pivots of global energy transformation as well as China's energy production and consumption revolution. It is an important pathway to a safe and efficient ecosystem of clean and low-carbon energy and the achievement of the target of "carbon peak and carbon neutrality".

In recent years, in its 14th Five-year Plan for Energy Technology and Innovation (《「十四五」能源領域科技創新規劃》), Mid-to-long-term Plan for Development of Hydrogen Industry (2021-2035) (《氫能產業發展中長期規劃 (2021-2035年)》) and other national industrial policies that have been issued successively, it is proposed to create a sound system and policy environment for the development of hydrogen industry, significantly increase the industry's innovation capabilities, adopt core technology and production processes and build a near-complete supply chain and ecosystem by 2025; to create a sound system of hydrogen energy technological innovation, a production and supply system for clean-energy-based hydrogen and a reasonable and orderly industry layout to support wide adoption of renewable-energy-based hydrogen and the carbon peak target by 2030; and to create a hydrogen energy ecosystem covering diverse applications of hydrogen energy such as transportation, energy in different fields storage and industry by 2035.

As one of the five major fuel cell vehicle demonstration city clusters, Beijing published, in sync with the above, Beijing's Implementation Plan for Development of Hydrogen Industry (2021-2025) (《北京市氫能產業發展實施方案 (2021-2025年)》), Beijing's 14th Five-year Plan for Energy Development (《北京市「十四五」時期能源發展規劃》) and other policy documents.

Driven by China's energy policies, the hydrogen industry is ushering in a period of rapid growth with accelerated development and commercialization of fuel cell vehicles and a promising future for the market.

2. High potential in the development of the manufacturing automation and informatization of China

Industrial automation is an important cornerstone of the digital transformation and upgrading of the manufacturing industry, with the continuous improvement of the future level of core automation technology, the domestic industrial automation equipment manufacturing industry will still have a huge growth space. In 2021, China's 14th Five-Year Plan and 2035 Vision Outline (《「十四五」規劃和2035年遠景目標綱要》) put forward the in-depth implementation of intelligent manufacturing and green manufacturing project, the development of new service-oriented manufacturing model, to promote high-end, intelligent and green manufacturing. 14th Five-Year Plan for the Development of Intelligent Manufacturing (《「十四五」智能製造發展規劃》) proposes to accelerate the construction of intelligent manufacturing development ecology, and promote the digital transformation and intelligent upgrading of the manufacturing industry in-depth.

According to the National Bureau of Statistics, the elderly population aged 65 or above in China increased rapidly from 63.68 million in 1990 to 191 million in 2020, making up 13.50% of the total population. At the same time, China's unit labour cost is also rising, with the average wage of workers in manufacturing industry increasing from RMB24,401 in 2008 to RMB78,238 in 2019. Under the combined effect of factors such as decreasing working-age labour force, rising unit labour cost and enhancing level of automation equipment and technology, the demand for “machine replacement” in the enterprise is increasing, and the automation process of China's industrial manufacturing enterprises will continue.

Factors such as the COVID-19 pandemic and international tensions have made product production and business operations of manufacturing enterprise extremely challenging. It has become a consensus among manufacturing enterprise to enhance the level of production line automation, improve production resilience and flexibility, and create the cornerstone of digital production for enterprises, thus forming an overall manufacturing ecosystem.

In summary, China's manufacturing automation is in a period of rapid development, the national strategic plan, industrial policy, population trends and industry demands fully encourage and support the transformation and upgrading of manufacturing automation, the development space of China's manufacturing automation and informatization is huge.

3. *Building of an equipment manufacturing listing platform by Jingcheng Mac in response to national and Beijing’s developmental strategies*

In its 14th Five-year Plan, China proposed to “look forward to 2035, modernize socialism by China”. In its “Made in China 2025” Action Plan (「中國製造2025」行動綱領) and a range of policy documents published in recent years, it emphasized that the manufacturing industry forms the main part of the national economy, and is the foundation of the country which ensures prosperity of the country and is fundamental for the strengthening of the country.

In Beijing’s Plan of High-end, Precise and Advanced Industrial Development for 14th Five-year Plan Period (《北京市「十四五」時期高精尖產業發展規劃》) and other relevant policies, the Beijing people’s government put forward the idea of “becoming China’s first city to implement new industrialization and informatization... to attain advanced manufacturing capabilities in line with the stage of economic and social development the capital is in” and included intelligent manufacturing and equipment as one of Beijing’s four industries with characteristic advantages.

As an important equipment manufacturing industry group under the Beijing Municipal Government, and for thoroughly implementing national and Beijing’s industry policies and decisions, Jingcheng Machinery Electric actively constructs a strategic plan to improve the “precision and high-tech” industry structure, actively promotes the expansion of the equipment manufacturing industry in the direction of high-end, intellectualization and solving core basic technologies, and builds a leading domestic equipment manufacturing industry group.

Jingcheng Mac is going to actively respond to China’s and Beijing’s relevant industrial policies by accelerating its business transformation and development and becoming China’s leading equipment manufacturing listing platform.

Against the above backdrop and in line with relevant national industrial policies and the general strategic development direction of the Company in the future, the Company has formulated this Non-public Issuance to raise proceeds for investment projects with a view to optimizing the structure of its equipment manufacturing business in addition to enhancing its overall business scale so as to accelerate its business transformation and upgrade, optimize the financial structure and enhancing profitability and comprehensive competitive strength.

(II) Purpose of the Non-public Issuance

1. *Enhancing overall hydrogen energy product commercialization and creating strategic growth points*

The Listed Company is principally engaged in the research and development, manufacturing and processing and sales of pressure containers. Beijing Tianhai, a subsidiary, is a Beijing high-tech enterprise, leading enterprise in the PRC metal pressure vessel manufacturing industry, Beijing “Specialised and New” small and medium-size enterprise, Beijing specialised and new “Little Giant” enterprise and the Fourth Batch of China specialised and new “Little Giant” enterprise. After years of operation in the area of storage and transportation products for hydrogen energy by applying its wealth of technology developed from its principal activities of pressure containers, the Company and its subsidiaries are equipped with sophisticated technology to manufacture Type III Cylinders and Type IV Cylinders. During the 24th Winter Olympics in 2022, the Company successfully delivered 140 sets of hydrogen storage system orders for the Winter Olympics project, thereby providing torch hydrogen storage system for Winter Olympics.

The Listed Company has first-mover advantages in the hydrogen energy industry. The Company will use part of the proceeds raised from the Non-public Issuance to finance industrial development project for hydrogen energy frontier technology. This will rapidly enhance capabilities of manufacturing Type III Cylinders and Type IV Cylinders and strengthen capabilities of hydrogen energy product research and development. These will help expand its scope and commercialization ability of hydrogen energy products, maintain and increase the Company’s technological lead, competitive edge and market position in the hydrogen energy industry, create strategic growth points and raise its overall profitability and business value in the future.

2. *Strengthening intelligent manufacturing capabilities to boost the Listed Company’s results*

Since the completion of the acquisition of 80% equity interest in BYTQ in 2022, the Listed Company has significantly increased its profitability through product line automation and informatization and intelligence application.

Part of the proceeds raised from the Non-public Issuance will be used to finance the intelligent manufacturing industrial park project, which will effectively strengthen the Company’s capabilities of the intelligent manufacturing business and enhance its customer service, scale and profitability. These will then reinforce the Company’s comprehensive competitive strength.

3. *Acquiring quality assets for equipment manufacturing to build a competitive platform for equipment manufacturing*

Beiren Intelligent is a high-tech subsidiary of Jingcheng Machinery Electric specializing in the research and development, manufacturing, sales and service of intelligent printing equipment. It has good profitability and market competitiveness.

The Non-public Issuance will operate to transfer quality assets for equipment manufacturing owned by Jingcheng Machinery Electric to the Listed Company as Jingcheng Mac's specific measures for implementing China's and Beijing's industrial policies. This is in line with the Company's development strategy of building a competitive listing platform of equipment manufacturing that effectively increases its business scale and profitability and safeguards the interests of the Listed Company's shareholders as a whole, especially those of the small and medium shareholders.

4. *Optimizing the capital structure of the Company, reducing financial expenses*

The Company's business requires it to have strong capital support ability and continuous investment in research and development. With its ongoing business expansion in recent years, the overall operating activities of the Company have been in a state of net cash outflow and its principal operations are in urgent need of replenishing working capital through financing to continue its expansion.

Furthermore, with the Company's scale of business expansion year by year, the indebtedness of the Company increased, which exposes the Company to certain debt repayment pressure and leaves increasingly less room for further debt financing.

After the completion of the Non-public Issuance, the Company can further optimize its capital structure, reduce financial risk, enhance the comprehensive competitiveness, improve the sustainable profitability and risk-resistant ability of the Company and build a solid foundation for its long-term sustainable development. In addition, part of the raised proceeds will be used for replenishing working capital, which can improve the liquidity of the Company's assets, enhance the Company's debt paying ability and reduce financial expenses.

III. TARGET SUBSCRIBERS AND ITS RELATIONS WITH THE COMPANY

The target subscribers of the Non-public Issuance will not be more than 35 specific investors, including Jingcheng Machinery Electric, being the controlling shareholder and de facto controller of the Company. Besides Jingcheng Machinery Electric, other target subscribers include securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors which meet the requirements and conditions of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the laws and regulations. Among which, securities investment fund management companies, securities companies, qualified foreign institutional investors and RMB qualified foreign institutional investors which subscribe two or more of the products managed by them, shall each be taken as one single target subscriber. Trust companies, as target subscribers, may only subscribe with their own funds. If the upper limit of the number of target subscribers of the Non-public Issuance of shares is adjusted by the laws, regulations, regulatory documents or supervisory authorities at the time of the issuance, the provisions thereof shall apply.

Other than Jingcheng Machinery Electric, other target subscribers shall be determined by the Board as authorized by the general meeting of the Company based on the book-building results and consultation with the sponsor (lead underwriter) of the Issuance after obtaining the approval documents for the Issuance from the CSRC and in accordance with the relevant regulations of the CSRC and the conditions stipulated in the Proposal.

Jingcheng Machinery Electric is the controlling shareholder and de facto controller of the Company. Jingcheng Machinery Electric intends to make subscription of no less than RMB250 million for shares to be issued under the Non-public Issuance, and the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance will be increased by no more than 2% as compared to the 12 months prior to the non-public issuance (i.e. the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance – the shareholding of Jingcheng Machinery Electric before the non-public issuance \leq 2%). The final amount of subscription shall be subject to an agreement between Jingcheng Machinery Electric and the Company entered into after the issue price is determined.

As of the issuance date of this Proposal, the Company has not yet determined the target subscribers under the Non-public Issuance other than Jingcheng Machinery Electric, and therefore it is impossible to determine the relationships between the target subscribers, other than Jingcheng Machinery Electric, and the Company. Such relationships between the Company and the target subscribers, other than Jingcheng Machinery Electric, shall be disclosed in an Issuance Report to be published after the completion of the Non-public Issuance.

IV. SUMMARY OF THE NON-PUBLIC ISSUANCE PROPOSAL

(I) Class and par value of the shares to be issued

The shares under Non-public Issuance are domestically-listed and RMB-denominated A Shares ordinary shares with a par value of RMB1.00 each.

(II) Method and time of issuance

The Non-public Issuance shall be consisted of non-public issuance to specific targets after approval of the CSRC is issued at an appropriate time as determined by the Company within a validity period stipulated by the CSRC.

(III) Target subscribers and subscription method

The target subscribers of the Non-public Issuance will not be more than 35 specific investors, including Jingcheng Machinery Electric, being the controlling shareholder and de facto controller of the Company. Besides Jingcheng Machinery Electric, other target subscribers include securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors which meet the requirements and conditions of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the laws and regulations. Among which, securities investment fund management companies, securities companies, qualified foreign institutional investors and RMB qualified foreign institutional investors which subscribe two or more of the products managed by them, shall each be taken as one single target subscriber; trust companies, as target subscribers, may only subscribe with their own funds. If the upper limit of the number of target subscribers of the Non-public Issuance of shares is adjusted by the laws, regulations, regulatory documents or supervisory authorities at the time of the issuance, the provisions thereof shall apply.

Other than Jingcheng Machinery Electric, other target subscribers shall be determined by the Board as authorized by the general meeting of the Company based on the book-building results and consultation with the sponsor (lead underwriter) of the Issuance after obtaining the approval documents for the Issuance from the CSRC and in accordance with the relevant regulations of the CSRC and the conditions stipulated in the Proposal.

All target subscribers shall subscribe for the A Shares under the Non-public Issuance by way of cash. If the regulatory authorities have other requirements on the qualification of shareholders of the target subscribers and the corresponding examination procedures, the provisions thereof shall apply.

(IV) Pricing Benchmark Date, issue price and pricing principles

The price for the Non-public Issuance will be determined by way of book-building, and the Pricing Benchmark Date shall be the first day of the issuance period. The issue price shall not be lower than 80% of the average trading price of the Company's A Shares over the 20 trading days preceding the Pricing Benchmark Date (average trading price of the A Shares over the 20 trading days preceding the Pricing Benchmark Date = total transaction amount of A Shares over the 20 trading days preceding the Pricing Benchmark Date / the total trading volume of A Shares over the 20 trading days preceding the Pricing Benchmark Date) and not lower than the audited net asset value per share attributable to the ordinary shareholders of the Listed Company for the end of the latest period before the Issuance.

The final issue price shall be determined by the Board as authorized by the general meeting of the Company based on the consultation with the sponsor (lead underwriter) after obtaining the approval documents for the Non-public Issuance from securities regulatory departments such as the CSRC and in accordance with the requirements of the Detailed Implementation Rules for the Nonpublic Issuance of Shares by Listed Companies. If any ex-right and ex-dividend event in relation to A Shares of the Company such as dividend payment, bonus issue and capitalisation of capital reserves occurs during the period from the Pricing Benchmark Date to the date of Issuance under the Non-public Issuance, the issue price shall be adjusted accordingly.

Jingcheng Machinery Electric will not participate in the book-building process of the Non-public Issuance, but undertakes to accept the market bidding results and subscribe for the A Shares of the Non-public Issuance at the same price as the other investors. If no issue price for the Issuance can be arrived at by above book-building, Jingcheng Machinery Electric shall subscribe for A Shares of the Non-public Issuance at the lower end of the range of the issue price for this Issuance.

(V) Number of shares to be issued

The number of A Shares under the Non-public Issuance will be calculated as the total amount of raised proceeds divided by the final issue price as determined through book-building inquiry under the Non-public Issuance and shall not be more than 30% of total share capital of the Company prior to the Issuance. If there is any change to the total share capital of the Company prior to the Non-public Issuance, the maximum number of A Shares to be issued shall be adjusted according to the Company's then total share capital.

