

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



北京京城機電股份有限公司
Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0187)

**THE RESOLUTION IN RELATION TO
BEIJING TIANHAI INDUSTRY CO., LTD.,
A SUSIDIARY OF THE COMPANY,
WAIVING ITS RIGHT OF FIRST REFUSAL AND
CONNECTED TRANSACTIONS UNDER
THE CAPITAL INCREASE AGREEMENT OF
BEIJING MINGHUI TIANHAI GAS STORAGE AND
TRANSPOTATION EQUIPMENT SALES CO., LTD**

The board of directors of the Company and all members the board guarantee that the information contained in this announcement does not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility.

IMPORTANT NOTICE:

1. Subject of the Transactions: Beijing Jingcheng Machinery Electric Company Limited (the "Company" or "Jingcheng Company") received written notices given by Beijing Jingguofa Equity Investment Fund (Limited Partnership) ("Jingguofa") and Beijing Bashi Media Co., Ltd. ("Beiba Media") to Beijing Tianhai Industry Co., Ltd. ("Tianhai Industrial"), a subsidiary of the Company, respectively. Jingguofa and Beiba Media intended to dispose their 31.26% and 30.23% equity interest in Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd. ("Minghui Tianhai"), respectively. The Company has informed Jingguofa and Bei Ba Media by written notice that it would not excise its right of first refusal.

To the knowledge of the Company, if the Company waives its right of first refusal, Jingguofa and Beiba Media intend to enter into the Equity Transfer and Swap Agreement with Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding"), of which Jingguofa and Beiba Media intend to swap the Company's shares held by Jingcheng Holding with 31.26% and 30.23% equity interest in Minghui Tianhai, respectively. The transaction prices of 31.26% and 30.23% equity interest in Minghui Tianhai are RMB222,009,206.83 and RMB214,713,441.59, respectively. As

Jingcheng Holding is a connected person of the Company, if the Company waives its right of first refusal based on the Listing Rules, the transactions of Jingcheng Holding's subscription of equity interest in Jingguofa and Beiba Media will become connected transactions, which shall be submitted to the general meeting for approval.

2. The transaction amount between the Company and Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding") for the past 12 months did not exceed 5% of the audited net assets of the Company for the year of 2014.
3. There is no material legal impediment for the transaction.
4. The transaction does not constitute the material asset reorganization under the Measures on the Administration of Material Asset Restructuring of Listed Company. Such matter is pending for the completion of internal decision making procedures and the approval by State-owned Assets Supervision and Administration Commission and other authorities.
5. As the Equity Transfer and Swap Agreement entered into between Jingcheng Holding and Jingguofa Fund and that between Jingcheng Holding and Beiba Media are the manners of disposing equity interests during the period of Material Assets Reorganization, in accordance with the laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers, the abovementioned manner may lead to a modification on the proposal of Material Assets Reorganization or a termination of Material Assets Reorganization. Upon consideration, the Company will adopt the modification on the proposal of Material Assets Reorganization to ensure not to trigger the requirements of Takeovers Code in Hong Kong. Upon application, trading in the shares of the Company will continue to be suspended since 28 January 2016 for not more than 5 trading days. Further announcement related to the progress of the matter will be published as soon as possible. Investors are advised to pay attention to the investment risks.

I. Summary of connected transactions

Jingcheng holding is a controlling shareholder of the Company and thus is a connected person of the Company. The Company indirectly holds 100% equity interest in Tianhai Industrial. Minghui Tianhai is a joint venture company, its 38.51%, 31.26% and 30.23% equity interests are held by Tianhai Industrial, Jingguofa and Beiba Media, respectively.

Due to a sudden halt in the utilization of the huge production capacity accumulated at the time of high speed economic growth, the excess production capacity led to quick deterioration of competition. The circumstance of excess production capacity, varying product quality and low price competition in the industrial gas cylinder market remained. On the other hand, the increase in transportation fee, manpower cost and cost of energy power led to a decrease in profits, Minghui Tianhai thus had a consecutive loss in 2013 and 2014. Due to the weak economy, the continual decrease in global oil price and the historical low level, facing with such a difficult and complicated market environment, the Company estimated that the result of Minghui Tianhai will not improve significantly in short term. Hence, the Company intends to waive its right of first refusal of Jingguofa and Beiba Media under the Capital Increase Agreement of Minghui Tianhai.

