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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)**

**CONNECTED TRANSACTION  
IN RELATION TO  
TECHNOLOGY TRANSFER AGREEMENT**

On 15 January 2015, Tianhai Cryogenic, an indirect non-wholly owned subsidiary of the Company, as the transferee and Kerui Nike as the transferor entered into the Technology Transfer Agreement pursuant to which Tianhai Cryogenic will purchase from Kerui Nike the special technology ownership in design, manufacturing technology and patent application rights for the cryogenic tank equipment with volume over 100m<sup>3</sup>.

As at the date of this announcement, Kerui Nike is a substantial shareholder of Tianhai Cryogenic holding 25% interest in Tianhai Cryogenic. Tianhai Cryogenic is an indirect non-wholly owned subsidiary of the Company. Therefore, Kerui Nike is a connected person of the Company under Chapter 14A of the Listing Rules and the Technology Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Technology Transfer Agreement are more than 0.1% but less than 5%, the Technology Transfer Agreement are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**TECHNOLOGY TRANSFER AGREEMENT**

Date: 15 January 2015

**Parties:**

- (1) Tianhai Cryogenic as transferee
- (2) Kerui Nike as transferor

**Material terms:**

Kerui Nike will sell the design and manufacturing technology for the cryogenic tank equipment with volume over 100m<sup>3</sup> to Tianhai Cryogenic.

Kerui Nike will guarantee that the transfer of Cryogenic Tank Technology will be completed before 31 December 2019.

Both parties jointly established the project inspection team which was appointed by Tianhai Cryogenic to be responsible for the inspection and acceptance for the Cryogenic Tank Technology delivered by Kerui Nike.

The project inspection team will submit the technology inspection report to the Board of Tianhai Cryogenic every year to report the progress of the transfer of Cryogenic Tank Technology.

**Consideration:**

The total consideration for the Technology Transfer Agreement is RMB20,000,000, which was arrived at after arm's length negotiations between Tianhai Cryogenic and Kerui Nike with reference to the appraised value of the Cryogenic Tank Technology of RMB21,020,000 as at 30 June 2014 based on the valuation report prepared by Beijing Fangxin Assets Appraisal Co. Ltd. (北京方信資產評估有限公司) (“**Beijing Fangxin**”), an independent valuer based on discounted cash flow method.

The appraised value of the Cryogenic Tank Technology constitutes a profit forecast under Rule 14.61 of the Listing Rules, and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. Please refer to the section headed “Principal Assumptions relating to the Valuation” in this announcement for the details of the principal assumptions for compliance with Rule 14.62 of the Listing Rules.

**Payment terms:**

After the technical information in relation to the cryogenic tank equipment with volume over 100m<sup>3</sup> are delivered to the project inspection team of Tianhai Cryogenic, Tianhai Cryogenic will pay the consideration to Kerui Nike under the Technology Transfer Agreement in five years by yearly installments of RMB4,000,000 each.

## **Principal Assumptions relating to the Valuation**

Beijing Fangxin was engaged to conduct the valuation of the Cryogenic Tank Technology. The appraised value of the Cryogenic Tank Technology, prepared on a discounted cash flow method, amounts to RMB21,020,000. In this respect, the appraised value of the Cryogenic Tank Technology constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of Listing Rules are applicable.

Pursuant to Rule 14.62 of the Listing Rules, the following are the principal assumptions upon which the valuation report was issued:

- (1) It is assumed that the application of the subject technology will not violate the national laws and social security interests and will not infringe any rights protected by the laws, including the patent rights.
- (2) It is assumed that the subject asset is used according to the objectives and usages stated under the relevant transfer agreements.
- (3) This assessment is made based on the asset scale and production capacity after the addition of equipment stated in the “major equipment list and load statistics” with normal use on top of the existing asset scale and production capacity of Tianhai Cryogenic.
- (4) Kerui Nike warranted the practicability, reliability and the commercial value of such technology and guaranteed that it is the legal obligee of such technology and that right shall not have any ownership dispute or defect and shall not infringe the intellectual property right of any third party or other legal rights.
- (5) Kerui Nike warranted that Tianhai Cryogenic will apply such technology and manufacture such technology worldwide while the sale of products will not infringe the intellectual property rights of any third party and it will not be alleged for infringement.
- (6) Kerui Nike warranted that the products produced by such technology which was transferred by Kerui Nike complied with the requirements of acceptable products of relevant manufacturing countries and imported countries such as the PRC, the US and European Union. The specific standards are GB150, ASME, EN13458-2, etc.
- (7) This forecast is based on the prevailing market condition without taking into account of any unexpected and material market changes and movements in the future, such as economic crisis and hyper-inflation.
- (8) This forecast is based on the current national laws, regulations, tax policies and bank interest rate without taking into account of any unexpected and material changes in the future.
- (9) The subject intangible asset is the complete asset for which its future expected gains can be measured with currency and possesses independent profitability.

