



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 FUNDRAISING MANAGEMENT MEASURES

(In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.)

Chapter 1 General Provisions

- Article 1 In order to standardize the management and utilization of the raised funds of Beijing Jingcheng Machinery Electric Company Limited (hereinafter referred to as the “**Company**”) and safeguard the interests of investors, these Measures are formulated in accordance with the requirements of the Securities Law, the Company Law, the Management Measures for the Issuance of Securities by Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Guidelines for the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Utilization of Raised Funds etc., and taking into account the Company’s actual conditions.
- Article 2 The raised funds referred to in these Measures means funds raised for specific use through the public offering of securities by the Company (including initial public offering, placement, the issuance of additional shares, issuance of convertible corporate bonds and issuance of convertible corporate bonds with attached warrants, corporate bonds and warrants etc.) and by non-public offering of securities from investors.
- Article 3 When the raised funds are collected, capital verification procedures shall be carried out in a timely manner by the Company, and a capital verification report shall be prepared by an accounting firm which complies with the provisions of the Securities Law. The Company shall organize the utilization of the raised funds according to the plan for the use of raised funds as set forth in the prospectus immediately. The utilization of raised funds shall follow the principles of careful planning, detailed consideration, standardized operation, openness and transparency.

Article 4 The raised funds from the public issuance of shares must be used by the Company in accordance with the purposes of the funds as set out in the prospectus.

No one has the power to change the use of raised funds of the Company as announced in the prospectus of raised funds unless a resolution is passed at the general meeting of the Company in accordance with the law.

Article 5 In case any breach of these Measures has incurred any loss (including financial loss and reputational loss) on the Company, the responsible person shall receive punishment according to the specific situation and bear the corresponding civil compensation liability where necessary.

Chapter 2 Deposit of the Raised Funds

Article 6 The raised funds of the Company shall adhere to the principles of centralized deposit and convenience for supervision.

The raised funds shall be deposited into special account(s) (hereinafter referred to as the “**Special Account(s) for Raised Funds**”) set up with the approval of the Board for centralized management.

Article 7 The raised funds shall be deposited in a special account set up in a bank by the Company. A special account management agreement for the raised funds shall be entered into between the bank and the Company.

The Company shall enter into a tripartite supervision agreement for the deposit in the Special Account(s) for Raised Funds with the sponsor(s) and the commercial bank where the raised funds are deposited in (hereinafter referred to as the “**Commercial Bank**”) within one month of the arrival of the raised funds. The agreement shall include at least the following:

1. the Company shall deposit the raised funds in the special account;
2. where the amount drawn by the Company once at a time or aggregately within 12 months exceeds RMB50 million from the special account and accounts for 20% of the net amount of the total raised funds minus the issuance cost (hereinafter referred to as “**Net Raised Funds**”), the Company shall notify the sponsor(s) in a timely manner;
3. the Commercial Bank shall issue a bank reconciliation statement to the Company on a monthly basis, and copy them to the sponsor(s);
4. the sponsor(s) may inquire the information of the special account in the Commercial Bank at any time;

5. the liability of the Company, the Commercial Bank and the sponsor(s) for breaching the agreement.

Where the Company implements a fundraising project through controlled subsidiaries, the tripartite supervision agreement shall be signed among the Company, the controlled subsidiaries which will implement the fundraising projects, the Commercial Bank and the sponsor(s). The Company and its controlled subsidiaries shall together be deemed as a common party.

The Company shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the above-mentioned agreement.

Where the above-mentioned agreement is terminated early before the expiration of validity term due to reasons such as the change of sponsor(s) or Commercial Bank, the Company shall enter into a new agreement with relevant parties within 2 weeks from the date of the termination of the agreement, and shall report to the Shanghai Stock Exchange for record and make an announcement within 2 trading days upon the execution of the new agreement.

Article 8

When the raised funds are over RMB50 million, and it is necessary to open special accounts in more than one bank because of loan arrangements, it shall adhere to the principle of depositing funds for the same investment project in the same special account.