In addition, to the knowledge of the Company, if the Company waives its right of first refusal, Jingguofa and Beiba Media intend to enter into the Equity Transfer and Swap Agreement with Jingcheng Holding, of which Jingguofa and Beiba Media intend to swap the Company's

shares held by Jingcheng Holding with 31.26% and 30.23% equity interest in Minghui Tianhai, respectively. The transaction prices of 31.26% and 30.23% equity interest in Minghui Tianhai are RMB222,009,206.83 and RMB214,713,441.59, respectively.

In accordance with the relevant requirements of the Listing Rules of Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the transaction constitutes a connected transaction.

The transaction does not constitute the material asset reorganization under the Measures on the Administration of Material Asset Restructuring of Listed Company. Such matter is pending for the completion of internal decision making procedures and the approval by State-owned Assets Supervision and Administration Commission and other authorities.

II. Introduction of the connected party

(1) Introduction of the relationship with the connected party

Jingcheng holding is a controlling shareholder of the Company. The Company indirectly holds 100% equity interest in Tianhai Industrial. Minghui Tianhai is a joint venture company, its 38.51%, 31.26% and 30.23% equity interests are held by Tianhai Industrial, Jingguofa and Beiba Media, respectively. Pursuant to the regulation of Article 8(1) of Implementing Rules of Connected Transaction of Listed Company (上海證券交易所上市公司關聯交易實施指引第八條(一)) of the Shanghai Stock Exchange, “Legal person or other organization which directly or indirectly controls the listed Company” is the connected legal person of the listed company, therefore, Jingcheng Holding is a connected legal person of the Company.

(2) The basic information of the connected person

(1) Basic information

Company’s name: Beijing Jingcheng Machinery Electric Holding Co., Ltd.

Corporate nature: Limited liability company (wholly state-owned)

Registered address: 18/F, No.59, East Third Ring Middle Road, Chaoyang District, Beijing

Legal representative: Ren Yaguang

Registered capital: RMB2,010.98708296 million

Date of incorporation: 8 September 1997

Scope of business: Service dispatching; operation and management of the state-owned assets according to the given authority; investments and investment management; property development and sales of commodity housing; leasing of properties; property management; technology transference, training, consultancy and service; sales of machinery and electric (EM) equipment ex. Auto.; technology development.

(2) Development of principal business in the past three years

Jingcheng Holding is a wholly state-owned company which is authorized by the Beijing government, carrying operation and management of the state-owned assets according to the given authority; investments and investment management. It has 25 subsidiaries, with recent main business segments including in digitally-controlled machine tool segment, printing machinery segment, gas storage and transportation segment, power generation and transfer, engineering machinery segment, environmental protection business segment, logistics business segment, hydraulic equipment production segment.

Major financial indicators of Jingcheng Holding:

<i>Unit: RMB0'000</i>		
	As at 31 December 2014 <i>(audited)</i>	As at 31 December 2013 <i>(audited)</i>
Items		
Total amount of assets	3,641,376.85	3,613,230.22
Net assets	1,061,527.47	1,061,644.81
	For the year of 2014 <i>(audited)</i>	For the year of 2013 <i>(audited)</i>
Items		
Revenues	1,824,615.66	2,089,519.51
Net profit	-31,217.35	-10,710.76

III. Basic condition of connected transaction subject

(1) Transaction subject

1. Transaction subject's name and type

Company's name: Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.

Registered address: No. 2 and 4, Huo Xian Nan San Road, Huo Xian Town, Tongzhou District, Beijing, the PRC

Legal representative: Li Zhe

Date of incorporation: 27 November 2012

Registered capital: RMB545.225228 million

Corporate nature: Limited liability company

Scope of business: Production of cryogenic equipment, automotive liquefied gas bottle and mini tank; sales of cryogenic equipment, automotive liquefied gas bottle and mini tank; import and export of products

2. Ownership status

The property right of the subject of the transaction is clear and is free from mortgages, charges and other restrictions of transfer. It is neither subject to litigations, arbitrations or judicial measures such as seizure or suspension, nor subject to other circumstances that may affect the transfer of ownership.

