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## **SHANGHAI ELECTRIC GROUP COMPANY LIMITED**

### **上海電氣集團股份有限公司**

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

**(Stock Code: 02727)**

#### **CONNECTED TRANSACTION**

#### **DISPOSAL OF CERTAIN ASSETS OF SBW COMPANY**

##### **INTRODUCTION**

The Board is pleased to announce that, on 29 January 2021, the Board considered and approved the Relevant Resolution, pursuant to which, SBW Company, a wholly-owned subsidiary of the Company was approved to transfer certain of its assets to Development Company, at an estimated consideration of RMB174,307,146.87, which is subject to the final valuation result filed with state-owned assets authorities.

##### **LISTING RULES IMPLICATION**

As at the date of this announcement, Development Company is a wholly-owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 55.28% equity interest in the total issued share capital of the Company. Therefore, Development Company is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for the Transaction is more than 0.1%, but all the percentage ratios are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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##### **THE PROPOSED ASSET TRANSFER AGREEMENT**

### ***Parties***

SBW Company (Vendor); and  
Development Company (Purchaser).

### ***Transfer subject***

Certain trade receivables, other receivables, inventories and other non-current assets of SBW Company.

### ***Consideration***

The estimated consideration for the proposed asset transfer is RMB174,307,146.87.

### ***Major content***

#### 1. Transfer date and transfer consideration of the transfer subject

(1) The valuation benchmark date of the transfer subject under the asset transfer agreement shall be 30 June 2020. The transfer date of the transfer subject under this agreement shall be the effective date of this agreement.

(2) Development Company shall pay 95% of the transfer consideration within 30 days from the date of signing this agreement and upon completion by both parties of preparation of the transfer subject list and issue of the confirmation letters, in accordance with this agreement. The remaining amount shall be paid by Development Company upon its receipt of the invoice issued by SBW Company for physical assets.

(3) Based on the appraised value of the transfer subject as of 30 June 2020, as for the transfer of the transfer subject to Development Company by SBW Company, the transfer consideration required to be paid by Development Company to SBW Company shall be RMB174,307,146.87 (tax exclusive for the physical assets). Both parties shall jointly check and confirm the physical assets on the transfer list, and make relevant adjustment to the transfer consideration after excluding the appraised amount corresponding to the inventory shortage on the list. The adjusted transfer consideration after deduction of the amount paid by Development Company shall be paid by Development Company to SBW Company on a lump sum basis after completion of the check and confirmation and within 5 days from the date of receipt of the invoice issued by SBW Company for the physical assets.

The composition of the transfer subject is as follows:

Unit: RMB

Item	Trade receivables	Other receivables	Inventories	Other non-current assets	Total
Transfer consideration	124,611,881.17	532,041.00	8,877,612.41	40,285,612.29	174,307,146.87

(4) The beneficial interests in the transfer subject under the asset transfer agreement since 1 July 2020 shall belong to Development Company (the trade receivables recovered and belonging to Development Company as of 31 December 2020 after deduction of 10% as the service charge (tax inclusive) shall be offset directly against the first installment of the transfer consideration payable by Development Company to SBW Company).

2. The basis for final settlement of the transfer consideration: (1) the debts shall be settled in accordance with this agreement and the transfer list; and (2) the physical assets shall be settled in accordance with the invoice and the checking list.

3. Both parties shall be liable for their respective taxes and fees arising from carrying out of this agreement in accordance with relevant laws and regulations in the PRC, or shall undertake tax withholding and remitting obligations according to law.

4. This agreement shall take effect from the date of signature and sealing by legal or authorized representative(s) of both parties and the approval of Board of the Company.

### **Valuation of the Transfer Subject**

The transfer subject is certain assets of SBW Company and the transfer price is subject to the final appraised value recorded at state-owned assets supervision and administration authorities. Shanghai Shenwei Assets Valuation Co., Ltd. (上海申威資產評估有限公司) was engaged to conduct assets valuation for the disposal of certain assets using the cost approach with 30 June 2020 as the valuation benchmark date. The appraised value of the abovementioned assets is RMB174,307,146.87. The valuation results are as follows:

## Summary of Valuation Results

Unit: RMB'0,000

	Book value	Appraised value	Increase in value	Appreciation rate
Trade receivables	11,162	12,461	1,299	11.64%
Other receivables	53	53	-	-
Inventories	2,365	888	-1,477	-62.46%
Other non-current assets	4,029	4,029	-	-
Total	<b>17,608</b>	<b>17,431</b>	<b>-178</b>	<b>-1.01%</b>

As at the date of this announcement, the Company has owned the transfer target assets for over 12 months continuously.