Chapter 3 Use of Raised Funds

Article 9

In principle, the raised funds of the Company shall be used for its principal business. The Company shall be refrained from the following acts when using the raised funds:

1. the raised funds investment project being financial investments such as tradable financial assets and available-for-sale financial assets, loan to others, entrusted financial management etc., direct or indirect investments in companies whose principal business is to trade marketable securities;
2. change the use of raised funds in a disguised way through pledge, entrusted loan or by other means;
3. provide the raised funds directly or indirectly for the use of connected persons such as the controlling shareholders or actual controllers to provide convenience for the generation of illegitimate benefits from investment project using the raised funds by connected persons;

4. other acts that lead to a breach of any provision of the raised funds management measures.

Article 10

The Company shall prepare and approve the proposal for the use of raised funds in accordance with the following procedures:

1. the department of the Company responsible for the project prepares a proposal for the use of raised funds (draft) based on the feasibility report of the raised funds investment project;
2. the proposal for the use of raised funds (draft) shall be reviewed in the general manager work meeting;
3. the proposal for the use of raised funds (draft) shall be approved by the Board.

Article 11

When using the raised funds, an application form shall be completed by the department (unit) using the raised funds, which shall be jointly signed by the chairman of the Board, general manager and the chief accountant and executed by the finance department.

Article 12

When the use of raised funds exceeds the planned limit or requirement, and the exceeded amount is within 10% of the planned limit (including 10%), a decision shall be made in the general manager office meeting; if the exceeded amount is above 10% of the planned limit, it shall be approved by the Board.

Article 13

The raised funds investment project shall be strictly funded according to the project's budget. In case there is any special reason in which the budget has to be exceeded, the following procedures have to be followed for consideration and approval:

1. the department of the Company responsible for the project prepares an investment project over-budget report which states in details the reason for over-budget, explanation on the preparation of new budget and measures to control budget;
2. if the actual investment amount exceeds the budget by 5% or less (including 5%), it shall be approved by the general manager office meeting;
3. if the actual investment amount exceeds the budget by 5%-10% (including 10%), it shall be approved by the Board;
4. if the actual investment amount exceeds the budget by more than 10%, it shall be approved by the general meeting.

Article 14

The temporarily unused raised funds can be used for cash management, and the invested product shall meet the following conditions:

1. high safety, meet the requirements of capital preservation, and the product issuer can provide an undertaking on capital preservation;
2. good liquidity and will not affect the normal operation of the raised funds investment plan.

The invested product may not be pledged, and the product-specific settlement account (if applicable) may not include funds other than raised funds or be used for other purposes. When establishing or cancelling the product-specific settlement account, the Company shall report to the Shanghai Stock Exchange for record within 2 trading days and make an announcement.

Where the unused raised funds are used to invest in products, it shall be considered and approved by the Board of the listed company. The independent directors, supervisory committee and sponsor(s) shall issue an express affirmative opinions and the following information shall be announced within two trading days after the Board meeting:

1. the basic information on the raised funds, including the raising time, the amount of raised funds, Net Raised Funds, investment plans etc.;
2. the information on the use of raised funds;
3. the limit and duration of the unused raised funds for investing in products, whether there is any act of changing the use of raised funds in disguise and the measures for ensuring the normal operation of the raised funds project is not affected;
4. the income distribution method, investment scope and safety of the invested products;
5. opinions issued by independent directors, supervisory committee and the sponsor(s).

Article 15

Unused raised funds can be temporarily used to supplement the cash flow provided that the following conditions are met:

1. the use of raised funds shall not be changed in disguise, and normal operation of the raised fund investment plan shall not be affected;
2. the due raised funds previously used to temporarily supplement the cash flow has been repaid (if applicable);

3. it is limited to the production and operation relating to principal business, and may not be used for placement or subscription of new shares, or be used for trading of shares and its derivatives as well as convertible corporate bonds etc. through direct or indirect arrangement;
4. the longest time for each supplement of cash flow shall not exceed 12 months.