Jingcheng Machinery Electric intends to make a subscription of no less than RMB250 million for shares to be issued under the Non-public Issuance, and the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance will be increased by no more than 2% as compared to the 12 months prior to the non-public issuance (i.e. the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance – the shareholding of Jingcheng Machinery Electric before the non-public issuance $\leq 2\%$). The final amount of subscription shall be subject to an agreement between Jingcheng Machinery Electric and the Company entered into after the issue price is determined.

The final number of A Shares to be issued pursuant to the Non-public Issuance will be determined by the Board in consultation with the sponsor (lead underwriter) according to final particulars of situations such as the maximum number of shares to be issued, total proceeds to be raised, and the issue price as approved by relevant regulatory authorities.

If any ex-right and ex-dividend event in relation to A Shares of the Company such as dividend distribution, bonus issue and capitalisation of capital reserves occurs during the period from the Pricing Benchmark Date to the date of Issuance, the number of A Shares under the Non-public Issuance shall be adjusted accordingly.

(VI) Use of raised proceeds

The gross proceeds intended to be raised from the Non-public Issuance are expected to be not more than RMB1,172 million (inclusive) and are intended to be used for the following projects after deducting issuance costs:

Unit: RMB0'000

| No. | Project name | Total amount of investment | Proposed amount of raised proceed to be utilized for investment |
|--------------|--|----------------------------|---|
| 1 | Industrial development project for hydrogen energy frontier technology | 40,920.00 | 39,200.00 |
| 2 | Intelligent manufacturing industrial park project | 15,000.00 | 12,000.00 |
| 3 | Acquisition of 100% equity interest in Beiren Intelligent | 42,000.00 | 42,000.00 |
| 4 | Replenishment of working capital | 24,000.00 | 24,000.00 |
| Total | | 121,920.00 | 117,200.00 |

If the actual raised proceeds of the Non-public Issuance (net amount after deducting the issuance costs) cannot meet the funding needs of all the above projects, the capital shortfall will be self-financed by the Company. If the availability of the raised proceeds is not in line with the project implementation schedule, the Company may use other funds for investment first according to the actual situation and replace with the raised proceeds when they are available. Within the scope of the finalized fundraising investment projects (subject to the filing documents of the relevant authorities), the Board of the Company may make appropriate adjustments to the investment order and amount of raised proceeds to the above projects according to the actual needs of the projects.

One of the investment projects with proceeds raised from the Non-public Issuance of the Listed Company is the acquisition of 100% equity interest in Beiren Intelligent, and the Asset Acquisition will be implemented after receiving the approval of the Non-public Issuance

by the CSRC. The Asset Acquisition is expected to meet the criteria of material asset reorganization, but according to the Asset Acquisition Framework Agreement by way of Cash Payment of the Asset Acquisition, the approval of the Non-public Issuance by the CSRC is set as a condition for taking effect of the Asset Acquisition Framework Agreement by way of Cash Payment, so the relevant provisions of the Administrative Measures for the Material Asset Reorganizations of Listed Companies are not applicable to the Asset Acquisition.

(VII) Lock-up period

After completion of the Non-public Issuance, the A Shares of the Non-public Issuance subscribed by Jingcheng Machinery Electric shall not be transferred within 18 months from the last day of the Issuance. The A Shares of the Non-public Issuance subscribed by the remaining target subscribers shall not be transferred within 6 months from the last day of the Issuance.

During of the above lock-up period, any shares derived from the shares subscribed by target subscribers in the Issuance from events such as bonus issue and capitalization of capital reserves of the Listed Company shall also comply with the above lock-up arrangement. Upon expiry of the lock-up period, the relevant requirements of the CSRC and the SSE shall apply.

(VIII) Arrangement for retained profits

Upon completion of the Non-public Issuance, all the shareholders of the Company will be entitled to share the undistributed profits rolled over prior to the Issuance pro rata to the shareholding proportion after the Issuance.

(IX) Place of listing

A Shares under the Non-public Issuance will be listed on the SSE.

(X) Validity period of resolution

The resolution of the Non-public Issuance will be valid for twelve months from the date on which the resolution is approved by the General Meeting.

V. THE ISSUANCE WILL CONSTITUTE A CONNECTED TRANSACTION

Jingcheng Machinery Electric, the Company's controlling shareholder and de facto controller, proposes to participate in the Non-public Issuance of the Company. The Non-public Issuance constitutes a connected transaction under the Listing Rules and a connected transaction under the Hong Kong Listing Rules. Part of the proceeds raised from the Non-public Issuance will be used for the acquisition of 100% equity interest in Beiren Intelligence, which is a wholly-owned subsidiary of Jingcheng Machinery Electric, the controlling shareholder of the Company. The Asset Acquisition constitutes a connected transaction under the Listing Rules and a notifiable transaction and connected transaction under the Hong Kong Listing Rules.

The Company will strictly comply with the laws and regulations, the Hong Kong Listing Rules and the internal regulations of the Company in performing the approval procedures of the connected transaction. When the Board of the Company voted on the Non-public Issuance, the connected directors have abstained from voting and the independent directors have expressed their opinions on the connected transaction. The connected shareholders will abstain from voting on the relevant resolutions when the relevant resolutions of the Non-public Issuance are submitted to the General Meeting of the Company for consideration and approval.

VI. THE ISSUANCE WILL NOT CAUSE A CHANGE OF CONTROL OF THE COMPANY

As of the issuance date of the Proposal, Jingcheng Machinery Electric holds 245,735,052 shares of the Company, representing approximately 45.32% total share capital of the Company, and is the controlling shareholder and de facto controller of the Company.

Based on the maximum number under the Non-public Issuance and holding all else constant, Jingcheng Machinery Electric will remain the controlling shareholder and de facto controller of the Company after the completion of the Non-public Issuance. Thus, the Issuance will not result in a change of control of the Company.

VII. APPROVAL PROCEDURES REQUIRED FOR THE NON-PUBLIC ISSUANCE

Matters in respect of the Non-public Issuance have been considered and approved by the nineteenth extraordinary meeting of the tenth session of the Board of the Company and the implementation of such is subject to consent from entities supervising state-owned assets and approval at the General Meeting and class meetings of the Company and from the CSRC.

Upon obtaining the approval of the CSRC, the Company will apply to the SSE and China Securities Depository and Clearing Corporation Limited (Shanghai Branch) for issuing and listing of A Shares and complete all reporting and approval procedures of the Non-public Issuance.

Projects to be financed by proceeds raised from the Non-public Issuance include the acquisition of 100% equity interest in Beiren Intelligent. The resolution in respect of the acquisition of 100% equity interest in Beiren Intelligent is considered and approved by the nineteenth extraordinary meeting of the tenth session of Board of the Listed Company held on 16 November 2022.

As of the issuance date of the Proposal, approval procedures to be followed for the Assets Acquisition includes but is not limited to: (1) resolutions in respect of the Transaction to be passed by the Board of the Listed Company after audit and assessment works of Beiren Intelligent are completed; (2) authorities supervising state-owned assets to approve the Transaction; (3) Stock Exchange to approve Company issuing a circular to shareholders; (4) formal proposal of the Transaction to be considered and approved at the General Meeting of the Listed Company; and (5) any other necessary requirement for approval, filing or authorisation (if any). The implementation of the Transaction is conditional upon approval for the Non-public Issuance from the CSRC.

SECTION II BASIC INFORMATION OF THE TARGET SUBSCRIBERS

The target subscribers of the Non-public Issuance will not be more than 35 specific investors, including Jingcheng Machinery Electric, being the controlling shareholder and de facto controller of the Company. Besides Jingcheng Machinery Electric, other target subscribers include securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors which meet the requirements and conditions of the CSRC, as well as the other legal persons, natural persons or other qualified investors who meet the requirements of the laws and regulations. Among which, securities investment fund management companies, securities companies, qualified foreign institutional investors and RMB qualified foreign institutional investors which subscribe two or more of the products managed by them, shall each be taken as one single target subscriber; trust companies, as target subscribers, may only subscribe with their own funds. If the upper limit of the number of target subscribers of the Non-public Issuance of shares is adjusted by the laws, regulations, regulatory documents or supervisory authorities at the time of the issuance, the provisions thereof shall apply.

Other than Jingcheng Machinery Electric, other target subscribers shall be determined by the Board as authorized by the general meeting of the Company based on the book-building results and consultation with the sponsor (lead underwriter) of the Issuance after obtaining the approval documents for the Issuance from the CSRC and in accordance with the relevant regulations of the CSRC and the conditions stipulated in the Proposal.

Details of Jingcheng Machinery Electric are as follows:

I. BASIC INFORMATION OF JINGCHENG MACHINERY ELECTRIC

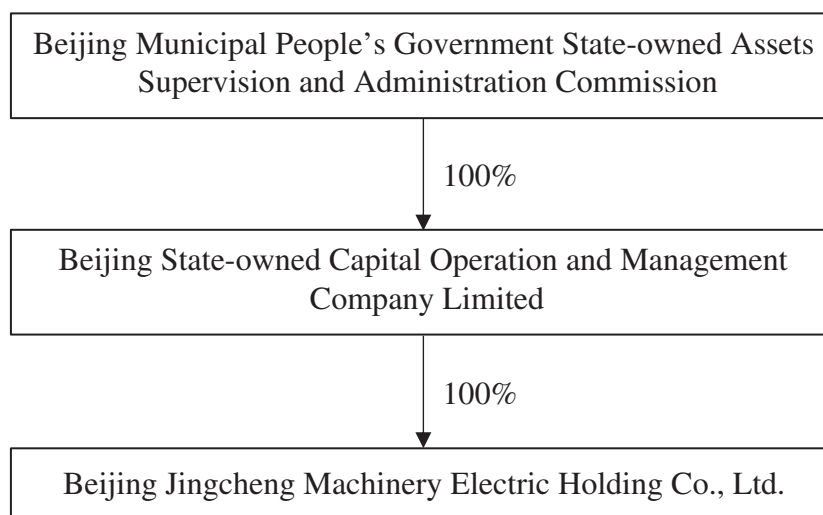
| | |
|----------------------------------|---|
| Company name | Beijing Jingcheng Machinery Electric Holding Co., Ltd. |
| Type of company | Limited liability company (wholly state-owned) |
| Unified social credit identifier | 911100006336862176 |
| Date of establishment | 8 September 1997 |
| Registered address | 1st Floor, Building 1, No. 6 Rongchang East Street, Beijing Economic and Technological Development Area, Beijing |
| Office address | 1st Floor, Building 1, No. 6 Rongchang East Street, Beijing Economic and Technological Development Area, Beijing |
| Registered capital | RMB2,355,637,082.96 |
| Legal representative | Ruan Zhongkui |
| Term of operation | 8 September 1997 to 7 September 2047 |

Business scope

Labor dispatching; operation and management of state-owned assets within the scope of authorization; investment and investment management; real estate development; commercial housing sales; leasing of housing; property management; technology transfer, technical training, technical consulting, technical service; sales of machinery and electrical equipment (excluding automobiles); technology development. (The market entity independently selects operation projects and carries out operating activities in accordance with laws; for projects subject to approval according to the law, the operating activities shall only be carried out within the approved scope upon the approval of the relevant authorities; it shall not engage in operating activities prohibited and restricted by industrial policies issued by the state and municipality.)

II. SHAREHOLDING STRUCTURE AND CONTROL RELATIONSHIP

As of the issuance date of the Proposal, the controlling shareholder and de facto controller of Jingcheng Machinery Electric are Beijing State-owned Capital Operation and Management Company Limited* (北京國有資本運營管理有限公司) and Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission respectively. The diagram of control through shareholdings is as follows:



* For identification purposes only.

III. DEVELOPMENT STATUS AND OPERATING RESULTS OF PRINCIPAL BUSINESS IN THE PAST 3 YEARS

Jingcheng Machinery Electric is a large state-owned enterprise based in Beijing with a diverse business structure and a significant scale and technological edge in equipment manufacturing. Its principal activities include equipment manufacturing and services, and operation and services of science, technology and cultural parks, among others. The operation of these principal activities of Jingcheng Machinery Electric remained stable in the past three years.

IV. CONDENSED FINANCIAL DATA FOR THE MOST RECENT YEAR

The condensed financial data of Jingcheng Machinery Electric for the most recent year is as follows:

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|-------------------------|
| Total assets | 3,494,754.45 |
| Total liabilities | 2,413,168.75 |
| Owner's equity | 1,081,585.71 |

| Item | For the Year 2021 |
|--------------------|--------------------------|
| Operating revenues | 1,067,607.31 |
| Operating profit | 13,229.70 |
| Net profit | -2,705.69 |

V. PENALTIES, LITIGATION AND ARBITRATION MATTERS OF JINGCHENG MACHINERY ELECTRIC AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE PAST FIVE YEARS

None of Jingcheng Machinery Electric and its directors, supervisors, senior management was subject to any administrative or criminal penalty or involved in any material civil litigation or arbitration with respect to economic disputes in the past five years.

VI. SITUATION OF HORIZONTAL COMPETITION AND CONNECTED TRANSACTION AFTER THE ISSUANCE

(I) Horizontal competition

The completion of the Non-public Issuance will not result in horizontal competition or potential horizontal competition between Jingcheng Machinery Electric, its controlling shareholder and de facto controller, and the Listed Company.

(II) Connected transaction

Due to the intended participation of Jingcheng Machinery Electric, the controlling shareholder and de facto controller of the Company, the Non-public Issuance of the Company constitutes a connected transaction under the Listing Rules, and constitutes a connected transaction under Hong Kong Listing Rules. Given that Beiren Intelligent is a wholly-owned subsidiary of Jingcheng Machinery Electric, the controlling shareholder of the Company, the Assets Acquisition, which involves using part of the proceeds raised from the Non-public Issuance to acquire 100% equity interest of Beiren Intelligent and constitutes a connected transaction under the Listing Rules, and constitutes a connected transaction under Hong Kong Listing Rules.

Following the completion of the Non-public Issuance, in the event of connected transactions happening between the Listed Company and Jingcheng Machinery Electric and its subsidiaries, the Company will strictly comply with laws and regulations, the Hong Kong Listing Rules and internal rules of the Company, follow the principles of fairness, equity and openness and enter into connected transaction agreement according to the laws and regulations, and strictly perform obligations of information disclosure and approval procedures relating to connected transactions to ensure the independency of the Listed Company and safeguard the interests of the Listed Company and its shareholders.

VII. MATERIAL TRANSACTIONS BETWEEN THE TARGET SUBSCRIBERS AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER AND THE COMPANY IN THE PAST 24 MONTHS

Details of material connected transactions between the Company and Jingcheng Machinery Electric, being the Company's controlling shareholder and de facto controller, and its connected parties in the 24 months before the disclosure of the Proposal of the Non-public Issuance are set out in regular reports, extra ordinary announcements and other information disclosure documents published by the Company on the official website of the SSE.