### USE OF PROCEEDS FROM THE ASSET TRANSFER AND FINANCIAL IMPACT OF THE ASSET TRANSFER

The proceeds received under the asset transfer will be used to replenish SBW Company's working capital. The asset transfer is expected to result in a gain of approximately RMB1.78 million for the Company, which is estimated based on the difference between the consideration received under the asset transfer and the net book value of the assets disposed. The connected transaction will not have a material impact on the operation of the Company.

### REASONS FOR AND BENEFITS FROM THE TRANSACTION

The assets to be transferred are the idle assets left over after the SBW Company merged Shanghai Blower Factory Co., Ltd., a wholly-owned subsidiary of the Company, by absorption. The transfer of certain assets by SBW Company to Development Company by way of non-public agreement is conducive to replenishment of the working capital of SBW Company and will provide support for its healthy and sustainable development.

### OPINION FROM THE BOARD

Mr. Zheng Jianhua and Mr. Zhu Bin, both being Directors, hold directorship(s) or act as senior management in the SEC Group and its associates and thus have material interests in the Transaction. They have therefore abstained from voting on the Relevant Resolution. Save as disclosed above, none of the other Directors has material interests in the Transaction.

The Directors (including the independent non-executive Directors) consider that the consideration for the Asset Transfer was determined after arm's length negotiations and the transaction thereunder is on normal commercial terms in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its shareholders as a whole.

### LISTING RULES IMPLICATION

As at the date of this announcement, Development Company is a wholly-owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 55.28% equity interest in the total issued share capital of the Company. Therefore, Development Company is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for the Transaction is more than 0.1%, but all the percentage ratios are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION**

The Group is one of the largest industrial equipment manufacturing conglomerates in China engaged in the following principal activities: (i) the energy equipment segment: design, manufacture and sale of coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment and high-end vessels for chemical industry; and provision of power grid and industrial intelligent power supply system solutions; (ii) the industrial equipment segment: design, manufacture and sale of elevators, large and medium-size electric motors, intelligent manufacturing equipment, industrial basic parts, environmental protection equipment and construction industrialization equipment; and (iii) the integrated services segment: provision of energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; provision of industrial internet services; provision of financial services, covering financing leases and insurance brokerage; provision of international trade services; provision of high-end property services and etc. The ultimate beneficial owner of the Group is Shanghai State-owned Assets Supervision and Administration Commission.

SBW Company's main businesses include manufacturing and sales of power station boilers, industrial boilers, special boilers and their complete sets of equipment. The ultimate beneficial owner of SBW Company is Shanghai State-owned Assets Supervision and Administration Commission.

The Development Company is mainly engaged in asset management, restructure, disposal, management, entrusted corporate management, industrial investments and other businesses. The ultimate beneficial owner of Development Company is Shanghai State-owned Assets Supervision and Administration Commission.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;

“Company”	Shanghai Electric Group Company Limited, a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited under stock code 02727 and the A Shares of which are listed on the Shanghai Stock Exchange under stock code 601727;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s) ”	has the meaning ascribed thereto under the Listing Rules;
“Development Company”	Shanghai Electric Development Co., Ltd., a limited company established in the PRC and a subsidiary of SEC as at the date of this announcement;
“Directors”	the directors of the Company;
“Asset Transfer”	the proposed asset transfer of certain assets by SBW Company to Development Company at an estimated consideration of RMB174,307,146.87;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“Relevant Resolution”	The Resolution in Relation to the Transfer of Certain Assets by Shanghai Boiler Works Co., Ltd. to Shanghai Electric Development Co., Ltd. which was submitted to the Board for consideration on 29 January 2021;
“RMB”	Renminbi, the lawful currency of the PRC;
“SBW Company”	Shanghai Boiler Works Co., Ltd., a limited company established in the PRC and a wholly-owned subsidiary of the Company, as at the date of this announcement;
“SEC”	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司), the controlling shareholder (as

	defined in the Listing Rules) of the Company holding 55.28% equity interest in the total issued share capital of the Company as at the date of this announcement;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Transaction”	the proposed transaction under the asset transfer agreement to be entered into between SBW Company and Development Company in relation to the transfer of certain assets by SBW Company to Development Company; and
“%”	Percentage.

By order of the Board

**Shanghai Electric Group Company Limited**

**ZHENG Jianhua**

*Chairman of the Board*

Shanghai, the PRC, 29 January 2021

*As at the date of this announcement, the executive directors of the Company are Mr. ZHENG Jianhua, Mr. HUANG Ou, Mr. ZHU Zhaokai and Mr. ZHU Bin; the non-executive directors of the Company are Ms. YAO Minfang and Ms. LI An; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.*

*\* For identification purpose only*