When the unused raised funds are used to temporarily supplement the cash flow, it shall be considered and approved by the Board of the listed company. The independent directors, supervisory committee and sponsor(s) shall issue an express affirmative opinions and the Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting.

The Company shall, prior to the due date of the supplement of cash flow, return such part of the funds to the Special Account(s) for Raised Funds and report to the Shanghai Stock Exchange and make an announcement within two trading days after the funds are returned in full.

Article 16

When the Company invested with self-raised funds in the raised funds investment project in advance, it may replace its self-raised funds with the raised funds within 6 months after the raised funds are received.

Replacement of the self-raised funds that have been invested in the raised funds investment project in advance by the Company with the raised funds shall be implemented only upon the consideration and approval by the Board of the Company, the issue of verification report by an accounting firm, the issue of express affirmative opinions from independent directors, supervisory committee and the sponsor(s) and the performance of information disclosure obligations.

In case the Company's intention to replace the pre-invested self-raised fund with the raised funds is disclosed in the application document for issuance and the pre-invested amount is confirmed, it shall be publicly announced before the implementation of the replacement.

Article 17

The portion of the actual Net Raised Funds of the Company that exceeds the amount of the planned raised funds (hereinafter referred to as "**Excess Funds**") may be used for permanently supplementing the cash flow or repaying bank loans, but the aggregated amount used within each 12 months may not exceed 30% of the total amount of raised funds, and the Company shall undertake not to make high-risk investment and provide financial assistance to others within 12 months after supplementing the cash flow.

Where the Excess Funds are used to permanently supplement the cash flow or repay bank loans, such use shall be subject to the consideration and approval by the Board and the general meeting of the Company. The express affirmative opinions shall be given by independent directors, the supervisory committee and the sponsor(s) and the Company shall, within 2 trading days after the Board meeting, report to the Shanghai Stock Exchange and announce the following information:

1. the basic information on this fundraising activity, including the raising time, the amount of raised funds, Net Raised Funds, Excess Funds and investment plans etc.;
2. the information on the use of raised funds;
3. the necessity and detailed plan for using Excess Funds to supplement the cash flow permanently or repay bank loans;
4. the undertaking of not to make high-risk investments and provide financial assistance to others within 12 months after supplementing the cash flow;
5. the effects of using Excess Funds to supplement the cash flow permanently or repay bank loans to the Company;
6. the opinions issued by the independent directors, the supervisory committee and the sponsor(s).

Article 18

When the Company uses Excess Funds in projects under construction and new projects (including acquisition of assets etc.), the investment shall be in the principal business. The sponsor(s) and independent directors shall issue special opinions and the Company shall conduct the feasibility analysis of the investment project scientifically and diligently and in accordance with relevant requirements for changing the fundraising project.

Article 19

When the raised funds investment project is used for establishing a joint venture company with others, the said joint venture company shall draw up a corresponding fundraising management measures, and submit it to the Board of the Company for consideration and approval together with the feasibility report of the investment project.

Article 20

Where the Company purchases assets from specific targets by issuing securities as a payment method, it shall ensure that the procedures for ownership transfer of the aforesaid assets are completed before the listing of the new shares. The law firm engaged by the Company shall issue a special legal opinion concerning the completion of the asset transfer procedures.

Where the Company purchases assets from specific targets by issuing securities as a payment method or for raising funds for the acquisition of assets, the relevant undertakings concerning acquisition of assets shall be strictly complied with and performed by relevant parties.

Article 21

After the completion of a single fundraising project, if the surplus raised funds (including interest income) of such project is to be used for other fundraising projects by the Company, it shall be subject to the consideration and approval by the Board and the express affirmative opinions given by independent directors, the sponsor(s) and the supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days after the Board meeting.

If the surplus raised funds (including interest income) is less than RMB1 million or less than 5% of the committed investment amount of the raised funds of the project, it can be exempted from the procedures mentioned above, and the use of such surplus shall be disclosed in the annual report.