3. The situation of relevant asset operation

Financial indicators of Minghui Tianhai

<i>Unit: RMB0'000</i>		
Items	As at 31	As at 31
	December 2014	December 2013
	<i>(audited)</i>	<i>(audited)</i>
Total amount of assets	70,764.04	55,507.15
Net assets	60,041.44	40,763.15
Items	For the year	For the year
	of 2014	of 2013
	<i>(audited)</i>	<i>(audited)</i>
Revenues	5,582.07	212.60
Net profit	-721.71	-239.11

(2) General principle and method of pricing of connected transaction

1. The transaction price of Minghui Tianhai: with reference to the Asset Valuation Report on Intended Acquisition of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.'s equity by Beijing Jingcheng Machinery Electric Holding Co., Ltd. (Zhong Tong Hua Ping Bao Zi [2015] No.882) (中同華(評)報字[2015]第882號《北京京城機電控股有限責任公司擬收購北京明暉天海氣體儲運裝備銷售有限公司股權項目資產評估報告書》) prepared by China Alliance Appraisal Co., Ltd. and the approval of it by the Jing Guo Zi Chan Quan [2016] No. 13 of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, as at the valuation base date, the valuation was RMB645,731,953.73. Upon negotiation between both Parties, the transaction price of Minghui Tianhai's equity interest held by Jingguofa is RMB222,009,206.83 and the transaction price of Minghui Tianhai's equity interest held by Beiba Media is RMB214,713,441.59.

2. The transaction price of the Company: in accordance with the requirements of the Interim Measures for the Administration of State-owned Shareholders' Transfer of Their Shares of Listed Companies, the transaction price of Jingcheng Company is the daily weighted average price in the 30 trading days preceding the date of entering into the Equity Transfer and Swap Agreement, which is RMB11.12/share.
3. The transaction price of the 31.26% equity interest in Minghui Tianhai which Jingguofa intends to swap is RMB222,009,206.83, of which RMB221,995,120.00 will be settled by swapping the Company's shares (which are 19.96 million the Company's shares) by Jingcheng Holding and RMB54,006.83 will be settled by cash payment by Jingcheng Holding; the transaction price of 30.23% equity interest in Minghui Tianhai which Beiba Media intends to swap is RMB214,713,441.59, of which RMB214,654,600.00 will be settled by swapping the Company's shares (which are 19.3 million the Company's shares) by Jingcheng Holding and RMB97,441.59 will be settled by cash payment by Jingcheng Holding.

(3) Valuation of transaction subject

China Alliance Appraisal Co., Ltd has prepared the Asset Valuation Report on Intended Acquisition of Beijing Minghui Tianhai Gas Storage and Transportation Equipment Sales Co., Ltd.'s equity by Beijing Jingcheng Machinery Electric Holding Co., Ltd. and the market value of the shareholders' entire interests of Minghui Tianhai on the valuation base date (which is 30 June 2015) is RMB645.7319 million. The valuation report of the equity transfer of Minghui Tianhai was approved by the Jing Guo Zi Chan Quan [2016] No.13 of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

IV. Principal terms of the transaction and the performance arrangement

- (1) The principal terms of the Equity Transfer Agreement between Jingcheng Holding and Jingguofa

Beijing Jingguofa Equity Investment Fund (Limited Partnership) (Party A) and Beijing Jingcheng Machinery Electric Holding Co., Ltd. (Party B) entered into the Equity Transfer and Swap Agreement on 26 January 2016, the main contents of the Agreement include:

1. Equity Swap and target equity interest

1.1 Party A transfers 31.26% equity interest in Minghui Tianhai held by it to Party B.

1.2 Party B transfers 19.96 million shares of Jingcheng Company (listed company) held by it to Party A.

1.3 Both Parties agrees that Party A transfers 31.26% equity of Minghui Tianhai held by it to Party B. Party B transfers Jingcheng Company's shares (listed company) held by it to Party A and paid cash to Party A as the consideration of transferred target equity (the "Equity Swap"/the "Transaction").

2. Consideration, payment method and terms of the Equity Swap

2.1 Based on the valuation of the Asset Valuation Report (Zhang Tong Hua Ping Bao Zi [2015] No. 882) prepared by China Alliance Appraisal Co., Ltd. on 10 October 2015, which was approved by the Jing Guo Zi Chan Quan [2016] No. 13 of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and upon negotiation, the transfer price of 31.26% equity of Minghui Tianhai which Party A intends to swap is RMB222,009,206.83, of which 221,995,120.00 is settled by swapping the shares of listed company held by Party B by Party B and RMB54,006.83 will be settled by cash payment by Party B.