VIII. MAIN CONTENTS OF THE CONDITIONAL SHARE SUBSCRIPTION AGREEMENT

On 16 November 2022, the Company and Jingcheng Machinery Electric entered into the Conditional Share Subscription Agreement between Beijing Jingcheng Machinery Electric Company Limited and Beijing Jingcheng Machinery Electric Holding Co., Ltd. on the Non-Public Issuance of Shares of Beijing Jingcheng Machinery Electric Company Limited, the main contents of which are as follows:

(I) Parties to the agreement

Party A: Jingcheng Mac

Party B: Jingcheng Machinery Electric

(II) Price, method and number of subscription

1. *Subscription price*

Both parties agreed to use the pricing standards stipulated in Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) as the share pricing basis for the Issuance. The Pricing Benchmark Date of the Issuance is the first day of the issuance period. The issue price shall not be less than 80% of the average transaction price of A shares of the Company in the 20 trading days prior to the Pricing Benchmark Date (Average price of A shares in the 20 trading days prior to the Pricing Benchmark Date = total trading value of A shares in the 20 trading days prior to the Pricing Benchmark Date / total trading volume of A shares in the 20 trading days prior to the Pricing Benchmark Date), and shall not be lower than the amount of audited net asset value per share attributable to the holders of ordinary shares of the parent company for the latest period. (If the CSRC amends the pricing method of the Non-public Issuance prior to the Issuance, the Board of Party A may, subject to the authorization at the Party A's General Meeting, adjust the minimum price of the Issuance in accordance with relevant requirements under laws and regulations.) If any ex-right and ex-dividend event in relation to shares of the Company such as bonus issue and capitalisation of capital reserves occurs during the period from the Pricing Benchmark Date to the date of issuance, the minimum issue price under the Issuance shall be adjusted accordingly.

2. *Method of subscription and number of shares to be subscribed for*

Party B agreed to subscribe for part of the shares of Party A under the Issuance in cash for a total subscription amount of not less than RMB250 million after obtaining the approval of the CSRC for the Issuance, and the shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance will be increased by no more than 2% as compared to the 12 months prior to the non-public issuance (i.e. the

shareholding of Jingcheng Machinery Electric after the completion of the non-public issuance – the shareholding of Jingcheng Machinery Electric before the non-public issuance $\leq 2\%$). The final number of subscription shall be determined by a formal agreement to be signed between Party A and Party B after the issue price has been determined.

(III) Time and method of payment and settlement

Party B irrevocably agrees to subscribe for the shares of Party A under the Non-public Issuance at the subscription price and subscription amount as determined in the Share Subscription Agreement. After obtaining the approval document for the Issuance from the CSRC, Party A and the sponsor of the Issuance will send a payment notice of share subscription (hereinafter referred to as “**Payment Notice**”) in writing to Party B according to the issuance proposal of the Issuance finally approved by the CSRC, and Party B shall transfer the subscription funds to the account designated by the sponsor (lead underwriter) as required by the Payment Notice. The fund will be transferred to the Party A’s special deposit account for the raised proceeds after verifying the capital and deducting relevant fees.

After Party B’s subscription payment, Party A shall carry out registration with the securities registrars and clearing institutions in relation to the shares subscribed for by Party B as soon as possible, in order to make Party B the legal holder of the shares of the type and amount as agreed in the Share Subscription Agreement.

(IV) Lock-up period

The shares subscribed by Party B shall not be transferred within 18 months from the date of the completion of the Non-public Issuance. Party B shall issue undertakings in relation to and implement the locking up of shares subscribed under the Issuance in accordance with relevant laws and regulations and relevant requirements of the CSRC and stock exchanges and as required by Party A.

(V) Liability for breach of contract

Failure by a party to observe or perform any of the agreements, obligations or responsibilities, representations or warranties under Share Subscription Agreement shall constitute a breach. The breaching party shall indemnify the non-breaching party for any losses caused thereby, unless otherwise agreed by the relevant parties.

If the issuance of shares under the Non-public Issuance under the Share Subscription Agreement is not approved at the General Meeting of Party A or by the CSRC, it does not constitute a breach by Party A.

Failure by any party to perform part or all of its obligations agreed under the Share Subscription Agreement due to force majeure shall not be deemed as a breach of contract, provided that all necessary remedies are taken to reduce losses caused by force majeure when the conditions permit. The party suffering from force majeure shall inform the other party of the event in writing as soon as possible, and within 15 days after the occurrence of the event, submit to the other party a report on the need of delay in performance. If the force majeure lasts for more than 30 days, any party has the right to terminate this Agreement via written notice.

(VI) Effectiveness of the agreement

The Share Subscription Agreement shall be executed upon being signed and affixed with the official seal by the legal representatives or authorized representatives of Party A and signed and affixed with the official seal of Party B, and shall come into force upon the completion of all the following conditions:

- (1) The Non-public Issuance has been approved by the Board of Party A;
- (2) The Issuance conducted by Party A has been approved by Beijing SASAC;
- (3) The Issuance, the Share Subscription Agreement, and all relevant and incidental resolutions have been approved at the A Shares class meeting, H Shares class meeting and the General Meeting of Party A;
- (4) The Issuance conducted by Party A has been approved by the CSRC;
- (5) Jingcheng Mac has obtained all necessary consent, approval, authorization, permit, waiver and notice in respect of the Issuance from relevant government departments and/or regulatory institutions.

The above Conditions (1) to (5) are all conditions not waivable.

SECTION III FEASIBILITY ANALYSIS OF THE BOARD OF DIRECTORS ON THE USE OF RAISED PROCEEDS

I. PLAN OF THE USE OF RAISED PROCEEDS

The gross proceeds intended to be raised from the Non-public Issuance are expected to be not more than RMB1,172,000,000 million (inclusive) and are intended to be used for the following projects after deducting issuance costs:

Unit: RMB0'000

| No. | Project name | Total amount of investment | Proposed amount of raised proceeds to be utilized for investment |
|--------------|---|-------------------------------|---|
| 1 | Industrial development project for hydrogen energy frontier technology | 40,920.00 | 39,200.00 |
| 2 | Intelligent manufacturing industrial park project | 15,000.00 | 12,000.00 |
| 3 | Acquisition of 100% equity interest in Beiren Intelligent | 42,000.00 | 42,000.00 |
| 4 | Replenishment of working capital | 24,000.00 | 24,000.00 |
| Total | | 121,920.00 | 117,200.00 |

If the actual raised proceeds of the Non-public Issuance (net amount after deducting the issuance costs) cannot meet the funding needs of all the above projects, the capital shortfall will be self-financed by the Company. If the availability of the raised proceeds is not in line with the project implementation schedule, the Company may use other funds for investment first according to the actual situation and replace with the raised proceeds when they are available. Within the scope of the finalized fundraising investment projects (subject to the filing documents of the relevant authorities), the Board of the Company may make appropriate adjustments to the investment order and amount of raised proceeds to the above projects according to the actual needs of the projects.

II. OVERVIEW OF THE FUNDRAISING INVESTMENT PROJECTS

(I) Industry development project for hydrogen energal frontier technology

1. Overview of the Project

Implementing entity: Tianhai Hydrogen Energy

Location of construction: No. 1 Huo Xian Xi Road, Huo Xian Town, Tongzhou District, Beijing

Construction period: 27 months

Project description: The total investment in the project will be RMB409,200,000. The project includes three parts, namely the industrialization of Type III Cylinders, Type IV Cylinders and hydrogen supply system, the construction of laboratory for hydrogen energy storage and transportation equipment, and the key component R&D pilot line (hydrogen valve). After the project is put into operation, the annual output will be 8,000 for Type III Cylinders and 40,000 for Type IV Cylinders of various types; the construction of the laboratory for hydrogen energy storage and transportation equipment will be completed, with additional testing and experimental capabilities for relevant hydrogen products, which will cover the testing of liner materials of Type IV Cylinders and testing of O-ring, testing of hydrogen storage containers and testing of vehicle hydrogen supply system; the trial production of typical hydrogen valve products will be completed and the construction of the R&D pilot line will be completed.

2. Analysis on necessity and feasibility of the industry development project for hydrogen energial frontier technology

(1) The necessity of the industry development project for hydrogen energial frontier technology

1) Following policy changes and responding to the State's appeal

In September 2020, the MOF, the MIIT, the Ministry of Science and Technology, the NDRC and the National Energy Administration, released the Notice on Launching Fuel Cell Vehicle Demonstration Projects (《關於開展燃料電池汽車示範應用的通知》), proposing the establishment fuel cell vehicle demonstration applications city cluster, emphasizing “the need to provide an economic and safe source of hydrogen for the demonstration of fuel cell vehicle applications, exploration of green hydrogen development and effectively reducing the hydrogen cost of vehicles”. In November 2020, the Office of the State Council issued the Development Plan for New Energy Automobile Industry (2021-2035) (《新能源汽車產業發展規劃(2021–2035年)》), which proposes “Improving the economics of hydrogen fuel production, storage and transportation. Promoting and accelerating the construction of hydrogen infrastructure”. In March 2022, the National Development and Reform Commission and the National Energy Administration released the Mid-to-long-term Plan for Development of Hydrogen Industry (2021-2035) (《氫能產業發展中長期規劃(2021-2035年)》), which aims to initially establish a hydrogen energy supply system based on the by-production of hydrogen from industry and the nearby use of hydrogen from renewable energy sources by 2025, and to promote the regulated, orderly and high-quality development of the hydrogen energy industry.

The implementation of the industry development project for hydrogen energial frontier technology by the Company is an inevitable choice for responding to industry policies and promoting employment development.

2) Promoting the Company's comprehensive competitiveness

After completion and putting into operation of the industry development project for hydrogen energial frontier technology, it will increase the production capacity of the Company and also help the Company to expand its hydrogen energy industry chain, and complete its industrial portfolio in the hydrogen supply system for hydrogen fuel cell vehicles, which will enhance the Company's enterprise system solution capabilities, competitiveness and sustainable development ability.

3) Enhancing the profitability of the Company

The fundraising investment project is in line with the relevant national industrial policies and the overall strategic development direction of the Company in the future. It will enable the Company to enhance its comprehensive competitiveness and have a positive effect on the development strategy of the Company. The project has bright market prospect and economic benefits. It will enhance the profitability of the Company, and further strengthen its core competitiveness and ability to resist risks, achieving long-term sustainable development of the Company and protecting the long-term interests of its shareholders.

(2) *Feasibility of the industry development project for hydrogen energial frontier technology*

1) Supported by national industrial policies

Under the guidance of the “carbon peaking and carbon neutrality” goal, China has been paying more attention to the hydrogen energy industry, with remarkable results in technological innovation, infrastructure construction taking shape, and policies, standards and regulations gradually completed. The Opinions on Accelerating the Establishment of the System of Green Production and Consumption Regulations and Policies (《關於加快建立綠色生產和消費法規政策體系的意見》) and the 14th Five-Year Plan and 2035 Vision Outline (《「十四五」規劃和2035年遠景目標綱要》) proposed in 2021 have promoted the development of the hydrogen energy industry. In May 2021, the Beijing Municipal Bureau of Economic and Information Technology released the Implementation Plan for the Development of Beijing’s Hydrogen Energy Industry (2021-2025) (《北京市氫能產業發展實施方案(2021-2025年)》), which is conducive to accelerating the development of Beijing’s hydrogen energy industry. In view of the above, industrial policy support is the foundation for the successful implementation of the fundraising investment project.

2) Vast market

The development of the hydrogen energy industry in China has been on a fast track since the introduction of the “dual carbon targets” in 2020, and in the context of China’s vigorous promotion of hydrogen energy development. In 2021, China’s annual hydrogen production was around 33 million tonnes, a 32% increase year-on-year, making it currently the world’s largest producer of hydrogen. The China Hydrogen Energy Industry Alliance estimates that China’s annual hydrogen demand will reach around 40 million tonnes by 2030 during the carbon peak period, accounting for around 5% of final energy consumption, and is expected to increase to around 130 million tonnes by 2060 under a carbon neutral scenario.

According to the Mid-to-long-term Plan for Development of Hydrogen Industry in Shanghai (2021-2035) (《上海市氫能產業發展中長期規劃(2021-2035年)》), Shanghai plans to build around 70 hydrogen refuelling stations by 2025, with the number of fuel cell vehicles exceeding 10,000 and the scale of the hydrogen energy industry chain exceeding RMB100 billion. In addition, Beijing, Henan and Shandong have also introduced plans and programmes related to hydrogen energy. Beijing plans to promote the cumulative number of hydrogen fuel cell vehicles to exceed 10,000 by 2025; Henan plans to promote the application of various types of hydrogen fuel cell vehicles to more than 3,000 by 2023, and to build more than 50 hydrogen refuelling stations; Shandong plans to promote a total of 10,000 fuel cell vehicles and build 100 hydrogen refuelling stations by 2025. As various regions continue to encourage the development of the hydrogen energy industry, the Company's sales of hydrogen energy products will have wide market potential.

3. *Approvals for the project*

The project has obtained the Project Filing Certificate of Non-Governmental Investment in Industrial and IT Fixed Assets (Jing Tong Jing Xin Ju [2022] No. 021) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(京通經信局[2022]021號)) issued by Beijing Municipal Tongzhou District Bureau of Economy and Information Technology, and the Reply on the Environmental Impact Report on the Industry Development Project for Hydrogen Energial Frontier Technology of Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (Tong Huan Shen [2022] No. 0033) (《關於對北京天海氫能裝備有限公司氫能前沿科技產業發展項目環境影響報告表的批覆》(通環審[2022]0033號)) issued by the Ecological Environment Bureau of Tongzhou District, Beijing.

4. *Analysis on economic benefits of the project*

The project's internal rate of return is 15.10% (after tax) and static payback period is 6.98 years (after tax, including construction period), providing good economic benefits.

(II) Intelligent manufacturing industrial park project

1. *Overview of the Project*

Implementing entity: BYTQ

Location of construction: Land parcel on Ruijin Road, Lichang District, Qingdao City

Construction period: 21 months

Project description: The total investment in the project will be RMB150,000,000. The project includes integrated production capacity with annual output of 20 air conveyance systems, 30 integrated robotic applications and stamping lines, 20 ground conveyance and assembly systems and 100 units/sets of non-standard automation machines.

2. *Analysis on necessity and feasibility of the intelligent manufacturing industrial park project*

(1) *Necessity of the intelligent manufacturing industrial park project*

- 1) Seizing the opportunity of booming market demand of the intelligent manufacturing industry

The intelligent manufacturing industry of China has a promising prospect and is a key industry encouraged by national industrial policy. According to the National Bureau of Statistics, the elderly population aged 65 or above in China increased rapidly from 63.68 million in 1990 to 191 million in 2020, making up 13.50% of the total population. At the same time, China's unit labour cost is also rising, with the average wage of workers in manufacturing industry increasing from RMB24,401 in 2008 to RMB78,238 in 2019. Under the combined effect of factors such as decreasing working-age labour force, rising unit labour cost and enhancing level of automation equipment and technology, the demand for "machine replacement" in the enterprise is increasing, and the automation process of China's industrial manufacturing enterprises will continue.