If the surplus raised funds (including interest income) of any single fundraising project of the Company is used in non-fundraising projects (including supplementing cash flow), the Company shall refer to and carry out the corresponding procedures and disclosure obligations for the change of fundraising project.

Article 22

After all the fundraising projects are completed, if the surplus raised funds (including interest income) is above 10% of the Net Raised Funds, the use of the surplus raised funds by the Company is subject to the consideration and approval of the Board and general meeting and the issue of the express affirmative opinions of independent directors, sponsor(s) and supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting.

If the surplus raised funds (including interest income) is below 10% of the Net Raised Funds, the use of the funds is subject to the consideration and approval of the Board and the issue of the express affirmative opinions of independent directors, sponsor(s) and supervisory committee. The Company shall report to the Shanghai Stock Exchange and make an announcement within two trading days of the Board meeting.

If the surplus raised funds (including interest income) is below RMB5 million or below 5% of Net Raised Funds, it can be exempted from the procedures mentioned above, and the use of such surplus shall be disclosed in the latest periodic report.

Article 23 After the completion of the project, the person in charge of the project shall be responsible for the preparation of the project final accounts, and the Company shall organize the relevant departments to conduct the acceptance of the completed project and the audit of the final accounts.

Article 24 The project invested by the raised funds shall be consistent with the project as promised in the relevant prospectus on raised funds of the Company and shall not be changed in principle. If it is necessary to change the investment direction of raised funds due to market changes, the relevant provisions of Chapter 5 of these Measures must be followed.

Article 25 Individuals, legal persons or other organizations and their connected persons who have actual control of the Company are prohibited from using the raised funds of the Company.

Chapter 4 Change of Investment Direction of Raised Funds

Article 26 The Company shall use the raised funds according to the purposes specified in the prospectus or prospectus for raised funds. When the fundraising project of the Company is changed, it must be subject to the consideration and approval of the Board and the general meeting as well as the issue of express affirmative opinions of the independent directors, sponsor(s) and supervisory committee.

Where the Company merely changes the implementing site of the fundraising project, it may be exempted from the preceding procedures, but shall be subject to the consideration and approval of the Board of the Company. The Company shall report to Shanghai Stock Exchange and announce the reasons for the change and the sponsor's opinion within 2 trading days.

Article 27 The changed fundraising project shall be invested in the principal business.

Article 28 Where the Company intends to change the fundraising project, it shall report to the Shanghai Stock Exchange and announce the following information within 2 trading days upon submitting to the Board for consideration and approval:

1. the basic information of the original fundraising project and the specific reasons for the change;
2. the basic information of the new fundraising project, feasibility analysis and risk warning;
3. the investment plan of the new fundraising project;
4. the explanation on the approval that has been granted or pending from the relevant departments for the new fundraising project (if applicable);

5. opinions of the independent directors, supervisory committee and the sponsor(s) on the change of the fundraising project;
6. explanation that the changed fundraising project still needs to be submitted to the general meeting for consideration and approval;
7. such other information as required by the Shanghai Stock Exchange.

Where the new fundraising project involves connected transaction, acquisition of assets and foreign investment, the Company shall also make disclosure according to the requirements of relevant rules.

Article 29

Where the Company changes the fundraising project and uses the funds to acquire assets from the controlling shareholder or the actual controller (including equities), it shall ensure that it will effectively avoid horizontal competition and reduce connected transaction after the acquisition.