2.2 Upon negotiation between both Parties and in accordance with relevant requirements of the Interim Measures for the Administration of State-owned, Shareholders' Transfer of Their Shares of Listed Companies, the transaction price of Jingcheng Company's shares (listed company) which Party B intends to transfer, is the daily weighted average price in the 30 trading days preceding the date of entering into the Agreement, which is RMB11.12/share. Hence, the number of shares of listed company which Party B intends to swap is 19.96 million (equity transfer price by way of share payment $\text{RMB}221,995,120.00 \div \text{RMB}11.12$ per share, the "Listed Company Shares"), representing 4.73% of the total share capitals of Jingcheng Company (listed company).

2.3 Party B agreed that the amount of RMB54,006.83 of the abovementioned transfer price would be paid by Party B in cash.

2.4 Both Parties agreed that, by way of swapping 31.26% equity interest in Minghui Tianhai, the price used by Party A shall be determined according to terms 2.1, 2.2 and 2.3 of the Agreement and pay Party B the transfer price of injecting shares of Jingcheng Company.

2.5 Both Party A and Party B agreed that, within 45 working days from the date of the Agreement taking effect, Party A shall complete the procedures for the change of business registration of equity transfer of Minghui Tianhai's equity to Party B and Party B shall and shall procure Minghui Tianhai to provide relevant assistance.

2.6 Both Party A and Party B agreed that, within 45 working days from the date of the Agreement taking effect, Party B shall complete the procedures for the registration of the transfer of Listed Company Shares to Party A and settle the cash payment of equity transfer price and Party A shall provide relevant assistance.

3. Rights and obligations of both Parties

- 3.1 Upon the Agreement taking effect, both Parties shall cooperate with each other to complete the procedures for the change equity transfer and timely provide each other with relevant information.
- 3.2 Both Party A and Party B both guaranteed that, save for the Agreement, each of them has not entered into agreement with any third party, nor commits to sell, transfer the transferred equity/shares under the Agreement before; internal authority of both Party A and Party B have approved the decision and approved the transaction; Party A guaranteed the subject equity does not exist any pledge or guarantee, or other ways which makes the equity cannot be transferred, and it is not involves in any dispute and litigation. Party B guaranteed the shares of listed company does not exist any pledge or guarantee, or other ways which makes the shares cannot be transferred, and it is not involved in any dispute and litigation. Otherwise, it will undertake the related responsibilities.
- 3.3 Both Party A and Party B guaranteed that the swap of equity/shares under the Agreement does not violate the Articles of Association of both Parties, or any sealed contract or agreement which entered into by such Party with any third party, and shall handle procedures or signing of related documents in accordance with Articles of Association. In case if Articles of Association of either Party or due to reasons which relates to the regulations of such sealed contract or agreement, such that the Agreement cannot be effective, the defaulting party shall have to compensate all the losses that the observant party suffers.
- 3.4 Upon the signing of the Agreement, Party A shall provide Party B all legal documents that shareholders whom are entitled to equity swap require.
- 3.5 Upon the signing of the Agreement, Party B shall provide Party A all legal documents that shareholders whom are entitled to equity swap require.
- 3.6 Up to the date of shares registrar completion date of listed company, accumulated undistributed profit and profits (or losses) and provident fund, which shares of listed company are entitled in proportion with the shares of listed company, shall be enjoyed by Party A.
- 3.7 Up to the date of completion of change of business transfer of subject equity, accumulated provident fund and profits (or losses), which subject equity is entitled in proportion with Minghui Tianhai, shall be enjoyed by Party B.
- 3.8 Upon the Agreement taking effect, Party A and Party B shall be obliged to perform all acts which are necessary such as data transfer, and sign all documents which are necessary, in order to achieve the objective of the Agreement.

4. Conditions of registration of equity transfer

4.1 Both Parties agreed that Party A shall, in accordance with the PRC law, take or assist to take the procedures for the transfer of state-owned property rights and change of business registration of equity transfer of Minghui Tianhai's equity, within 45 working days from the date of the Agreement taking effect.

4.2 Both Parties agreed that Party B shall submit application to the Stock Exchange and the Clearing Company or procure the listed company to submit application to the Stock Exchange and the Clearing Company, as well as completing the equity transfer procedures of the listed company, as early as possible within 45 working days from the date of the Agreement taking effect.

4.3 All taxes and expenses incurred in the equity transfer will be borne by Party A and Party B, in accordance with the PRC law and regulations.

5. Amendment and release of the Agreement

5.1 Any amendment of the Agreement shall be negotiated by both Parties, and written amendment agreement has to be entered. In case a consensus cannot be reached, the Agreement shall be continued to be effective.