However, relying on the existing technology level, domestic automatic production line suppliers are still unable to meet the booming market demand. Statistics indicate that the demand gap of automatic production lines in China has narrowed in recent years, but is still near 50%. With further enhancement of the core technology level of China's intelligent manufacturing industry in the future, there will be more room for development of automated production line suppliers.

- 2) Accelerating development of main operations and improving sustaining profitability

In 2022, against multiple backdrops of complex economic environment, intense market competition and diversified market demands, etc., the Listed Company promoted its industrial transformation and upgrading strategy, and strengthened its position in the intelligent manufacturing industry through the acquisition of BYTQ. Through the fundraising investment project, the Company will expand the production scale of business segment of the intelligent manufacturing, which will help further improve its profitability. The continuous expansion of the business of automatic manufacturing equipment system integration of the Company will strengthen its sustainable operation capability.

After completion of the fundraising investment project, the service capability of the intelligent manufacturing segment of the Company will be enhanced, the upstream and downstream bargaining power will be strengthened and the product unit cost will be lowered. The Company intends to expand its production capacity to support its long-term development.

(2) *Feasibility of the intelligent manufacturing industrial park project*

1) Supported by national industrial policies

“Made in China 2025” is the first ten-year action plan implemented by China for the strategy of promoting the making of a strong country, which includes accelerating the development of the integration of new generation information technology and manufacturing technology, making intelligent manufacturing the main direction of the deep integration of the two; focusing on developing intelligent equipment and intelligent products, promoting the intelligence of production processes, fostering new production methods, and comprehensively improving the intelligence level of enterprise research and development, production, management and services.

In 2021, China’s “14th Five-Year Plan and 2035 Vision Outline” proposed the in-depth implementation of intelligent manufacturing and green manufacturing engineering, the development of new models of service-oriented manufacturing, and promotion of the high-end intelligent and green manufacturing industry.

In 2021, eight departments including the Ministry of Industry and Information Technology and the National Development and Reform Commission jointly issued the 14th Five-Year Plan for the Development of Intelligent Manufacturing (《「十四五」智能製造發展規劃》), proposing taking the deep integration of new generation information technology and advanced manufacturing technology as the main line, calling for in-depth implementation of intelligent manufacturing engineering, focusing on enhancing of innovation, supply and support capabilities and application level, accelerating construction of an ecology for intelligent manufacturing development, continuously promoting digital transformation, network synergy and intelligent revolution of the manufacturing industry, and providing strong support for promoting the high-quality development of the manufacturing industry, accelerating the construction of a strong manufacturing country, development of digital economy and building new advantages in international competition.

In view of the above, industrial policy support is the foundation for the successful implementation of the fundraising investment project.

- 2) Extensive project experience and talent reserve to provide operational guarantee for project implementation

BYTQ is a leading enterprise in the field of intelligent manufacturing equipment in the home appliance industry. With years of operation, BYTQ has accumulated quality customer resources, created good brand effect, and has extensive project experience and talent reserve in intelligent manufacturing equipment in the home appliance industry, which will provide operational guarantee for implementation of the fundraising investment project.

3. *Approvals for the project*

As of the date of the Proposal, the project is undergoing filing and environmental impact assessment procedures.

4. *Analysis on economic benefits of the project*

After the completion of construction and fully put into operation, the project's estimated internal rate of return is 34.88% (after tax) and static payback period is 5.23 years (after tax, including construction period), providing good economic benefits.

The above is the estimated operating results arrived at after thorough discussion and preliminary feasibility analysis carried out by the Company. The actual figures may be different from those in the final feasibility report. Currently, the pre-construction preparatory work for the project is underway.

(III) Acquisition of 100% equity interest in Beiren Intelligent

1. *Overview of the project*

The Company intends to acquire 100% equity interest in Beiren Intelligent held by Jingcheng Machinery Electric by way of cash. Upon completion of the Transaction, Beiren Intelligent will be a wholly-owned subsidiary of the Listed Company.

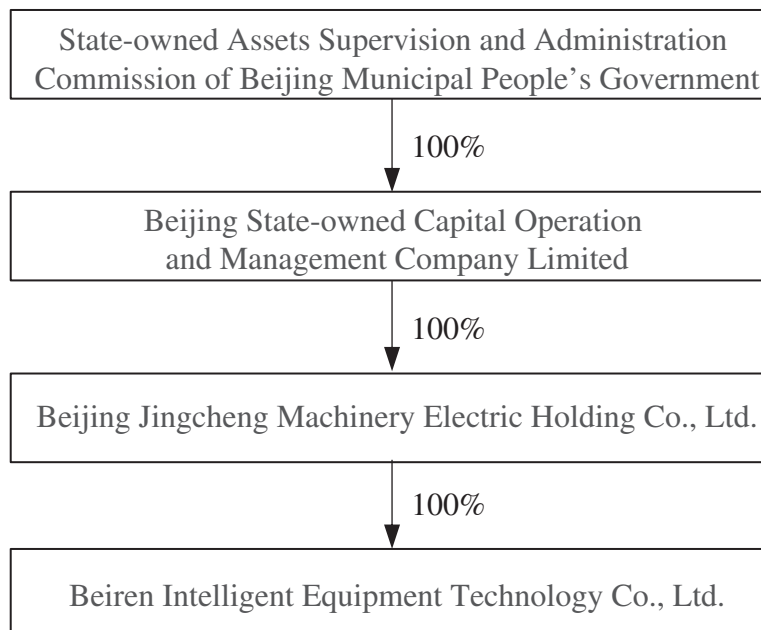
2. Basic information of Beiren Intelligent

(1) Basic information

| | |
|----------------------------|--|
| Company name | Beiren Intelligent Equipment Technology Co., Ltd. |
| Unified social credit code | 91110115MA00FJRM2E |
| Registered address | Room 108, 1st Floor, Building 5, No. 25 Keyuan Road, Economic Development Zone, Daxing District, Beijing |
| Office address | Room 108, 1st Floor, Building 5, No. 25 Keyuan Road, Economic Development Zone, Daxing District, Beijing |
| Corporate nature | Limited liability company (sole proprietorship of legal person) |
| Legal representative | Chen Bangshe |
| Registered capital | RMB128.25 million |
| Date of establishment | 26 June 2017 |
| Scope of business | Technology development, transfer, consulting, services; sales of machinery and equipment, electronic products, computers, software and auxiliary equipment, paper products, instruments and meters; import and export of goods; import and export of technology; import and export agents; rental, maintenance and repair of printing equipment; car rental (excluding passenger cars with nine seats or more); general construction contracting; professional contracting; labour subcontracting; labour services; rental of office space; production of complete sets of intelligent printing equipment. (Enterprises may independently choose business items and carry out operating activities in accordance with laws; for items subject to approval according to the law, the operating activities shall only be carried out within the approved scope upon the approval of the relevant authorities; it shall not engage in operating activities belonging to the types prohibited and restricted by industrial policies issued by the municipality.) |

(2) *Equity control relationship*

As of the date of the Proposal, the shareholding structure of Beiren Intelligent is as follows:



The controlling shareholder and de facto controller of Beiren Intelligent is Beijing Jingcheng Machinery Electric Holding Co., Ltd.

(3) *Major content of the Articles of Association of Beiren Intelligent which may affect the Transaction*

As of the issuance date of the Proposal, there is nothing in the Articles of Association of Beiren Intelligent which would have a material impact on the Transaction.

(4) *Arrangement of the directors, supervisors and senior management of Beiren Intelligent*

There is no special arrangement for the former senior management of Beiren Intelligent after completion of the Issuance, and in principle, the existing management organisation and management personnel will continue to be used. If actual operation needs require so, Beiren Intelligent will make adjustment in compliance with the relevant laws and regulations and in accordance with its Articles of Association.

(5) *Main business of Beiren Intelligent*

Beiren Intelligent is a high-tech enterprise specialized in R&D, manufacturing, sales and services of intelligent printing equipment. Currently, the main business of Beiren Intelligent is focused on three segments: intelligent publishing equipment, intelligent packaging equipment and green environmental protection equipment, which satisfy different needs such as book printing, newspaper printing, flexible packaging printing, paper packaging printing and precision coating fabric.

1) Intelligent publishing equipment

The intelligent publishing equipment business segment of Beiren Intelligent mainly includes: the production of book printing equipment, newspaper printing equipment, production of post-press equipment for publishing; development and maintenance of supporting intelligent systems, etc. The intelligent publishing equipment products are mainly used in publishing and printing sectors, including printing of books and newspaper, etc.

2) Intelligent packaging equipment

The intelligent packaging equipment business segment of Beiren Intelligent is mainly operated by its wholly-owned subsidiary Shaanxi Beiren Printing Machinery Co., Ltd., and mainly includes production of flexible packaging printing equipment and lamination equipment, decorative paper printing equipment, carton prepress and carton packaging printing equipment, optical film coating equipment; development and maintenance of supporting intelligent systems, etc. Among which, the flexible packaging business unit mainly produces flexible packaging printing equipment and laminating equipment, which are used in the production of external packaging for various types of food, drugs, household chemicals, hygiene materials; the paper packaging business unit mainly produces decorative paper printing equipment, carton prepress and carton packaging printing equipment, which are used in the production of wall paper, wood grain (cloth and stone grain) paper, flooring paper, polyester paper, heat transfer paper and other building material surface stickers; the precision coating business unit mainly produces coating equipment such as optical film, which are used in the production of protective film, release film, photovoltaic backsheet, window film, etc. and used in LCD and related industries, photovoltaic backsheet industry, automotive industry, etc.

3) Green environmental protection equipment

The green environmental protection equipment business segment of Beiren Intelligent is mainly operated by Beiren Brofind (Xi'an) Environmental Technology Co., Ltd., which mainly includes R&D, production and sales of atmospheric pollution control equipment (VOCs treatment equipment); provision of system engineering services, etc.

(6) *Profit model of Beiren Intelligent*

The main business of Beiren Intelligent is R&D, manufacturing, sales and services of intelligent printing equipment, which mainly achieves revenue and profit through sales of intelligent equipment and supporting systems to downstream application customers.

(7) *Core competitiveness of Beiren Intelligent*

1) Brand advantage

The manufacturing technology of “Beiren Brand” printing machine is closely in line with the international advanced technology and has over 290 granted technical patents. Beiren Intelligent attaches great importance to the innovation and development of technology and products, focuses on customer needs, constantly improving product performance, enriching products and services, continuously improving the ability and level of its products and services to meet customer demand, and promoting the enhancement in brand value and competitiveness. Through years of efforts, the core technologies and products owned by Beiren Intelligent have been widely recognized by the market and customers. Its technology level has continued to improve, the market share of products has increased significantly, and competitiveness and popularity of the brand continues to rise.

2) Technology advantage

Beiren Intelligent always devotes itself to the research of high technology and the production of its products. Through continuous development and improvement, it has a professional R&D team with strong technical force, strong innovation capability and high technical quality. Shaanxi Beiren, its wholly-owned subsidiary, was awarded the “Enterprise Cultivating Single Champion in the Manufacturing Industry” by the Ministry of Industry and Information Technology and has established R&D institutions such as National-level Enterprise Technology Center, Shaanxi Packaging and Printing Machinery Engineering Research Center and Shaanxi Beiren Expert Workstation. After years of development, the company has formed a product mix under four categories mainly including book and newspaper

printing machines, medium- and high-end flexible packaging printing machines, paper printing machines, coating machines, satellite flexographic printing machines and pre-press and post-press supporting equipment. Its key products FR unit-type rotogravure printing machine, DL dry laminator and wide-format satellite flexographic printing machine were awarded with titles such as “Famous Brand Products in Shaanxi Province” and “National Customer Satisfaction Products” successively. The “Key Technology and Series Product Development of High-end Packaging and Printing Equipment” research result also won the “Second Prize of National Science and Technology Advancement”.

Beiren Intelligent was awarded multiple honors such as “Zhongguancun High-Tech Enterprise” and “National High-Tech Enterprise” in 2018, “Beijing Intellectual Property Pilot Demonstration Unit” and “Beijing Design and Innovation Center” in 2019, “Quality Brand and Product for the Machinery Industry” and “Machinery Industry Quality Trustworthiness Enterprises” in 2020, “Enterprise Cultivating Single Champion in the Manufacturing Industry” and National Specialized and New “Little Giant” Enterprise by the Ministry of Industry and Information Technology in 2021, and “National Green Factory” in 2022. In recent years, the company has closely followed the pace of scientific research, presided and participated in a number of national and municipal key projects, and closely cooperated with Beijing Institute of Graphic Communication and other universities to actively carry out “industry-academia-research-application” activities.

3) Market advantage

Beiren Intelligent has a nationwide sales and service network, with products sold in more than 30 provinces, cities and autonomous regions, and exported to Asia, Africa, Europe, the Americas and other regions. Beiren Intelligent has formed a complete and efficient digital sales and service network in China and abroad.

(8) *Key financial data of Beiren Intelligent*

The key financial data of Beiren Intelligent for the last three years are as follows:

Unit: RMB'0,000

| Item | As at 30 September 2022/January – September 2022 | As at 31 December 2021/for the year 2021 | As at 31 December 2020/for the year 2020 | As at 31 December 2019/for the year 2019 |
|-------------------------|---|---|---|---|
| Total assets | 113,255.12 | 121,083.56 | 100,453.29 | 88,565.75 |
| Total liabilities | 96,359.92 | 104,948.62 | 86,852.16 | 74,081.75 |
| Shareholders' equity | 16,895.20 | 16,134.95 | 13,601.12 | 14,484.00 |
| Item | January – September 2022 | For the year 2021 | For the year 2020 | For the year 2019 |
| Operating revenue | 47,890.09 | 88,498.50 | 73,397.25 | 66,532.19 |
| Net profit | 1,784.99 | 941.21 | 2,087.72 | 1,304.19 |

Note: The above financial data is unaudited.