Article 30

Where the Company intends to transfer externally or replace the fundraising project (except for the fundraising project that has been wholly transferred externally or replaced during the implementation of material assets reorganization of the listed company), it shall, within 2 trading days after submitting to the Board for consideration and approval, report to the Shanghai Stock Exchange and announce the following information:

1. the specific reasons for the external transfer or replacement of the fundraising project;
2. the amount of raised funds already invested in the project;
3. the progress and realized benefits of the project;
4. the basic information, feasibility analysis and risk warning regarding the substitute project (if applicable);
5. the basis of pricing of the transfer or replacement and relevant benefits;
6. the opinions of the independent directors, supervisory committee and sponsor(s) in respect of the transfer or replacement of fundraising projects;
7. an explanation that the transfer or replacement of the fundraising project still needs to be submitted to the general meeting for consideration and approval;
8. such other information as required by the Shanghai Stock Exchange.

The Company shall pay full attention to the collection and use of the transfer price, the change in ownership of the substitute assets and the continuous operation of the substitute assets, and shall perform the necessary obligations relating to information disclosure.

Chapter 5 Management and Supervision on the Use of Raised Funds

Article 31 At least one office meeting shall be convened by the general manager or the chief accountant every month to review the use of raised funds.

Article 32 The general manager or the chief accountant shall make a special report to the Board in writing in respect of the use of the raised funds at the end of each quarter. A copy of the special report mentioned above shall also be sent to the supervisory committee.

Article 33 The Board shall comprehensively examine the progress of the fundraising project every half a year, and issue the “Special Report relating to the Deposit and Actual Use of the Raised Funds of the Company” (hereinafter referred to as the “**Special Report on the Raised Funds**”) based on the conditions of the deposit and use of raised funds.

The Company shall explain the specific reasons in the “Special Report on the Raised Funds” on the difference between the actual investment progress of the fundraising project and the investment plan. When investing in products by use of unused raised funds for the current period, the Company shall disclose information such as revenue for the reporting period and investment share at the end of the reporting period, signing parties, product name and maturity term in the “Special Report on the Raised Funds”.

The “Special Report on the Raised Funds” shall be subject to the consideration and approval by the Board and the supervisory committee, and shall be reported to the Shanghai Stock Exchange and announced within 2 trading days after submitting to the Board for consideration and approval. The Company shall appoint an accounting firm for issuance of a verification report based on the conditions of the deposit and use of raised funds at the time of annual audit, and shall submit it to the Shanghai Stock Exchange and disclose an announcement at the time of the disclosure of the annual report.

Article 34 Independent directors, the audit committee and the supervisory committee shall continuously pay attention to the actual management and use of the raised funds. More than half of the independent directors, the audit committee or the supervisory committee may appoint an accounting firm to issue a verification report on the deposit and use of raised funds. The Company shall proactively cooperate and bear the necessary expenses.

The Board shall report to the Shanghai Stock Exchange within 2 trading days following its receipt of the verification report as stipulated in the preceding terms and publish an announcement thereof. If the verification report is of the opinion that there is a violation regarding the management and use of raised funds by the Company, the Board shall also announce the situation concerning the violation regarding the deposit and use of raised funds, the consequences resulted in or possibly caused and measures adopted or intended to be adopted.

Article 35 The draft of the information disclosure of the use of raised funds shall be led by the secretary of the Board, and is reviewed and co-signed by the finance department and audit department.

Article 36 Daily supervision in respect of the use of raised funds shall be performed by the audit department of the Company. The audit department shall conduct a special audit on the use of the raised funds every half a year and the audit report shall be delivered to the Board, and a copy shall also be provided to the supervisory committee, the chairman of the Board and the general manager.

Article 37 Independent directors have the right to review the use of raised funds. With the consent of all independent directors, an accounting firm with securities business qualifications can be appointed to perform special audits in respect of the use of raised funds.

Article 38 The supervisory committee has the power to supervise the use of raised funds.

Chapter 6 Addendum

Article 39 These Measures are subject to approval of the Board of the Company and shall be submitted to the general meeting of the Company for approval, and shall take effect thereafter. Any amendment shall follow the same procedure.

Article 40 These Measures shall be construed and interpreted by the Board of the Company.

Article 41 These Measures are to be implemented from the date of approval at the general meeting of the Company.

The Board of Directors
Beijing Jingcheng Machinery Electric Company Limited