5.2 In case both Parties agree to terminate the performance of the Agreement, and written termination agreement has to be entered.

6. Settlement of disputes

In case disputes arising from the executive of the Agreement, both Parties shall be settled by friendly negotiation. In case it cannot be settled by friendly negotiation, either party shall apply arbitration to Beijing Arbitration Commission.

7. Confidentiality clause

Both Party A and Party B shall keep all commercial secrets which the Parties to the Agreement involves, except those which are required by laws and regulations or required by judiciary, arbitration institutions, administrative bodies, regulatory agencies, to assume the disclose obligation, or disclosure which is necessary for the execution of the Agreement or disclosure in order to seek professional advice.

8. Liability for breach of agreement

8.1 Apart from force majeure, it shall constitute a breach of agreement if any party does not perform or fails to perform promptly or properly any obligation ought to be performed under the Agreement or contravenes any statement, warranty or undertaking under the Agreement. The breaching party shall be liable for compensation of all losses incurred by its default and the scope of compensation includes but not limited to all payments, costs or expenses arising from or in connection with the settlement of any claims, or the enforcement of verdicts, judgments or arbitral awards in respect thereof.

8.2 Party B shall fully pay the cash consideration to Party A within 45 working days from the date of the Agreement taking effect; in case of any outstanding payment, liquidated damages shall be charged calculated on the of outstanding payables times 0.05%.

9. The conditions precedent of the Agreement taking effect

9.1 The Agreement shall be effective upon the signing by the legal representative or authorized representative of both Parties and sealed by a stamp the date on which the following conditions precedent are fully satisfied:

1. Resolutions shall be approved by shareholders of Minghui Tianhai, and which states that other shareholders of Minghui Tianhai waive the pre-emptive rights to purchase the subject equity and also approve the transaction. Internal authority (Board and general meeting) of Jingcheng Company approves the resolution and approves the Transaction;
2. Approval for the Agreement by State-owned Assets Supervision and Administration Commission of the State Council;
3. Approval from other governmental regulatory authorities (if necessary).

9.2 In case that any of the conditions precedent of the Agreement is not satisfied, the Agreement will not take effect. Each of both Parties shall pay the costs incurred by signing and performing the Agreement and no responsibilities shall be borne by any one of the Parties.

(2) Principal terms of the Equity Transfer Agreement between Jingcheng Holding and Beiba Media

Beijing Bashi Media Co., Ltd. (Party A) entered into the Equity Transfer and Swap Agreement with Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Party B”) on 26 January 2016. Main contents of such agreement include:

1. Equity swap and subject of equity

- 1.1 Party A transferred to Party B 30.23% equity interest it holds in Minghui Tianhai.
- 1.2 Party B transferred to Party A 19.3 million shares of listed company, Jingcheng Company.
- 1.3 Party A and Party B unanimously agreed that, Party A transferred to Party B 30.23% equity interest in Minghai Tianhai. Party B transferred to Party A shares it holds in listed company, Jingcheng Company; Party B also pays cash to Party A as the consideration for the transfer of subject equity interest (the “Equity Swap”/the “Transaction”).

2. Consideration, payment method and terms of Equity Swap

- 2.1 Based on the valuation of the Asset Valuation Report (Zhong Tong Hua Ping Bao Zi [2015] No. 882) prepared by China Alliance Appraisal Co., Ltd. on 10 October 2015, which was approved by the Jing Guo Zi Chan Quan [2016] No. 13 of the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality and upon negotiation, the transfer price of 30.23% equity of Minghui Tianhai which Party A intends to swap is RMB214,713,441.59, of which RMB214,654,600.00 will be settled by swapping the shares of listed company Jingcheng Company and RMB97,441.59 will be settled by cash payment by Party B.
- 2.2 Upon negotiation between both Parties and base on the relevant regulation of the Interim Measures for the Administration of State-owned Shareholders’ Transfer of Their Shares of Listed Companies, the equity transfer price of Jingcheng Company’s shares intended to be transferred by Party B shall be determined based on the daily weighted average price in the 30 trading days preceding the date of entering into the Agreement, which is RMB11.12 per share. Therefore, total number of shares of listed company to be swapped by Party B will be 19.3 million shares in total (equity transfer price by way of share payment RMB214,654,600.00 ÷ RMB11.12 per share (“Listed Company Shares”), representing 4.57% of total issued share capital of Jingcheng Company.
- 2.3 Party B agreed that out of the aforementioned transfer price, of which RMB97,441.59 will be paid by Party B in cash.