(9) *Information of subsidiaries*

As of the issuance date of the Proposal, Beiren Intelligent has a total of two controlled subsidiaries and no associates, and their particulars are as follows:

1) Shaanxi Beiren Printing Machinery Co., Ltd.

| | |
|----------------------------|---|
| Company name | Shaanxi Beiren Printing Machinery Co., Ltd. |
| Unified social credit code | 916100007099158145 |
| Registered address | West section of Dongfeng Street, High-Tech Industrial Development Zone, Weinan City, Shaanxi Province |
| Corporate nature | Limited liability company (a sole proprietorship invested or controlled by a non-natural person) |
| Legal representative | Li Yanfeng |
| Registered capital | RMB165 million |
| Date of establishment | 10 June 1998 |
| Scope of business | Research and development, manufacturing, sales, repair, plate making and technical services of printing equipment, laminating equipment, coating equipment, energy saving equipment, environmental protection equipment, packaging equipment, engineering equipment, mechanical and electrical equipment and accessories; development and application and sales services of software products and intelligent systems; sales of printing equipment; export of the enterprise's own products and related technologies; import of raw and auxiliary materials, mechanical equipment, instruments, spare parts and technologies required for the enterprise's production and scientific research; development of the enterprise's "three processing and one compensation" business. (For projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant authorities) |
| Shareholding structure | 100% held by Beiren Intelligent |

2) Beiren Brofind (Xi'an) Environmental Technology Co., Ltd.

| | |
|----------------------------|---|
| Company name | Beiren Brofind (Xi'an) Environmental Technology Co., Ltd. |
| Unified social credit code | 91610132MA6WAX2C2X |
| Registered address | Room 1304, Tower D, Northwest International Financial Center, Fengcheng Eighth Road, Xi'an Economic and Technological Development Zone, Shaanxi Province |
| Corporate nature | Limited liability company (Sino-foreign joint venture) |
| Legal representative | Li Yanfeng |
| Registered capital | RMB10 million |
| Date of establishment | 21 December 2018 |
| Scope of business | General items: atmospheric pollution control; atmospheric environmental pollution prevention and control services; manufacturing of environmental protection special equipment; engineering management services; environmental protection consulting services; manufacturing of general equipment (excluding special equipment); sales of special equipment; sales of mechanical equipment; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion. (In addition to the items subject to approval according to laws, operating activities shall be operated voluntarily based on the business license and in accordance with laws) Permitted items: subcontracting of construction labour; various engineering construction activities; import and export of goods; import and export of technology. (For projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant authorities, and the specific business items are subject to the approval results) |
| Shareholding structure | Held as to 40% by Beiren Intelligent, 30% by BROFIND S.P.A. and 30% by Xi'an Beibo Hechuang Enterprise Management Consulting Partnership (Limited Partnership) (西安北伯合創企業管理諮詢合夥企業(有限合夥)) |

3. *Proposed pricing and appraisal or valuation information*

Based on the Company's preliminary understanding of the Target Company and after friendly negotiations among the parties to the Transaction, the consideration for 100% equity interest in Beiren Intelligent, the Target Company of the Transaction, shall not exceed RMB420 million. The final consideration of the Transaction shall be negotiated and determined based on the appraised value in the valuation report issued by the valuation institution engaged by the Company and filed with the competent state-owned assets supervision and administration authorities.

4. *Discussion and analysis of the Board on the reasonableness of the pricing*

The final transaction price of 100% equity interest in Beiren Intelligent shall be negotiated and determined based on the appraised value in the valuation report issued by the valuation institution engaged by the Company and filed with the competent state-owned assets supervision and administration authorities. The assets involved in the Transaction is assessed at fair value and there is no damage to the legitimate rights and interests of the Company and its shareholders.

5. *The Transaction constitutes a connected transaction*

Part of the proceeds raised from the Non-public Issuance will be used for the acquisition of 100% equity interest in Beiren Intelligence, which is a wholly-owned subsidiary of Jingcheng Machinery Electric, the controlling shareholder of the Listed Company. The Asset Acquisition constitutes a connected transaction under the Listing Rules and a notifiable transaction and connected transaction under the Hong Kong Listing Rules.

6. *The Administrative Measures for the Material Asset Reorganizations of Listed Companies are not applicable to the Asset Acquisition*

The Asset Acquisition will be implemented after the Non-public Issuance is approved by CSRC. It is expected that the Asset Acquisition will meet the material asset restructuring standards. However, according to the Asset Acquisition Framework Agreement by way of Cash Payment for the Asset Acquisition, CSRC's approval of the Non-public Issuance is a condition for the Asset Acquisition Framework Agreement by way of Cash Payment to be effective, therefore, the relevant requirements of the Administrative Measures for the Material Asset Reorganisations of Listed Companies (《上市公司重大資產重組管理辦法》) are not applicable to the Asset Acquisition.

7. *The Transaction will not constitute listing by restructuring*

The Transaction does not involve share issuance. As the controlling shareholder and de facto controller of the Company will not change before and after the Transaction, the Transaction will not constitute listing by restructuring.

8. *Approval procedures obtained and outstanding approval procedures for the Transaction*

On 16 November 2022, the resolution on the acquisition of 100% equity interest in Beiren Intelligent was considered and approved at the nineteenth extraordinary meeting of the tenth session of the Board of the Listed Company.

The outstanding decision-making and approval procedures for the Asset Acquisition include but not limited to:

- (1) The Listed Company to convene another Board meeting to consider and approved relevant resolutions on the Transaction after completion of the audit and evaluation of Beiren Intelligent;
- (2) Approval of the Transaction by competent state-owned assets supervision and administration authorities;
- (3) Stock Exchange to approve the issue of the shareholder circular by the Company;
- (4) The formal Proposal of the Transaction to be considered and approved at the general meeting of the Listed Company;
- (5) Other necessary approval, filing or authorisation (if any).

The implementation of the Transaction is subject to the CSRC's approval of the Non-public Issuance.

9. *Main contents of the agreement of the Transaction*

(1) Main body and signing date of the agreement

On 16 November 2022, Jingcheng Mac (Party A) and Jingcheng Machinery Electric (Party B) signed the Asset Acquisition Framework Agreement by way of Cash Payment.

(2) Transaction plan

Jingcheng Mac proposes to pay cash to Jingcheng Machinery Electric for the acquisition of 100% equity interest in Beiren Intelligent. The expected total consideration for the Transaction will not exceed RMB420 million. The final price of the Transaction will be based on the valuation report issued by the valuation institution and filed with the competent state-owned assets supervision and administration authorities, which will be determined by a separate agreement signed by both parties.

(3) *Conditions precedent*

The parties agreed that they will sign the agreement on asset acquisition by way of cash and other documents related to the Transaction based on the transaction price determined by the approved appraised value, the Asset Acquisition Framework Agreement by way of Cash Payment for the Asset Acquisition and the aforementioned agreement shall come into force on the date when the Transaction has satisfied the following conditions:

- 1) Having considered and approved by the internal authorities of each party in accordance with relevant laws and regulations, and the articles of association and internal management system of each party, including but not limited to having considered and approved by board meeting, general meeting and class meeting of Party A convened after completion of the audit and evaluation work of Beiren Intelligent;
- 2) All necessary approvals of competent authorities of the PRC government have been obtained, including but not limited to approval/filing of relevant matters by Beijing SASAC, approval of relevant matters by CSRC, and other necessary prior approvals, authorizations or consents as or may be required by laws and regulations and regulatory authorities, and such approvals do not require any amendment to this agreement that is not unanimously acceptable to the parties to this agreement, or addition of additional or different obligations to this agreement that is not unanimously acceptable to the parties to this agreement.

If any of the foregoing conditions are not satisfied, this agreement shall be null and void, and each party shall bear its own expenses in connection with the execution and preparation for performance of this agreement, and the parties shall not be liable to each other. The date on which all the above conditions precedent are satisfied shall be the effective date of the agreement.

(4) *Liability of breach of contract*

- 1) After signing of the Asset Acquisition Framework Agreement by way of Cash Payment, except for force majeure factors, if any party fails to perform any obligations or undertakings under Clause V Confidentiality of the Asset Acquisition Framework Agreement by way of Cash Payment, such party shall be deemed to be in breach of the agreement and shall be liable for the resulting loss of the party in default.

- 2) Entering into of the Asset Acquisition Framework Agreement by way of Cash Payment represents the intention of the parties to collaborate for the Transaction. Upon the completion of the audit and valuation of Beiren Intelligence, Party A has the right to unilaterally decide whether to proceed with the implementation of the Transaction and whether to enter into a formal acquisition agreement and other relevant legal documents (the “**Formal Transaction Agreement**”) with Party B. The specific rights and obligations of the parties are subject to the terms of the Formal Transaction Agreement. Prior to the execution of the Formal Transaction Agreement by the parties, Party A has no legal obligation to purchase the subject asset. If the Formal Transaction Agreement is not signed, this agreement shall then be null and void, whereupon the parties shall each bear the costs respective incurred in signing and preparing for the performance of this agreement and shall not be liable to each other.

10. Necessity and feasibility of the acquisition of 100% equity interest in Beiren Intelligent

(1) Necessity of the acquisition of 100% equity interest in Beiren Intelligent

As an important equipment manufacturing industry group under the Beijing Municipal Government, and for thoroughly implementing national and Beijing’s industry policies and decisions, Jingcheng Machinery Electric actively constructs a strategic plan to improve the “precision and high-tech” industry structure, actively promotes the expansion of the equipment manufacturing industry in the direction of high-end, intellectualization and solving core basic technologies, and builds a leading domestic equipment manufacturing industry group. The main business of Beiren Intelligent is as enterprise of R&D, manufacturing, sales and services of intelligent printing equipment. The acquisition of 100% equity interest in Beiren Intelligent will enable the Listed Company to expand its presence and improve the business portfolio of the Company in the intelligent printing equipment industry.

(2) Feasibility of the acquisition of 100% equity interest in Beiren Intelligent

The main business of Beiren Intelligent is focused on three segments: intelligent publishing equipment, intelligent packaging equipment and green environmental protection equipment, which satisfy different needs such as book printing, newspaper printing, paper packaging printing and plastic packaging printing. The operations of Beiren Intelligent is in a good shape, and it has stable cash flow, strong competitive advantages and good profitability.

The Company has entered into the conditional Asset Acquisition Framework Agreement by way of Cash Payment with Jingcheng Machinery Electric, which contains express agreement on the way of payment of the transfer price, conditions precedent of the agreement, liability of breach of contract, etc., complies with relevant policies, laws and regulations, and there is no impediment to its implementation.

(IV) Replenishment of working capital

1. Overview of the project

RMB24.0 million of the raised proceeds will be used to replenish working capital. The amount of raised proceeds to be used to replenish working capital has taken into account of the situation of the existing capital of the Company, the gap of actual working capital needs and the Company's future development strategy. The overall scale is appropriate.

2. Necessity of the replenishment of working capital

(1) Meeting the working capital requirement for business expansion and enhancing market competitiveness

As the Company's business continues to develop and the putting into operation of the fundraising investment projects, the scale of business of the Company will gradually expand while current assets such as inventory and accounts receivable will also increase correspondingly. This will put pressure on the Company's working capital requirement. Therefore, a relatively sufficient liquidity is an important guarantee for the Company's steady development. The replenishment of working capital will effectively meet the additional liquidity requirements arising from the continuous expansion of the Company's business scale. It will help enhance the Company's capital strength, provide capital to support various operating activities, enable the Company to respond more flexibly to the future development trend of the industry, and help the Company to grow and strengthen its main business.

(2) Optimising capital structure and improve the Company's ability to resist risks

Part of the raised proceeds will be used to replenish working capital, which will lower the Company's gearing ratio, optimise its capital structure, improve liquidity indicators, reduce financial risk and operating risk of the Company. This will help the Company to improve its ability to resist risks in the ever-changing competitive environment and adhere to long-term development strategy which, in turn, will protect the interests of all shareholders of the Company.

(3) Strengthening competitive advantages and consolidating its position in the industry

Part of the proceeds raised from the Issuance will be used to replenish working capital, which will provide continuous financial support for the introduction of talents, technological innovation and technology R&D, etc. of the Company, and help the Company to achieve long-term strategic development goals, strengthen its competitive advantages and consolidate its competitive position in the industry.

3. Feasibility analysis of project implementation

- (1) *The use of the proceeds raised from the Issuance complies with the laws and regulations*

The use of the proceeds raised from the Issuance complies with relevant laws, regulations and policies, and is feasible. After the raised proceeds are in place, the Company's net assets and working capital will be increased, which will be conducive to enhancing the Company's capital strength, promoting the Company's active and stable establishment of relevant businesses in the industry chain, improving the Company's profitability and market competitiveness, and promoting the sustainable and healthy development of the its business.

- (2) *The proceeds raised from the Issuance are used by an implementing entity with standardized governance and sound internal control*

The Company has formulated the Measures for the Management of Proceeds in accordance with the regulatory requirements, which clearly stipulates the storage, use, investment changes, management and supervision of the raised proceeds. After the raised proceeds are in place, the Board of the Company will continuously supervise the storage and use of raised proceeds by the Company to ensure the reasonable and standardized use of raised proceeds and prevent the risk of inappropriate use of raised proceeds.

III. IMPACTS OF THE INVESTMENT PROJECTS ON THE COMPANY'S BUSINESS OPERATIONS AND FINANCIAL CONDITION

(I) Impacts on business operations

The Company's main business segment currently comprise the gas storage and transportation business segment and the automated manufacturing equipment systems integration business segment. With the completion of the fundraising investment projects under the Non-public Issuance, the production capacity of the Company's gas storage and transportation products, such as Type III Cylinders and Type IV Cylinders, will increase, the R&D capability of hydrogen energy products will be enhanced, the scope of hydrogen energy products will be expanded, and the production capacity and customer service capability of the intelligent manufacturing business segment will be enhanced; the acquisition of 100% equity interest in Beiren Intelligent will enable the Listed Company to expand its presence in the intelligent printing equipment industry and further build a competitive listing platform for the equipment manufacturing industry; the replenishment of working capital can reduce the Company's gearing ratio, lower its financial costs, and improve its ability to resist risks.

Therefore, the fundraising investment projects to be financed with proceeds from the Non-public Issuance is in line with the national industrial policy and the overall business development strategy of the Company, and the projects have bright market prospect. Upon the completion of the Issuance, the Company's capital capability will be further enhanced. Upon the completion of the implementation of the fundraising investment projects, the Company will be able to explore new business markets, further improve its profitability and comprehensive competitiveness and effectively enhance its ability to resist risks, achieving sustainable development of the Company.

(II) Impacts on the financial condition

The funds for the fundraising investment projects raised through equity financing can effectively reduce the Company's gearing ratio. With the completion of the fundraising investment projects, the production capacity of the Company's products will be increased, and the quality intelligent printing equipment assets can be included in the Listed Company. The successful implementation of the above projects will help further enhance the sustainable operation capability and profitability of the Listed Company.

In addition, the Company will also use part of the raised proceeds to replenish working capital which will help optimise the Company's asset and liability structure, reduce financing cost and enhance its profitability.

IV. CONCLUSION OF FEASIBILITY ANALYSIS

In view of the above, the use of proceeds raised from the Non-public Issuance is reasonable and feasible, and in line with the national industrial policy and the Company's strategic development planning direction. The successful implementation of the fundraising investment projects will bring good economic benefits, and is conducive to the enhancement of the Company's sustainable profitability and ability to resist risk, the strengthening of the Company's comprehensive competitiveness, the sustainable development of the Company and in the interests of all shareholders. Therefore, the fundraising investment projects necessary and feasible.

SECTION IV DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE ISSUANCE ON THE COMPANY

I. CHANGES IN THE BUSINESS, ARTICLES OF ASSOCIATION, SHAREHOLDER STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS REVENUE STRUCTURE OF THE COMPANY AFTER THE ISSUANCE

(I) Impact of the Issuance on the Company's business and assets

The Company's main business is centered on the businesses of gas storage and transportation and automatic manufacturing equipment system integration. After deducting issuance expenses, all proceeds raised from the Non-public Issuance will be used for the industry development project for hydrogen energial frontier technology, intelligent manufacturing industrial park project, the acquisition of 100% equity interest in Beiren Intelligent and replenishment of working capital.