(10) The future operating annual incomes and costs generated by the subject intangible asset could be estimated and reliably measured.

(11) Material adverse impact caused by other force majeure and unforeseeable factors.

Shinewing Certified Public Accountants LLP (“**Shinewing**”), the auditors of the Company has confirmed that they have reviewed the calculations and the accounting policies for the profit forecast of Cryogenic Tank Technology.

The Board has reviewed the principal assumptions upon which the profit forecast of Cryogenic Tank Technology is based and is of the view that such profit forecast has been made after due and careful enquiry.

A letter from Shinewing and a letter from the Board have been submitted to the Exchange for the purpose of Rule 14.62 of the Listing Rules and are respectively included in Appendices I and II to this announcement.

### **Reasons for and benefits of entering into the Technology Transfer Agreement**

This transaction is made for the purpose of the steady development of Tianhai Cryogenic, upgrading the product and increasing the core competitiveness. After taking into account of the good prospects of the current cryogenic tank market, Tianhai Cryogenic expanded its product scale, developed new products and purchased the technology of large-scale cryogenic tank from Kerui Nike.

Upon the completion of such transaction, the design and manufacturing ability of large cryogenic tank will be highly improved which could increase the operating results and profitability as a whole in the future.

The Directors (including the independent non-executive Directors) consider that the transactions under the Technology Transfer Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the transaction is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

None of the Directors has material interest in the Technology Transfer Agreement.

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

As at the date of this announcement, Kerui Nike is a substantial shareholder of Tianhai Cryogenic holding 25% interest in Tianhai Cryogenic. Tianhai Cryogenic is an indirect non-wholly owned subsidiary of the Company. Therefore, Kerui Nike is a connected person of the Company under Chapter 14A of the Listing Rules and the Technology Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Technology Transfer Agreement are more than 0.1% but less than 5%, the Technology Transfer Agreement are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

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

Tianhai Cryogenic is principally engaged in the manufacture of cryogenic tanks, tank bodies for tank trucks and tank containers; sale and maintenance of cryogenic tanks, tank bodies for tank vehicles, tank containers, sale of machinery equipment, metal manufacturing, computer software and hardware and auxiliary equipment, chemical industrial products.

General scope of operation of Kerui Nike: scientific and technological development; conference service; exhibitions; sale of other mechanical equipment; chemical industrial products (excluding dangerous chemicals), hardware and electrical equipment, computer software and auxiliary equipment; import and export of goods and technologies and import and export agent.

## **EXPERT AND CONSENTS**

The qualifications of the experts who have given their opinion and advice in this announcement in connection with the valuation of the Cryogenic Tank Technology are as follows:

<b>Name</b>	<b>Qualifications</b>
Beijing Fangxin Assets Appraisal Co. Ltd. (北京方信資產評估有限公司)	Valuer
Shinewing Certified Public Accountants LLP	Certified public accountants

As at the date of this announcement, neither Beijing Fangxin nor Shinewing has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Director's knowledge, information and belief, each of Beijing Fangxin and Shinewing is a third party independent of and not connected with the Company or the connected person of the Group.