- 2.4 Party A and Party B agreed that, by way of swapping 30.23% equity interest in Minghui Tianhai, the price used by Party A shall be determined according to Terms 2.1, 2.2 and 2.3 of the Agreement, and pay Party B the transfer price of injecting shares of Jingcheng Company.
- 2.5 Party A and Party B agreed that, within 45 working days from the day of the Agreement taking effective, Party A shall complete the change of business registration of subject equity of Minghui Tianhai and transfer to Party B and Party B shall procure Minghui Tianhai to provide relevant assistance.
- 2.6 Party A and Party B agreed that, within 45 working days from the day of the Agreement taking effective, Party B shall complete the procedures of transfer of shares of listed company to registration of Party A, and the payment of cash portion of the transfer price of subject equity, Party A shall provide assistance.
3. Rights and responsibilities of both Parties
- 3.1 Upon the Agreement taking effect, Party A and Party B shall actively cooperate with each other in respect of the change of business registration procedure, and shall provide related information timely to the other party.
- 3.2 Both Party A and Party B both guaranteed that, save for the Agreement, each of them has not entered into agreement with any third party, nor commits to sell, transfer the transferred equity/shares under the Agreement before; internal authority of both Party A and Party B have approved the decision and approved the transaction; Party A guarantees the subject equity does not exist any pledge or guarantee, or other ways which makes the equity cannot be transferred, and it is not involves in any dispute and litigation. Party B guarantees the shares of listed company does not exist any pledge or guarantee, or other ways which makes the shares cannot be transferred, and it is not involved in any dispute and litigation. Otherwise, it will undertake the related responsibilities.
- 3.3 Both Party A and Party B guaranteed that the swap of equity/shares under the Agreement does not violate the Articles of Association of both Parties, or any sealed contract or agreement which entered into by such Party with any third party, and shall handle procedures or signing of related documents in accordance with Articles of Association. In case if Articles of Association of either Party or due to reasons which relates to the regulations of such sealed contract or agreement, such that the Agreement cannot be effective, the defaulting party shall have to compensate all the losses that the observant party suffers.
- 3.4 Upon the signing of the Agreement, Party A shall provide Party B all legal documents that shareholders whom are entitled to equity swap require.

- 3.5 Upon the signing of the Agreement, Party B shall provide Party A all legal documents that shareholders whom are entitled to equity swap require.
- 3.6 Up to the date of shares registrar completion date of listed company, accumulated undistributed profit and profits (or losses) and provident fund, which shares of listed company are entitled in proportion with the shares of listed company, shall be enjoyed by Party A.
- 3.7 Up to the date of completion of change of business transfer of subject equity, accumulated provident fund and profits (or losses), which subject equity is entitled in proportion with Minghui Tianhai, shall be enjoyed by Party B.
- 3.8 Upon the Agreement taking effect, Party A and Party B shall be obliged to perform all acts which are necessary such as data transfer, and sign all documents which are necessary, in order to achieve the objective of the Agreement.
4. Conditions of registration of transfer
- 4.1 Both parties agreed that, in accordance with the PRC law, Party A shall take or assist to take the procedures for the transfer of state-owned property rights and change of business registration of equity transfer of Minghui Tianhai's equity, within 45 working days from the date of the Agreement taking effect.
- 4.2 Both parties agreed that, Party B shall submit application to the Stock Exchange and the Clearing Company or procure the listed company to submit application to the Stock Exchange and the Clearing Company, as well as completing the equity transfer procedures of the listed company, within 45 working days from the date of the Agreement taking effect.
- 4.3 The taxes and expenses incurred in the equity transferring process will be borne by Party A and Party B, respectively, in accordance with relevant law and regulations.
5. Amendment and release of the Agreement
- 5.1 Any amendment of the Agreement shall be negotiated by both Parties, and written amendment agreement has to be entered. In case a consensus cannot be reached, the Agreement shall be continued to be effective.
- 5.2 In case both Parties agree to terminate the performance of the Agreement, and written termination agreement has to be entered.

6. Settlement of disputes

In case disputes arising from the executive of the Agreement, both Parties shall be settled by friendly negotiation. In case it cannot be settled by friendly negotiation, either party shall apply arbitration to Beijing Arbitration Commission.