After completion of the fundraising investment projects, the production capacity of the Company's gas storage and transportation products such as Type III Cylinders and Type IV Cylinders will increase, the R&D capability of hydrogen energy products will be enhanced, the scope of hydrogen energy products will be expanded, and the production capacity and customer service capability of the intelligent manufacturing business segment will be enhanced. At the same time, the Listed Company can thereby expand its presence in the intelligent printing equipment industry, which is conducive to the joint development of the intelligent printing equipment business and the original business of the Listed Company, optimizing its business portfolio in the industry and strengthening the sustainable operation capability and further build a competitive listed platform for equipment manufacturing. The Company's financial structure will be further improved, its finance cost significantly reduced, and its business scale and core competitiveness further strengthened.

(II) Changes in the Articles of Association after the Issuance

The registered capital, total number of shares and capital structure of the Company will change upon completion of the Non-public Issuance. The Company will make amendments to relevant articles of the Articles of Association in accordance with the actual situation of the issuance, and complete the procedures for changes of registration at the industrial and commercial registration department.

(III) Changes in the shareholders structure after the Issuance

Prior to the Issuance, Jingcheng Machinery Electric holds 245,735,052 shares of the Company, representing 45.32% total share capital of the Company, and is the controlling shareholder and de facto controller of the Company.

Based on the maximum number under the Non-public Issuance and holding all else constant, Jingcheng Machinery Electric will remain the controlling shareholder and de facto controller of the Company after the completion of the Non-public Issuance. Thus, the Issuance will not result in a change of control of the Company.

(IV) Changes in the senior management after the Issuance

As of the date of this Proposal, the Company has no intention to adjust the structure of senior management. The Issuance will have no significant impact on the structure of senior management. If the Company intends to adjust the structure of senior management, it will perform the necessary legal procedures and information disclosure obligations in accordance with relevant regulations.

(V) Changes in the structure of the Company's business revenue after the Issuance

The proceeds raised from the Non-public Issuance will be used for the industry development project for hydrogen energial frontier technology, the intelligent manufacturing industrial park project, the acquisition of 100% equity interest in Beiren Intelligent and replenishment of working capital. After completion of the Non-public Issuance, the Company's main business will still be centered on the businesses of gas storage and transportation and automatic manufacturing equipment system integration, and on such foundation, the Company will expand into the field of research and development, manufacturing, sales and services of intelligent printing equipment, and create a competitive listed platform in equipment manufacturing industry.

After completion of the fundraising investment projects, the product structure, customer structure and market structure of the Company will be optimized, and the product line of the Company will be further improved to enhance the revenue scale and profit margin of the Company and enhance the Company's ability to resist risks.

II. CHANGES IN THE FINANCIAL CONDITION, PROFITABILITY AND CASH FLOW OF THE LISTED COMPANY AFTER THE ISSUANCE

(I) Impact on the financial condition of the Company

Upon completion of the Non-public Issuance, the size of the Company's total assets and net assets will increase at the same time, and operating revenue will also increase. The Non-public Issuance will further optimise the capital structure of the Company, strengthen the Company's ability to make profit and resist risks, providing a good foundation for subsequent business expansion.

(II) Impact on the profitability of the Company

The raised proceeds will be used in areas relevant to the Company's main business and the Company's future strategic layout field. It is expected that the Company's profitability will be further enhanced after completion of the projects. As the operating benefits of the fundraising investment projects will generally be fully released only within a certain period of time after the construction of the projects, the Company's financial indicators such as return on net assets and earnings per share may be affected by a certain degree of dilution in the short term. However, in the long run, the profitability of the Company will be further enhanced with the realization of the benefits of the fundraising investment projects. The investment of the raised proceeds will help enhance the future profitability and market competitiveness of the Company and maximize the interests of shareholders.

(III) Impact on the cash flow of the Company

Upon the completion of the Non-public Issuance, cash inflow from the financing activities of the Company will be greatly increased. Cash outflow from the investing activities will substantially increase as the funds are invested into the fundraising investment projects. After completion of the fundraising investment projects, the net cash flow of the Company from the operating activities will increase significantly. The Non-public Issuance will help improve the Company's cash flow and financial position, enhance the Company's ability to resist risks and lay the foundation for business expansion.

III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, CONNECTED TRANSACTIONS AND HORIZONTAL COMPETITION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PERSONS

Prior to the Non-public Issuance, the Company operates independently in terms of its business, personnel, assets, organization and finance, and is not affected by the controlling shareholder, the de facto controller and its connected persons.

After the Non-public Issuance, there will be no material changes in the business relationship, management relationship, connected transactions and horizontal competition between the Company and the controlling shareholder and its connected persons.

IV. NO EMBEZZLEMENT OF FUNDS AND ASSETS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PERSONS, OR ANY GUARANTEE PROVIDED BY THE COMPANY FOR THEM

The authorization approval procedures on use of capital and external guarantee of the Company and information disclosure obligation were strictly complied with in accordance with relevant laws and regulations and the relevant provisions of the Articles of Association. There will be no embezzlement of funds and assets of the Company in breach of the rules by the controlling shareholder and its connected persons, or any guarantee provided by the Company for them in breach of the rules.

Upon completion of the Non-public Issuance, the Board and management of the Company will take necessary measures to ensure that there is no embezzlement of funds and assets in breach of the rules by the Company and the controlling shareholder and its connected persons, or any guarantee provided by the Company for the controlling shareholder and its connected person in breach of the rules.

V. EFFECT OF THE ISSUANCE ON THE LIABILITIES OF THE COMPANY

Upon receipt of the proceeds raised from the Non-public Issuance, the net assets of the Company will increase, the balance sheet structure will be optimized and the Company's risk resistance will be enhanced. There will be no significant increase in the Company's liabilities (including contingent liabilities) as a result of the Issuance.

SECTION V RISKS RELATING TO THE NON-PUBLIC ISSUANCE

In evaluating the Non-public Issuance, apart from various information provided in this Proposal, investors should specifically and seriously consider the following risk factors:

I. RISKS RELATING TO THE NON-PUBLIC ISSUANCE PROPOSAL

(I) Risk of Approval of the Non-public Issuance

The proposal of the Non-public Issuance of the Company has been approved by the Board. In accordance with the relevant laws and regulations, the Non-public Issuance is subject to the approval from the entities having supervision and administration duties regarding state-owned assets, the consideration and approval at the General Meeting of the Company and the approval from CSRC. There are uncertainties as to whether approval or verification for the Issuance can be obtained, and if so, when they can be obtained. Investors are reminded of the risk of investment.

(II) Risks that the Fund Raised is Lower than Expected

In the Transaction, the Company proposed to non-publicly issue shares to no more than 35 specific qualified investors, including the controlling shareholder the Company and de facto controller, Jingcheng Machinery Electric, for raising funds. If the amount of subscription by investors is lower than expected or some of the investors are unable to make payment for other reasons after subscription, the Non-public Issuance cannot be implemented or the amount of funds raised is lower than expected, which would affect the capital utilization and the financial condition of the Company. Investors are advised to pay attention to the relevant risks.

(III) Risks in the Implementation of the Fundraising Investment Projects with the Fund Raised

The fundraising investment projects which utilize the funds raised include the industry development project for hydrogen energial frontier technology, intelligent manufacturing industrial park project, the acquisition of 100% equity interest of Beiren Intelligent and replenishment of working capital. After the implementation of the fundraising investment projects with the funds raised, it will give positive effect on the scale of operations, profitability and market competitiveness of the Company.

However, there are certain uncertainties in the implementation process and effectiveness of the fundraising investment projects with the funds raised. The profitability of the fundraising investment projects utilizing the funds raised will be affected by various factors such as construction cost, construction process and whether the quality of the project meets the expected goals. Meanwhile, factors like the development of competitors, changes in product price, changes in market capacity, emergence of new products, changes in the macroeconomic situation and market development will also affect the investment returns of the projects. There are possibilities that the fundraising investment projects utilizing the funds raised may not meet the expected benefits.

(IV) Risks on Valuation of Target Company

One of the fundraising investment projects utilizing the funds raised from Non-public Issuance of Listed Company is the acquisition of 100% equity interest of Beiren Intelligent. The final consideration of the Assets Acquisition is determined on the basis of the appraisal price in the asset evaluation report issued by the appraisal agency engaged by the Company and filed by the state-owned assets supervision and administration authority. Investors are advised to pay attention to the valuation risks of the subject asset of the Transaction.

As of the issuance date of the Proposal, the audit and evaluation of Beiren Intelligent is still in progress. After the audit and evaluation of Beiren Intelligent is completed, the Listed Company will convene a Board meeting to consider and approve relevant resolution of the Transaction.

(V) Integration Risk After Completion of the Assets Acquisition

Upon completion of the Assets Acquisition, Beiren Intelligent will become a wholly-owned subsidiary of the Listed Company. If the management competence and management standard of the Listed Company could not efficiently meet the development needs of the Target Company, the development of part or all of its businesses will be adversely affected, which may affect the overall performance of the Listed Company.

II. RISKS RELATING TO MARKET AND OPERATION

(I) Policy Risk

The Company's main business is centered on the businesses of gas storage and transportation and automatic manufacturing equipment system integration.

The hydrogen energy market is an emerging clean energy industry with great support by the state. The business of automatic manufacturing equipment system integration is driven by the rapid improvement and development of the manufacturing industry and the national plan and policy emphasize that the manufacturing industry forms the main part of the national economy. However, there are still some uncertainties in the development of relevant market, and the industrial policies may be subject to adjustment.

Any future change in relevant industrial development policies may have a certain impact on the business operations of the Company.

(II) Market Risk

The hydrogen energy market in China is at an initial stage, and according to the prediction of the Mid-to-long-term Plan for Development of the Hydrogen Energy Industry (2021-2035) (《氢能產業發展中長期規劃 (2021-2035年)》), a hydrogen energy supply system will be initially established based on the by-production of hydrogen from industry and the nearby use of hydrogen from renewable energy sources by 2025. The number of fuel cell vehicles ownership will be approximately 50,000 and a batch of hydrogen filling stations will be deployed and built. However, with the development of other clean energy sources such as solar energy, biomass energy and wind energy, there are still some uncertainties in the development of hydrogen energy market.

The business of automatic manufacturing equipment system integration is closely related to the development of the manufacturing industry of China. Affected by macroeconomic environment, international tensions and other factors, there is still some uncertainty in the development of China's manufacturing industry.

If there are changes in the market supply and demand conditions, and market development fails to meet expectation and competition intensifies in the future, the profitability and financial position of the Company will be affected.

(III) Risk of Price Fluctuations of Raw Materials

The main raw materials required in the principal business of Listed Company include pipes, square steel, aluminium sheet, plastic powder, carbon fibre, valves, diaphragms, etc. In recent years, the price of raw materials has fluctuated significantly due to the impact of their respective production costs, market supply and demand, and short-term speculative factors in the market. Fluctuation in the price of raw materials will bring certain risks to the operation and the level of profitability of Listed Company in the future.

(IV) Technology Research and Development Risk

The technology of the industry in which the Company and the Target Company operate is constantly developing and the products of the Company and the Target Company need to be constantly updated and upgraded, which requires the technical team to have good foresight, rapid response capability and continuous research and development capability for downstream demands. The Company and the Target Company have always attached importance to continuous investment in research and development, actively promoted the diversification of product lines, paid great attention to downstream technological changes and realized the technological update of products. Due to the uncertainties in the research and development and promotion of new products, the Company and the Target Company may be exposed to the risk of failure in the research and development of new products or failure in the marketing of new products as expected.

III. FINANCIAL RISKS

(I) Risk of Tax Incentives

The provision for corporate income tax of high-tech enterprises such as Beijing Tianhai, a subsidiary of the Company, and BYTQ, Tianhai Cryogenic, a secondary subsidiary of the Company and Kuancheng Tianhai is based on the 15% preferential corporate income tax rate. In the future, the Company may not be able to continue to enjoy the tax benefit due to the cancellation of the above policy of tax incentives, or the relevant entities may not be deemed to be high-tech enterprises after the validity period of the existing high-tech enterprise certificates, which may result in the Company not being able to continue to obtain the tax benefits. Therefore, the operating results of the Listed Company may be subject to the risk of changes in tax incentives.

(II) Risks of Accumulated Unrecovered Losses and being unable to distribute profits in the coming period of the Company

During the Reporting Period, the Company's net profits attributable to owners of the parent company were RMB-130,036,800, RMB-156,431,800, RMB-23,282,300 and RMB-20,720,400 respectively, and net profit attributable to owners of the parent company after deducting non-recurring gain or loss are RMB-135,372,500, RMB-127,558,200, RMB-34,816,000 and RMB13,215,300 respectively. As at 30 September 2022, the aggregate undistributed profit of the Company is RMB-666,613,300. For a period of time in the future, the Company will continue to have accumulated unrecovered losses.

The Company may not be able to make profit distribution in the coming period. Upon completion of the Issuance, it is expected that the Company will not be able to make cash dividends in the near future, which will have a certain degree of adverse impact on the investment income of the shareholders of the Company.

IV. OTHER RISKS

(I) Risk of Stock Price Volatility

The Non-public Issuance will have impact to the business operation and financial position of the Company and the change in fundamentals of the Company will affect the stock price of the Company. In addition, factors such as the change in macroeconomic condition, the change in prosperity, adjustment in national economic policy and the change in investors psychology will affect the stock price of the Company's Share. Therefore, investors are reminded to pay attention to the risk of fluctuation in stock price and are advised to have full knowledge of the fluctuation in stock price of the share and the risk of stock market investment before purchasing shares of the Company, and make prudent judgment.

(II) Risk of Dilution of Immediate Returns

The total proceeds raised from the Non-public Issuance raised after deducting the relevant issuance expenses will be fully used for the industry development project for hydrogen energial frontier technology, the intelligent manufacturing industrial park project, the acquisition of 100% equity interest in Beiren Intelligent and the replenishment of working capital. It is expected that the operation risk of the Company will be effectively reduced and the profitability will be improved after the completion of the Non-public Issuance, however, with the increase in the total stock issue and the size of net assets of the Company, the profitability of the Company may not be able to grow correspondingly in the short term and there is risks of dilution of immediate returns of the Company.

At the same time, the hypothetical analysis of the net profit attributable to shareholders of the parent company for 2023 in estimating the specific impact of the dilution of immediate returns of the Issuance of the Company to the key financial indexes of the Company is not a profit forecast of the Company. The specific measures developed for making up the returns to cope with the risk of dilution of immediate returns also do not equal to a guarantee of the future profits of the Company. Investors shall not make investment decisions accordingly and the Company shall not be liable for any loss caused by investors making investment decision accordingly. Investors are advised to take note of such.

(III) Risks of Force Majeure such as Epidemic and Natural Factors

The outbreak of COVID-19 has given a greater adverse impact to the global economic operation and corporate production and operating activities.