Each of Beijing Fangxin and Shinewing has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which it is included.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	北京京城機電股份有限公司 (Beijing Jingcheng Machinery Electric Company Limited), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchanges
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Cryogenic Tank Technology”	the special technology ownership by Kerui Nike in design, manufacturing technology and patent application rights for the cryogenic tank equipment with volume over 100m <sup>3</sup>
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kerui Nike”	北京柯瑞尼克科貿有限公司 (Beijing Kerui Nike Science Trading Co., Ltd.), a company incorporated in the PRC and holding 25% interests in Tianhai Cryogenic
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“m <sup>3</sup> ”	cubic metres
“PRC”	People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules

“Technology Transfer Agreement”	the agreement (技術轉讓合同) entered into between Tianhai Cryogenic and Kerui Nike dated 15 January 2015, particulars of which are set out in the section headed “Technology Transfer Agreement”
“Tianhai Cryogenic”	北京天海低溫設備有限公司 (Beijing Tianhai Cryogenic Equipment Co., Ltd.), a limited liability company established in the PRC and is 75% owned by Tianhai Industrial and 25% owned by Kerui Nike
“Tianhai Industrial”	北京天海工業有限公司 (Beijing Tianhai Industry Co., Ltd.), a limited liability company established in the PRC and is 100% owned by the Company
“%”	per cent

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

Beijing, the PRC, 15 January 2015

*As at the date of this announcement, the board of directors of the Company comprises Mr. Hu Chuanzhong, Mr. Li Junjie and Ms. Jiang Chi as executive directors, Mr. Zhou Yongjun, Ms. Chang Yun and Mr. Xia Zhonghua as non-executive directors and Ms. Wu Yan, Mr. Liu Ning, Mr. Yang Xiaohui and Mr. Fan Yong as independent non-executive directors.*

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

## **APPENDIX I – LETTER FROM SHINEWING**

### **VALUATION OF THE PROPOSED ACQUIRING ASSETS OF BEIJING TIANHAI CRYOGENIC EQUIPMENT CO., LTD.**

#### **REPORT ON VALUATION OF THE DISCOUNTED FUTURE CASH FLOWS**

#### **THE BOARD OF DIRECTORS OF BEIJING JINGCHENG MACHINERY ELECTRIC COMPANY LIMITED**

Beijing Fangxin Assets Appraisal Co. Ltd. (北京方信資產評估有限公司) has issued an asset valuation report dated 18 July 2014 in respect of the “ultra-large cryogenic tank design and manufacturing technology” (the “Acquiring Asset”) proposed to be acquired by Beijing Tianhai Cryogenic Equipment Co., Ltd. in its fair value as at 30 June 2014 with reference to the discounted future cash flows. The valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **RESPONSIBILITIES**

The directors of Beijing Jingcheng Machinery Electric Company Limited (the “Directors”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the valuation. The discounted future cash flows do not involve the adoption of accounting policies.

#### **BASIS OF OPINION**

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.



## **OPINION**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the valuation.

## **OTHER MATTERS**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Acquiring Asset or an expression of an audit or review opinion on the valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

**Shinewing Certified Public Accountants LLP**  
*Certified Public Accountants*

Beijing, the PRC, 15 January 2015

## **APPENDIX II – LETTER FROM THE BOARD**

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

#### **Opinion in relation to the income valuation approach adopted for acquisition of large cryogenic tank technology of Beijing Kerui Nike Science Trading Co., Ltd. by Beijing Tianhai Cryogenic Equipment Co., Ltd.**

The board of directors (the “Board”) of Beijing Jingcheng Machinery Electric Company Limited convened the third extraordinary meeting of the eighth session of the Board on 15 January 2015, at which the resolution on the acquisition of large cryogenic tank technology of Beijing Kerui Nike Science Trading Co., Ltd. by Beijing Tianhai Cryogenic Equipment Co., Ltd. was passed and approved. The voting of the resolution was as follows: 10 directors attended the meeting with 10 affirmative votes, 0 dissenting vote and 0 abstention vote.

The Board issued its opinion on the adoption of income valuation approach:

Beijing Fangxin Assets Appraisal Co. Ltd. (北京方信資產評估有限公司) issued the valuation report titled 北京天海低溫設備有限公司擬購買北京柯瑞尼克科貿有限公司無形資產資產評估報告書(方(評)報字第2014020號). The Board considers that the major valuation bases of the estimated future incomes or cash flows of the subject transaction for the future years, major valuation parameters such as the discounted rate of the income approach used for the calculation model and valuation conclusions are made after due and careful enquiries.

The Board of  
**Beijing Jingcheng Machinery Electric Company Limited**

15 January 2015