7. Confidentiality clause

Both Party A and Party B shall keep all commercial secrets which the Parties to the Agreement involves, except those which are required by laws and regulations or required by judiciary, arbitration institutions, administrative bodies, regulatory agencies, to assume the disclose obligation, or disclosure which is necessary for the execution of the Agreement or disclosure in order to seek professional advice.

8. Liability for breach of agreement

8.1 Apart from force majeure, it shall constitute a breach of agreement if any party does not perform or fails to perform promptly or properly any obligation ought to be performed under the Agreement or contravenes any statement, warranty or undertaking under the Agreement. The breaching party shall be liable for compensation of all losses incurred by its default and the scope of compensation includes but not limited to all payments, costs or expenses arising from or in connection with the settlement of any claims, or the enforcement of verdicts, judgments or arbitral awards in respect thereof.

8.2 Party B shall fully pay the cash consideration to Party A within 45 working days from the date of the Agreement taking effect; in case of any outstanding payment, liquidated damages shall be charged calculated on the of outstanding payables times 0.05%.

9. The conditions precedent of the Agreement taking effect

9.1 The Agreement shall be effective upon the signing by the legal representative or authorized representative of both Parties and sealed by a stamp, and subject to the date on which the following conditions precedent are fully satisfied:

1. Resolutions shall be approved by shareholders of Minghui Tianhai, and which states that other shareholders of Minghui Tianhai waive the pre-emptive rights to purchase the subject equity and also approve the transaction. Internal authority (Board and general meeting) of Jingcheng Company approves the resolution and approves the Transaction;
2. Approval for the Transaction by State-owned Assets Supervision and Administration Commission of the State Council;

3. Approval from other government regulation authority (if necessary).

9.2 In case that any of the conditions precedent of the Agreement is not satisfied, the Agreement will not take effect. Each of both Parties shall pay the costs incurred by signing and performing the Agreement and no responsibilities shall be borne by any one of the Parties.

V. The purpose of connected transaction and the impact on listed companies

(1) The purpose of Transaction

Prior to the shares swapping, Tianhai Industrial is responsible for the actual operation of Minghui Tianhai, which is the holding subsidiary of Tianhai Industrial, and Tianhai Industrial is the wholly-owned subsidiary of Jingcheng Company. It is beneficial for Jingcheng Company to resolve the urgent needs of further integration of business and operation of Tianhai Industrial and Minghui Tianhai, hence further lowering the cost of operation and enhancing operation efficiency by acquiring small number of shareholder' equity interest in Minghui Tianhai by Jingcheng Holding.

(2) The impact of the Transaction on financial condition and operation results of the Company

Upon the completion of the Equity Swap, Jingcheng Holding will directly hold 61.48% equity interest of Minghui Tianhai. Jingcheng Holding will still in compliance with the article of association of Minghui Tianhai and the actual management rights of Minghui Tianhai remains in Tianhai Industrial.

The Equity Swap does not affect the personnel independence, asset integrity and financial independence of Minghui Tianhai. Minghui Tianhai still possesses independent operation and operation place. Minghui Tianhai retains its independence in the aspects of procurement, production, sales and intellectual property.

VI. The Procedure for considering connected transaction

(1) Voting of the Board

On 26 January 2016, the fifteenth extraordinary meeting of the eighth session of the board of directors of the company has approved the resolution in relation to Beijing Tianhai Industrial Co., Ltd., a subsidiary of the Company waiving its right of first refusal and connected transactions under the Capital Increase Agreement of Beijing Minghui Gas Storage and Transportation Equipment Sales Co., Ltd. 10 out of the 11 eligible directors attended the meeting in person, Mr. Fan Yong, a director, was absent due to other business engagement and had appointed Mr. Yang Xiaohui, a director, to attend the meeting on his behalf and exercise his voting right. Mr. Wang Jun, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan, being connected directors, abstained from voting for the resolution. The poll result of the resolution: 7 affirmative votes, 0 dissenting vote, and 0 abstention vote.