Although the pandemic in China has been effectively controlled, but there are still an intertwining trend of the sporadic spread and cluster spread of COVID-19 locally. If there is another outbreak or local transmission in the future, there will be significant adverse change in the market conditions or other force majeure such as significant pandemic, political, economic and natural disasters will be encountered again in subsequent operation, which may give certain adverse impact to the future operation of the Company. Investors are advised to pay attention to the relevant risks.

SECTION VI PROFIT DISTRIBUTION POLICY OF THE COMPANY AND ITS IMPLEMENTATION

I. PROFIT DISTRIBUTION POLICY OF THE COMPANY

In accordance with the provisions on profit distribution in the Articles of Association, the Company's profit distribution policy and decision-making procedures are specified as follows:

(I) The basic principles of the profit distribution policy of the Company

The Company shall take fully into account the returns for its investors and distribute the dividends to its shareholders according to the stipulated proportion of the profits (from the consolidated financial statements) available for distribution during the year.

The Company shall keep an on-going and stable profit distribution policy and also consider the long-term interest of the Company, the overall interests of all shareholders and the sustainable development of the Company.

(II) The manner of profit distribution of the Company

The Company shall give priority to dividend distribution by way of cash.

The Company may distribute dividends in cash, in shares, in a combination of both cash and shares. Subject to conditions, the Company may propose interim profit distribution.

(III) Specific conditions and proportions of cash dividend of the Company

Upon satisfying all below conditions regarding cash dividend, the profits distributed by the Company in cash each year shall be no less than 5% of the annual distributable profits (from the consolidated financial statements) realized in the year. The accumulated dividend distributed by the Company in cash in the past three years shall be no less than 30% of the average annual distributable profits (from the consolidated statements) realized in the past three years:

1. If the distributable net profit realized by the Company in the year concerned (i.e. net profit of the Company net of loss recovery and allocation of its profits to the statutory reserve) are positive with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company;
2. If the accumulated distributable profits made by the parent company are positive;
3. Auditors had issued a standard unqualified audit report for the financial statements of the Company for that year;

4. No special circumstances have occurred in the Company (excluding projects funded by raised proceeds);

The aforementioned “special circumstances” refer to material investment plans or significant capital expenditures (excluding projects funded by raised proceeds) with accumulated expenditure made by the Company within the following 12 months amounting to or exceeding 25% of the latest audited net assets of the Company; “material investment plans” or “significant capital expenditures” include external investment, external repayment of debts or material asset acquisitions, etc..

5. There is no situation in which the principal and interest of the bond cannot be repaid on time or the principal and interest of the matured bond cannot be repaid on time.

(IV) Conditions for distributing dividends for shares by the Company

Where the Company’s business is in a sound condition, and the Company’s share price valuation is within a reasonable range, under the condition that the minimum cash dividend ratio and the reasonability of the Company’s share capital could be ensured, dividends in shares can be used for profit distribution according to the status of the provident fund and cash flow.

(V) Decision-making procedures and mechanisms of profit distribution

1. The Board shall take various factors into consideration, including its industry features, development stages, business model and profitability level as well as whether it has any significant capital expenditure arrangements, to propose a differentiated policy at different development stages for cash dividend distribution.
 - (1) Where the Company is in a mature stage with no significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 80% of the total profit distribution;
 - (2) Where the Company is in a mature stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 40% of the total profit distribution;
 - (3) Where the Company is in a developing stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 20% of the total profit distribution.

In case that it is difficult to distinguish the Company’s development stage but the Company has significant capital expenditure arrangements, such matter may be dealt with pursuant to the preceding provisions.

2. Procedures for considering the profit distribution plan of the Company:

The profit distribution plan of the Company shall be formulated by the Board. The Board shall thoroughly discuss the rationality of the profit distribution plan and form a specific resolution which shall be approved and considered by the Board and the supervisory committee before submitting to the General Meeting for consideration.

Where the Company does not distribute cash dividends due to special circumstances, the Board shall explain the specific reasons for not distributing cash dividends, the exact purpose(s) for the retained profit and the estimated investment return, and submit such to the General Meeting for consideration after independent directors express their opinions thereon.

In considering the profit distribution plan at the General Meeting, the Company shall communicate and exchange information with the shareholders, especially the small and medium shareholders, through hotlines and other related channels, take into full account their opinions and requests, and answer questions concerned by the small and medium shareholders in a timely manner. The Company shall make network voting method accessible to shareholders. The votes of the small and medium shareholders should be counted separately, and the poll results should be disclosed in the designated media of the Company.

3. Alteration of the Company's profit distribution policy:

In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policy.

The Board shall conduct specific discussion over adjustment to the Company's profit distribution policy, discuss reasons for such adjustment in detail, provide a written discussion report to be considered by independent directors, and then submit to the General Meeting for approval by way of a special resolution. In considering alterations to the profit distribution policy, the Company shall make network voting method accessible to shareholders to provide convenience for the small and medium shareholders for attending the shareholders' meeting and the votes of the small and medium shareholders should be counted separately.

II. SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2022-2024)

(I) Basic principles of profit distribution

The Company shall take fully into account the returns for its investors and distribute the dividends to its shareholders according to the stipulated proportion of the profits (from the consolidated financial statements) available for distribution during the year.

The Company shall keep an on-going and stable profit distribution policy and also consider the long-term interest of the Company, the overall interests of all shareholders and the sustainable development of the Company.

The Company shall give priority to dividend distribution by way of cash.

(II) Specific policy for profit distribution of the Company

1. Sequence of profit distribution

In distributing the current year's profit after taxation, 10% of the profit shall be allocated into the Company's statutory reserve fund. When the aggregate amount of the statutory reserve has reached above 50% of the Company's registered capital, further appropriations is not required.

When the statutory reserve of the Company is not sufficient to cover its losses incurred in the previous years, the profit of the current year shall be used to make up for such losses before allocations are made to the statutory reserve in accordance with the requirements under the preceding provision.

After the Company has allocated statutory surplus reserve from its profit after taxation, it may also appropriate discretionary reserve fund from the profit after taxation upon approval of the General Meeting.

The remaining profit after taxation and after recovery of losses and appropriation of reserve fund shall be distributed to shareholders in proportion of their shareholdings unless it is stipulated in the Articles of Association that no profit distribution shall be made in accordance with shareholdings.

If the General Meeting has, in violation of the requirements under the preceding provision, distributed profit to shareholders before the Company has recovered the losses and allocated statutory reserve, the shareholders shall return to the Company the profit distributed in violation of regulations.

No profit shall be distributed in respect of the Company's shares held by the Company.

2. Methods of profit distribution

The Company may distribute dividends in cash in shares in a combination of both cash and shares. Subject to conditions the Company may propose interim profit distribution.

3. Conditions for and proportions of cash dividends and exceptions

Upon satisfying all below conditions on cash dividend, the profits distributed by the Company in cash each year for the future three years shall be no less than 10% of the annual distributable profits (from the consolidated statements) realized in the year. The accumulated dividend distributed by the Company in cash in the past three years shall be no less than 30% of the average annual distributable profits (from the consolidated statements) realized in the past three years:

- (1) If the distributable net profit realized by the Company in the year concerned (i.e. net profit of the Company after loss recovery and allocation of its profits to the statutory reserve) are positive with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent on-going operation of the Company;
- (2) If the accumulated distributable profits made by the parent company are positive;
- (3) Auditors had issued a standard unqualified audit report for the financial statements of the Company for that year;
- (4) No special circumstances have occurred in the Company (excluding projects funded by raised proceeds);

The aforementioned “special circumstances” refer to material investment plans or significant capital expenditures (excluding projects funded by raised proceeds) with accumulated expenditure made by the Company within the following 12 months amounting to or exceeding 25% of the latest audited net assets of the Company; “material investment plans” or “significant capital expenditures” include external investment, external repayment of debts or material asset acquisitions.

- (5) There is no situation in which the principal and interest of the bond cannot be repaid on time or the principal and interest of the matured bond cannot be repaid on time.

4. Specific conditions for distributing share dividend of the Company

Where the Company's business is in a sound condition, and the Company's share price valuation is within a reasonable range, under the condition that the minimum cash dividend ratio and the Company's share capital can be maintained at a reasonable size, scrip dividends can be used for profit distribution according to the status of the reserve fund and cash flow.

5. The Board shall take various factors into consideration, including its industry features, development stages, business model and profitability level as well as whether it has any significant capital expenditure arrangements, to propose a differentiated policy at different development stages for cash dividend distribution

- (1) Where the Company is in a mature stage with no significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 80% of the total profit distribution;
- (2) Where the Company is in a mature stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 40% of the total profit distribution;
- (3) Where the Company is in a developing stage with significant capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 20% of the total profit distribution.

In the case that it is difficult to distinguish the Company's development stage but the Company has significant capital expenditure arrangements, such matter may be dealt with pursuant to the preceding provisions.

(III) Decision-making procedures of profit distribution of the Company

1. The profit distribution plan of the Company shall be formulated by the Board. The Board shall thoroughly discuss the rationality of the profit distribution plan and form a specific resolution which shall be approved and considered by the Board and the supervisory committee before submitting to the General Meeting for consideration.
2. Where the Company does not distribute cash dividends due to special circumstances, the Board shall explain the specific reasons for not distributing cash dividends, the exact purpose for the retained profit and the estimated investment return, and submit such to the General Meeting for consideration after independent directors express their opinions thereon.

3. In considering the profit distribution plan at the General Meeting, the Company shall communicate and exchange information with the shareholders, especially the small and medium shareholders, through hotlines and other related channels, take into full account their opinions and requests, and answer questions concerned by the small and medium shareholders in a timely manner. The Company shall make network voting method accessible to shareholders. The votes of the small and medium shareholders should be counted separately, and the poll results should be disclosed in the designated media of the Company.

(IV) Adjustment of the established profit distribution policy

In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policy.

The Board shall conduct specific discussion over adjustment to the Company's profit distribution policy, discuss reasons for such adjustment in detail, provide a written discussion report to be considered by independent directors, and then submit to the General Meeting for approval by way of a special resolution. In considering alterations to the profit distribution policy, the Company shall make network voting method accessible to shareholders to provide convenience for the small and medium shareholders for attending the shareholders' meeting and the votes of the small and medium shareholders should be counted separately.

(V) Information disclosure

Pursuant to the relevant regulations of the CSRC, the SSE and the Stock Exchange, the Company shall disclose relevant information such as the Company's profit distribution plan and its implementation in the annual report, interim report and quarterly report.

(VI) Cycle of preparing shareholders' return plan

The Company shall review the shareholders' return plan at least once every three years, and after fully considering the opinions of the shareholders (especially public investors) and independent directors, may make proper and necessary amendments to the current profit distribution policy and confirm the shareholders' return plan for that period.

III. PROFIT DISTRIBUTION OF THE LISTED COMPANY FOR THE LAST THREE YEARS

As the Company's accumulated undistributed profits for 2019, 2020 and 2021 were all negative, the Company has not made any profit distribution or cash dividend for the last three years. Based on the current profit level of the Company, it is expected that the Company will not be able to implement profit distribution for a certain period of time.

The Company and its controlling shareholder are making efforts to improve the Company's operating results in order to make up for the previous losses as soon as possible and to restore its ability to distribute cash dividends. The Non-public Issuance will help reduce the gearing ratio of the Company and alleviate the pressure on the Company's capital, which will further promote the Company's business development and enhance its ability to continue its operation, in line with the Company's operational development needs. The Company will implement cash dividends in accordance with the Articles of Association and the profit distribution policy after making up for the previous losses, so as to give investors a reasonable return in line with the principle of maximising the interests of shareholders of the Listed Company.

SECTION VII IMPACT ON THE IMMEDIATE RETURN OF THE COMPANY RESULTING FROM THE NON-PUBLIC ISSUANCE AND REMEDIAL MEASURES FOR THE DILUTION OF IMMEDIATE RETURN

I. ESTIMATION OF THE IMPACT OF THE IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE ON THE KEY FINANCIAL INDICATORS OF THE COMPANY

(I) Major Assumptions and Prerequisites

The estimation of the impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indicators of the Company is based on the following assumptions and conditions:

1. It is assumed that the Non-public Issuance is completed on 30 June 2023, which is only used to calculate the impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indicators of the Company, and is subject to the actual time of completion of the Issuance following the approval from the regulatory authorities such as the CSRC;
2. It is assumed that there are no major adverse changes in the macroeconomic environment and conditions of the securities industry as well as the operating environment of the Company;
3. The estimation of the total share capital of the Company is based on the total share capital of the Company of 542,265,988 shares as at 30 September 2022, i.e. the total share capital of 542,265,988 shares prior to the Non-public Issuance;
4. The gross proceeds intended to be raised from the Non-public Issuance are expected to be not more than RMB1,172 million (inclusive). It is assumed that the issue price will be at 80% of the average trading price of the shares of the Company over the 20 trading days prior to 16 November 2022, i.e. RMB11.31 per share, and the estimated number of shares to be issued would be 103,625,111 shares. The calculation is as follows: the number of A shares to be issued = the total proceeds raised from the Non-public Issuance/the issue price of the Non-public Issuance;
5. The Company has no cash dividend in 2023 and does not plan to distribute interim dividend;
6. Based on the 2022 First Quarterly Report of the Company and assuming that the net profit attributable to shareholders of the Listed Company and the net profit attributable to shareholders of the Listed Company after deducting non-recurring gains and losses for the first quarter of 2022 are the annualized figure of the net profit attributable to shareholders of the Listed Company and the net profit attributable to shareholders of

the Listed Company after deducting non-recurring gains and losses for the first quarter of 2022, it is assumed that the net profit of the Company for 2023 will be estimated based on the following three scenarios (which are not indicative of the judgment of the Company on its operating conditions and trends for 2023 and do not constitute a profit forecast of the Company):

Scenario 1: Assuming that the net profit attributable to shareholders of the Listed Company and the net profit attributable to shareholders of the Listed Company after deducting non-recurring gains and losses recorded by the Company in 2023 will increase by 10% compared to 2022;

Scenario 2: Assuming that the net profit attributable to shareholders of the Listed Company and net profit attributable to shareholders of the Listed Company after deducting non-recurring gains and losses recorded by the Company in 2023 will remain unchanged compared to 2022;

Scenario 3: Assuming that the net profit attributable to shareholders of the Listed Company and the net profit attributable to shareholders of the Listed Company after deducting non-recurring gains and losses recorded by the Company in 2023 will decrease by 10% compared to 2022;

7. As the Listed Company completed the acquisition of 80% equity interest in BYTQ on 24 June 2022, revenue and earnings from the Company's principal businesses since 2022 have increased substantially compared to 2021. In order to fully reflect the current business development level of the Company and reasonably predict the future business development prospect, the net profit attributable to parent company of the Listed Company under the performance pledge of BYTQ for 2022 and 2023 will be consolidated into the net profit attributable to shareholders of the parent company of the Listed Company for 2022 and 2023.
8. Without taking into account the impact of receipt of the proceeds raised from the Non-public Issuance on the production and operation as well as the financial conditions (such as operating revenue, financial expense and investment income) of the Company nor the issuance expense in the estimation;
9. In estimating the net assets of the Company, the impact of factors other than raised proceeds, net profits and dividend are not taken into consideration, and it is assumed that there is no other issue such as capitalization of capital reserve or share dividend distribution which has impact on the number of shares.

The above assumptions and the estimation of the impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indicators of the Company do not represent the judgment of the Company on its operating conditions and does not consist of a profit forecast of the Company, investors shall not make investment decisions accordingly and the Company shall not be liable for any loss caused by investors making investment decision accordingly.

(II) Impact of the Immediate Return Dilution Resetting from the Non-public Issuance on the Key Financial Indicators of the Company

Under the above scenarios, the impact of the immediate return dilution resulting from the Non-public Issuance on the key financial indicators for 2023 is estimated and the details are as follows:

| Item | 2022/ 31 December 2022 | 2023/31 December 2023 | |
|---|---------------------------|--------------------------------------|-------------------------------------|
| | | Before the Non-public Issuance | After the Non-public Issuance |
| Total share capital (in shares) | 542,265,988 | 542,265,988 | 645,891,099 |
| Assumption 1: Net profit attributable to owners of the parent company and the net profit attributable to owners of the parent company after deducting non-recurring gains and losses for 2023 will increase by 10% over 2022 | | | |
| Net profit attributable to owners of the parent company (RMB0'000) | 2,779.92 | 2,989.93 | 2,989.93 |
| Net profit attributable to owners of the parent company after deducting non-recurring gains and losses (RMB0'000) | 2,620.60 | 2,846.54 | 2,846.54 |
| Basic earnings per share (RMB/share) | 0.05 | 0.05 | 0.05 |
| Diluted earnings per share (RMB/share) | 0.05 | 0.05 | 0.05 |
| Basic earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |
| Diluted earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |
| Assumption 2: Net profit attributable to owners of the parent company and the net profit attributable to owners of the parent company after deducting non-recurring gains and losses for 2023 will remain unchanged from 2022 | | | |
| Net profit attributable to owners of the parent company (RMB0'000) | 2,779.92 | 2,939.92 | 2,939.92 |
| Net profit attributable to owners of the parent company after deducting non-recurring gains and losses (RMB0'000) | 2,620.60 | 2,780.60 | 2,780.60 |
| Basic earnings per share (RMB/share) | 0.05 | 0.06 | 0.05 |
| Diluted earnings per share (RMB/share) | 0.05 | 0.06 | 0.05 |
| Basic earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |
| Diluted earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |
| Assumption 3: Net profit attributable to owners of the parent company and the net profit attributable to owners of the parent company after deducting non-recurring gains and losses for 2023 will decrease by 10% over 2022 | | | |
| Net profit attributable to owners of the parent company (RMB0'000) | 2,779.92 | 2,889.91 | 2,889.91 |
| Net profit attributable to owners of the parent company after deducting non-recurring gains and losses (RMB0'000) | 2,620.60 | 2,714.66 | 2,714.66 |
| Basic earnings per share (RMB/share) | 0.05 | 0.05 | 0.05 |
| Diluted earnings per share (RMB/share) | 0.05 | 0.05 | 0.05 |
| Basic earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |
| Diluted earnings per share after deducting non-recurring gains and losses (RMB/share) | 0.05 | 0.05 | 0.05 |

II. RISK REMINDER FOR DILUTION OF IMMEDIATE RETURNS RESULTING FROM THE NON-PUBLIC ISSUANCE

The total proceeds raised from the Non-public Issuance for raising fund after deducting the relevant issuance expenses will be fully used in the industry development project for hydrogen energial frontier technology, intelligent manufacturing industrial park project, the acquisition of 100% equity interest in Beiren Intelligent and the replenishment of working capital. It is expected that the operation risk of the Company will be effectively reduced, and the profitability will be improved after the completion of the Non-public Issuance, however, in light of the increase in the total stock issued and the size of net assets of the Company, the profitability of the Company may not be able to grow correspondingly in the short term and there is risks of dilution of immediate returns of the Company.

At the same time, the hypothesis analysis of the net profit attributable to shareholders of the Listed Company for 2023 in estimating the specific impact of the dilution of immediate returns of the Non-public Issuance of the Company to the key financial indexes of the Company is not a profit forecast of the Company. The specific measures developed for make up the returns to cope with the risk of dilution of immediate returns also do not equal to a guarantee of the future profits of the Company. Investors shall not make investment decisions accordingly and the Company shall not be liable for any loss caused by investors making investment decision accordingly. Investors are advised to take note of such.

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE FOR RAISING FUNDS

In relation to the analysis of the necessity and rationality of the Non-public Issuance for raising funds, please refer to relevant content in “Section III Feasibility Analysis of the Board of Directors on the Use of the Raised Proceeds” of the Proposal.

IV. THE RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS FUNDED BY THE RAISED PROCEEDS AND THE EXISTING BUSINESSES OF THE COMPANY AS WELL AS THE PERSONNEL, TECHNOLOGY AND MARKET RESERVE OF THE COMPANY FOR SUCH INVESTMENT PROJECTS

(I) The Relationship between the Investment Projects Funded by the Raised Proceeds and the Existing Businesses of the Company

All proceeds raised from the Non-public Issuance will be used for the industry development project for hydrogen energial frontier technology, the intelligent manufacturing industrial park project, the acquisition of 100% equity interest in Beiren Intelligent and the replenishment of working capital.

The industry development project for hydrogen energal frontier technology and the intelligent manufacturing industrial park project will help to facilitate the rapid development of the businesses of gas storage and transportation and automatic manufacturing equipment system integration, with business scale and core competitiveness further strengthened. Beiren Intelligent is a high-tech enterprise specialized in R&D, manufacturing, sales and services of intelligent printing equipment, the Listed Company can thereby expand its presence in the intelligent printing equipment industry, which is conducive to the joint development of the intelligent printing equipment business and the original business of the Listed Company, optimizing its business portfolio in the industry and strengthening the sustainable operation capability, and further build a competitive listing platform for the equipment manufacturing industry.

(II) The Personnel, Technology and Market Reserve of the Company for Such Projects

1. *Personnel Reserve*

The directors and senior management of the Listed Company have rich experience in corporate management. The chairman, general manager, directors, chief engineer and other key personnels have more than ten years of working and management experience in the equipment manufacturing machinery industry. The Listed Company has good resources integration ability based on its corporate image of excellent technology base, stable and reliable products and friendly customer relationship.

The Company has a stable management team, an efficient R&D team and a expanding staff team, and the professional ability and comprehensive quality of staffs are constantly improving. The personnel reserve has laid a solid foundation for the Company to expand its business upon the completion of fundraising.

2. *Technology Reserve*

In terms of the hydrogen energy business, Beijing Tianhai, a subsidiary, is a Beijing high-tech enterprise, leading enterprise in the PRC metal pressure vessel manufacturing industry, Beijing “Specialised and New” small and medium-size enterprise, Beijing specialised and new “Little Giant” Enterprise and the Fourth Batch of China specialised and new “Little Giant” enterprise. After years of operation in the area of storage and transportation products for hydrogen energy based on its technical reserve from its principal activities of pressure containers, the Company and its subsidiaries are equipped with sophisticated technology and manufacture capability to manufacture Type III Cylinders, Type IV Cylinders and hydrogen supply system. During the 24th Winter Olympics in 2022, the Company successfully delivered 140 set of hydrogen storage system orders for Winter Olympics project, and thereby providing torch hydrogen storage system for Winter Olympics.

In terms of intelligent manufacturing, BYTQ, a subsidiary of the Company, is a system integration product provider focusing on production line automation, information construction, upgrading and transformation, based in the home appliance industry and oriented to the manufacturing industry. As a high-tech enterprise in the field of industrial automation and intelligent manufacturing, BYTQ is one of the few enterprises in China that have carried out the layout of full integration of intelligent manufacturing at an earlier stage, and is able to provide customers with end-to-end, one-stop products and services for industrial automation and informatization, and its technology involves all stages of the preliminary overall planning, project implementation, delivery and acceptance, and follow-up services of digital chemical plants.

The formidable technical reserve provides a strong support for the implementation of projects after receipt of the proceeds raised by the Company.

3. *Market Reserve*

The Company has established a complete sales network covering the main regions of China and the Americas, Asia, Europe and other regions; the Company continues to improve the vitality of sales network and results of operation, strengthen the transformation and upgrade of the internal management and control model, fully release organizational vitality, make flexible and quick responses to the changes in the market and effectively enhance the results of operation.

The products, technologies and services of BYTQ have been widely recognized both inside and outside the industry, and the Company has successfully established cooperative relationships with high-quality downstream customers which are subsidiaries of Haier, Aucma, Hisense and other groups to realize product sales, covering the main products of white home appliances such as refrigerators, washing machines, dishwashers and electric heating equipment. Besides, BYTQ gradually expands its business into energy and chemical industries, and has formed a good cooperation relationship with major customers.

V. REMEDIAL MEASURES FOR THE IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE OF THE COMPANY

In order to ensure the effective use of the raised proceeds, effectively prevent the risk of dilution of the immediate returns and enhance the future returns, the Company intends to take a series of measures to improve the Company's operating results and create sustainable returns for shareholders, as follows:

(I) Improving the corporate governance structure of the Company and strengthening the operation, management and internal control

The Company has established and improved the management structure of the General Meeting, the Board and its special committees, the supervisory committee, the independent directors, the secretary to the Board and the senior management in accordance with the provisions of laws, regulations and regulatory documents, and has strengthened the foundation of the Company's operation, management and internal control. In the coming years, the Listed Company will strictly follow the requirements of the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies to continuously improve the corporate governance structure of the Company. At the same time, the Company will comprehensively and effectively control the Company's operation and control risks, continue to improve and strengthen various procedures, enhance the Company's operation and management level, and strengthen the Company's internal control.

(II) Strengthening the management of raised proceeds and ensuring reasonable and regulated use of raised proceeds

The Company has formulated and improved the Measures for the Administration of Proceeds of Beijing Jingcheng Machinery Electric Company Limited in accordance with the requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law and the Rules Governing the Listing of Stocks on the SSE, combined with the actual situation of the Company. The proceeds raised from the Non-public Issuance will be deposited in a special account designated by the Board of the Company. The Company will regularly inspect the raised proceeds and cooperate with the supervising banks and sponsor institutions to supervise the use of raised proceeds to ensure the reasonable and regulated use of raised proceeds.

(III) Promoting the development of the principal business and enhancing the Company's profitability

The proceeds raised from the Issuance will be used to closely align with the Company's existing principal business and its future development plans, which will be conducive in enhancing the Company's ability to resist operational risks and improving its market competitiveness. Upon the availability of the raised proceeds, the Company will actively promote the development of its principal business and further improve its revenue and profitability.

(IV) Optimising the profit distribution system and improving the investor return mechanism

In order to improve the Company's profit distribution policy, enhance the transparency of profit distribution and protect the legitimate rights and interests of public investors, the Company has formulated the Shareholders' Return Plan for the Next Three Years (2022-2024) of Beijing Jingcheng Machinery Electric Company Limited, in accordance with the provisions of the Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (CSRC Announcement [2022] No. 3), which further clarifies the decision-making procedures, mechanism and specific dividend distribution ratio of the Company, and will effectively protect the reasonable investment return of all shareholders. In the future, the Company will continue to strictly implement the Company's dividend policy and continuously improve the investor return mechanism to ensure that the interests of the Company's shareholders, in particular the small and medium shareholders, are protected.

VI. UNDERTAKINGS OF THE DIRECTORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER OF THE COMPANY TO TAKE REMEDIAL MEASURES FOR THE IMMEDIATE RETURN DILUTION RESULTING FROM THE NON-PUBLIC ISSUANCE OF THE COMPANY

(I) Undertakings of all the Directors and Senior Management of the Company to Take Remedial Measures for the Immediate Return Dilution Resulting from the Issuance

All the directors and senior management members of the Company will perform duties faithfully and diligently, protect the legitimate rights and interests of the Company and all shareholders have made the following undertakings in accordance with the relevant requirements of CSRC in order to ensure the effective implementation of the Company's remedial measures for the returns.

- “1. I undertake that I will not transfer interests to other entities or individuals without compensation or under unfair conditions, or damage the interests of the Company by other means.
2. I undertake that I will restrain my own occupational consumption behaviour.
3. I undertake that I will not appropriate the Company's assets to engage in investment and consumption activities unrelated to my performance of duties.
4. I undertake that the remuneration system formulated by the Board or the remuneration and appraisal committee will be linked to the implementation of the Company's remedial measures for the returns.
5. I undertake that, in the event of the implementation of any share option incentive scheme by the Company in future, I will support that the conditions for exercising options made by the Company under such scheme will be linked to the implementation of the Company's remedial measures for the returns.

6. I undertake that I will effectively fulfill the remedial measures for the returns made by the Company and any undertakings I have made in this regard with respect to remedial measures for the returns . If I breach such undertakings and cause losses to the Company or investors, I am willing to bear the responsibility to compensate according to the law for the Company or investors.
7. During the period from the date on which these undertakings are given to the completion of the Non-Public Issuance of the Company, I undertake that supplementary undertakings will be made in accordance with the new regulatory requirements promulgated by the CSRC concerning the remedial measures for the returns and related undertakings, if such requirements are promulgated by the CSRC and the foregoing undertakings fall short of meeting such new requirements.”

(II) Undertakings of the Controlling Shareholder and De Facto Controller of the Company to Take Remedial Measures for the Immediate Return Dilution Resulting from the Issuance

In order to ensure the effective implementation of the Company’s remedial measures for the returns, Jingcheng Machinery Electric, the controlling shareholder and de facto controller of the Company, has made the following undertakings in accordance with the relevant requirements of CSRC:

- “1. It will not exceed its authority to interfere with the operation and management activities of the Company and will not encroach on the interests of the Company;
2. During the period from the date on which these undertakings are given to the completion of the Issuance, the undertaker undertakes that supplemental undertakings will be made in accordance with the new regulatory requirements promulgated by the CSRC and the SSE concerning the remedial measures for the returns and related undertakings, if such requirements are promulgated by the CSRC and the SSE and the foregoing undertakings fall short of meeting such new requirements.
3. It will effectively perform the remedial measures for the immediate returns designated by the Company and fulfill any undertakings made concerning the remedial measures for the returns. If it breaches the above undertakings or refuse to fulfill the above undertakings, Jingcheng Machinery Electric agrees to accept the relevant penalties made against it or the related administrative measures taken against it according to the relevant requirements formulated by the securities regulatory authorities such as the CSRC and the SSE.”

SECTION VIII OTHER NECESSARY DISCLOSURES

There are no other matters that need to be disclosed for the Non-public Issuance.

Board of Beijing Jingcheng Machinery Electric Company Limited
16 November 2022