(2) Opinion from Independent Directors

We, being the independent directors of the Company, after seriously reviewing the relevant material, express our independent opinion about the connected transaction passed duly on the fifteenth extraordinary meeting of the eighth session of the board of directors of the company as follow:

1. The agreement of the connected transaction of the Company discussed on the fifteenth extraordinary meeting of the eighth session of the board of directors of the Company is to monitor the discloseable information and decision making procedures of the Company.
2. The subscription of the equity interest in Minghui Tianhai held by Beijing Jingguofa Equity Investment Fund (limited partnership) and Beijing Bashi Media Co., Ltd., by Beijing Jingcheng Machinery Electric Holding Co., Ltd. is conformed to the need of corporate operation business and long-term strategic development. It is in the best interest of the company and its shareholder as a whole. In line with the principle of fair transaction and marketization, the pricing is objective, fair and reasonable as well as in compliance the requirement of the relevant law and regulation and the article of association of the Company. The case of damaging the Company and its shareholders, especially the interest of minority shareholders would not exist.
3. During the discussion and voting, Mr. Wang Jun, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan, being connected directors, abstained from voting for this resolution. Such connected transaction does not exist the case of damaging the Company and its shareholders, especially the interest of minority shareholders.

(3) Written Audit Opinion from the Audit Committee of the Board

On 26 January 2016, pursuant to the relevant requirements of Listing Rules of the Shanghai Stock Exchange, Implementation Guidance of the Connected Transaction and the Article of Association and Rules of the Audit Committee Procedure, the Company held the the ninth meeting of the Audit Committee of the eighth session of the board of directors of the company, three members of the Audit Committee has seriously reviewed the connected transaction involved in the resolution in relation to Beijing Tianhai Industrial Co., Ltd., a subsidiary of the Company waiving its right of first refusal and connected transactions under the Capital Increase Agreement of Beijing Minghui Gas Storage and Transportation Equipment Sales Co., Ltd. and express the following audit opinion.

1. The subscription of the equity interest in Minghui Tianhai held by Beijing Jingguofa Equity Investment Fund(limited partnership) and Beijing Bashi Media Co., Ltd., by Beijing Jingcheng Machinery Electric Holding Co., Ltd. is conformed to the need of corporate operation business and long-term strategic development. It is in the best interest of the Company and its shareholder as a whole. In line with the principle of fair transaction and marketization, the pricing is objective, fair and reasonable as well as in compliance the requirement of the relevant law and regulation and the article of association of the Company. The case of damaging the Company and its shareholders, especially the interest of minority shareholders would not exist.
2. Agreed to submit the connected transaction to the fifteenth extraordinary meeting of the eighth session of the board of directors of the company for approval.

VII.The risk analysis of the Transaction

1. According to requirement of the law and regulation, the Equity Swap still needs to be fulfilled its internal decision making procedures and obtained the approval from the authority such as SAC and HKSF. There is uncertainty on whether such case can be approved and the risk of being disapproved exists.
2. The Company will pay attention to the ongoing development of the Equity Swap and fulfill the obligation of disclosing the information pursuant to the requirements of the Listing Rules of Shanghai Stock Exchange, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Article of Association. The investors should take precaution to the investment risks.

VIII.Documents available for inspection

1. The Resolution of the fifteenth extraordinary meeting of the eighth session of the board of directors of the Company;
2. The Resolution of the sixteenth meeting of the eighth session of the Supervisory Committee;

3. Independent Opinion From Independent Directors;
4. Independent Directors Opinion signed by Independent Directors for Confirmations;
5. The Written Audit Opinion of the Connected Transaction from the Audit Committee of the Board;
6. Equity Transfer and Swap Agreement;
7. Valuation Report;
8. Audit Report;
9. The approved documents from Beijing SAC in relation to the valuation of the equity transfer of Minghui Tianhai.

The board of directors of
Beijing Jingcheng Machinery Electric Company Limited

Beijing, the PRC, 27 January 2016

As at the date of this announcement, the Board comprises Mr. Wang Jun, Mr. Chen Changge, Mr. Li Junjie and Mr. Du Yuexi as executive directors, Mr. Xia Zhonghua, Ms. Jin Chunyu and Mr. Fu Hongquan as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.

As at the date of this announcement, the board of directors of Beijing Jingcheng Machinery Electric Holding Co., Ltd. ("Jingcheng Holding") comprises 7 directors namely, Mr. Ren Yaguang, Mr. Chou Ming, Mr. Zhao Ying, Mr. Qi Jianbo, Mr. Bai Jinrong, Mr. Xie Baitang and Mr. Wang Guohua.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to the Jingcheng Holding and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The directors of the Jingcheng Holding jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Jingcheng Holding, Jingcheng Holding Europe GmbH and Beijing Jingcheng International Financial Leasing Co., Ltd. and parties acting in concert with any of them, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.